

ANTECEDENTS AND CONSEQUENCES OF CORPORATE BRAND NAME REDEPLOYMENT

by

ANUPAM JAJU

(Under the direction of SRINIVAS K. REDDY)

ABSTRACT

For the past several years, there has been an increasing trend of a phenomenon in which firms decide to change their identities by redeploying their corporate or product brand names. These brand name redeployments, resulting from a merger or an acquisition deal occur in a variety of different approaches ranging from elimination of one brand, to concatenation of the brand names. The frequency and costs involved in these redeployment processes are exorbitantly high. In spite of these high stakes, the motives behind this corporate strategy are quite diverse, intriguing and, at times, vague. On one hand, researchers argue that brand name changes are a result of the firm's strategic decision to leverage equity and/or "broaden the scope of business." On the other hand, several theorists argue the motive on a rather selfish nature of the executive and/or the firm. Such variation in the firm's strategic choice motivates this investigation.

The objective of this study is to develop an understanding of the firm-, market- and transaction-specific antecedent factors that lead to these brand name redeployment decisions and subsequently, explore the consequences of this strategic action. This research uses the various theories of the firm relating to mergers and acquisitions (viz. Resource-based perspective, market and managerial power perspective, signaling theory etc.) and brand redeployments (brand extensions) to formulate a conceptual model of

antecedent factors influencing the brand name redeployment decision. The impacts of these factors are ascertained through an empirical analysis conducted over a sample of about 656 merger or acquisition transactions during the 1995-1999 period. Finally this research also incorporates an exploratory analysis of the performance-based consequences of these redeployments. The results indicate that relative standing, market overlap between the acquirer and the target firm and the transactional characteristics of the merger or acquisition have a significant impact on the brand name redeployment decision.

INDEX WORDS: Brand Management, Brand Redeployments, Corporate Brand Strategy, Market Overlap, Mergers and Acquisitions, Multinomial Logistic Model, Power, Relative Standing, Resource-based theory, Signaling theory.

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To my

Parents

(Late) Dr.B.P.Jaju and Mrs. Suman Jaju

For

Their love, support and sacrifice.

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CHAPTER I

INTRODUCTION

Introduction

Corporate stakeholders routinely rely on the identity and equity of firms in making investment decisions, career decisions and product choices (Dowling, 1986; Shimp and Bearden, 1982). These identities help the stakeholders develop an overall perception about the firm's capability in providing quality products and services. For the past several years, there has been an increasing trend of a phenomenon in which firms change their identities by pursuing a change in their corporate or product brand names. These name changes or brand name redeployments are either a result of some corporate action (e.g. a merger or acquisition deal – *Nations bank* changing name to *Bank of America*) or an attempt by the firm to reposition itself, or its product offerings¹ (e.g. *Bellsouth Mobility* renaming to *Cingular Wireless*). Subsequent to merger or acquisition (M&A) transactions, the name changes occur in a variety of approaches. In certain instances the merged firm decides to keep either the acquirer or the acquired's (target) name, while in other circumstances, the merged firm decides to append the acquirer and the target's name. For example, in the merger of *Bank of America* and *Nations Bank*, the *Bank of America* name was chosen for the merged company, whereas in case of the automobile giants – *Daimler Benz* and *Chrysler*, the two names were concatenated to

¹ Refer Appendix A for more examples.

form “*Daimler Chrysler*.” Such variations in firms’ strategic choices motivates this present investigation. The objective of this study is to develop an understanding of the firm- and transaction-specific antecedent factors that lead to brand name changes and study the consequences of this strategic action.

The costs and the frequency of these redeployments are exorbitantly high. To ensure that the new name does not translate into anything obscene in other languages, and is consistent with the image that the corporation wants to project, firms spend a lot of money on consultants who research the proposed new name (McQuade, 1984). In addition, much money is often spent on designing new corporate logos and on printing new stationery. Further financial expenses are incurred in advertising and promoting the new name. For example, Miles Inc. spent \$20 million on an ad campaign alone to promote the change of its name to Bayer (Rosendahl, 1995). In 1999, a total of 2733 US firms changed their corporate brand names. Over 53% of these name changes resulted from M&A transactions virtually across all segments of corporate businesses (refer Figure 1-1 and Figure 1-2). Each of these redeployments cost to the tune of \$20 million to more than \$200 million. For large corporate houses, popular press estimates redeployment costs in excess of hundreds of millions. For example, the renaming process subsequent to the merger of *Bank of America* and *NationsBank* is expected to cost around \$200 million. Similarly, re-branding and repositioning costs of Anderson Consulting to Accenture is targeted at about \$175 million. The costs involved are not limited to financial expenditures alone. Other problems such as deteriorating working relationships and low employee morale may occur in addition to financial expenses. In many instance

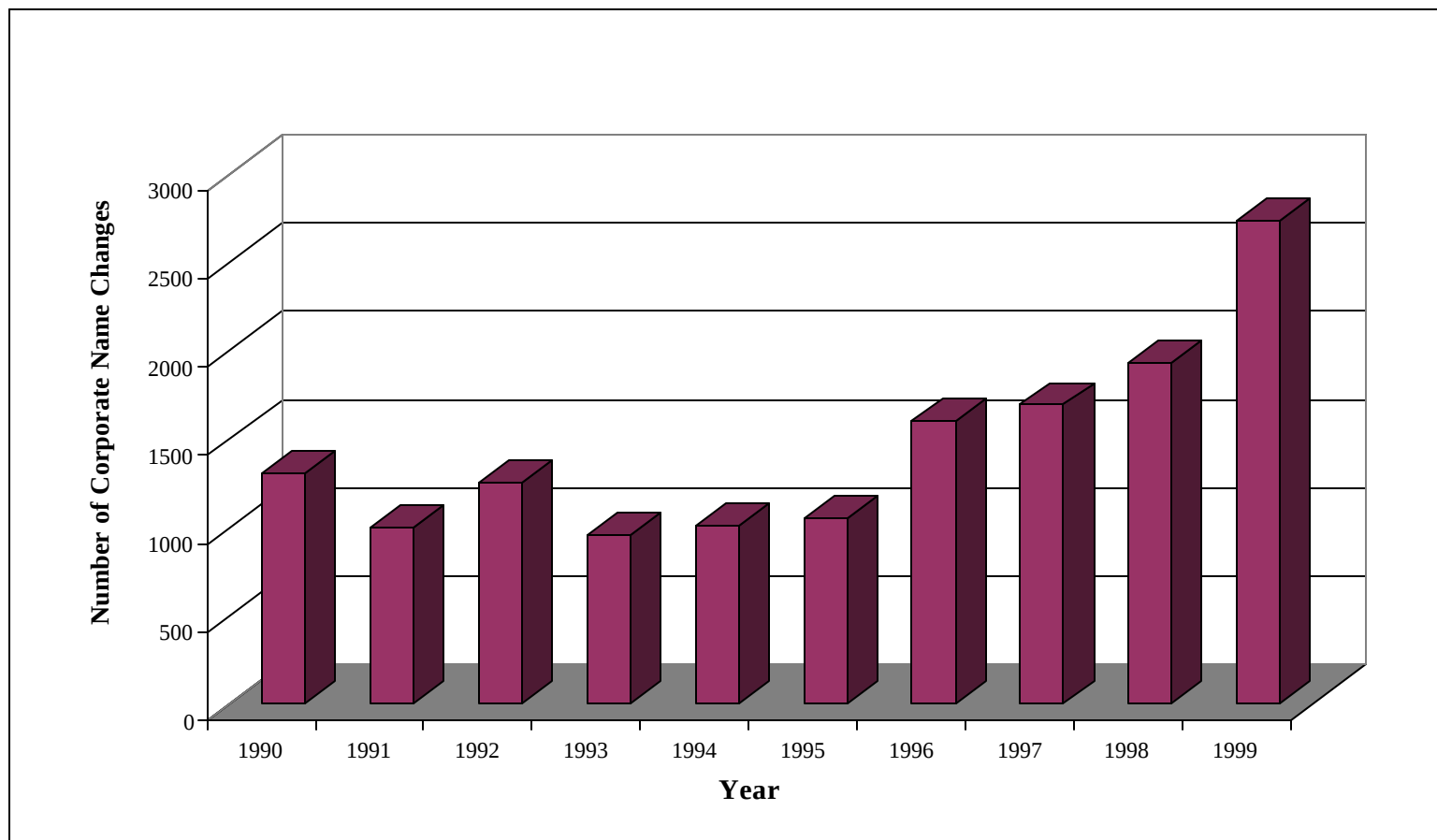


Figure 1-1: Corporate Brand Name Change Trend: 1989-2000
(Source: Enterprise IG, 2001)

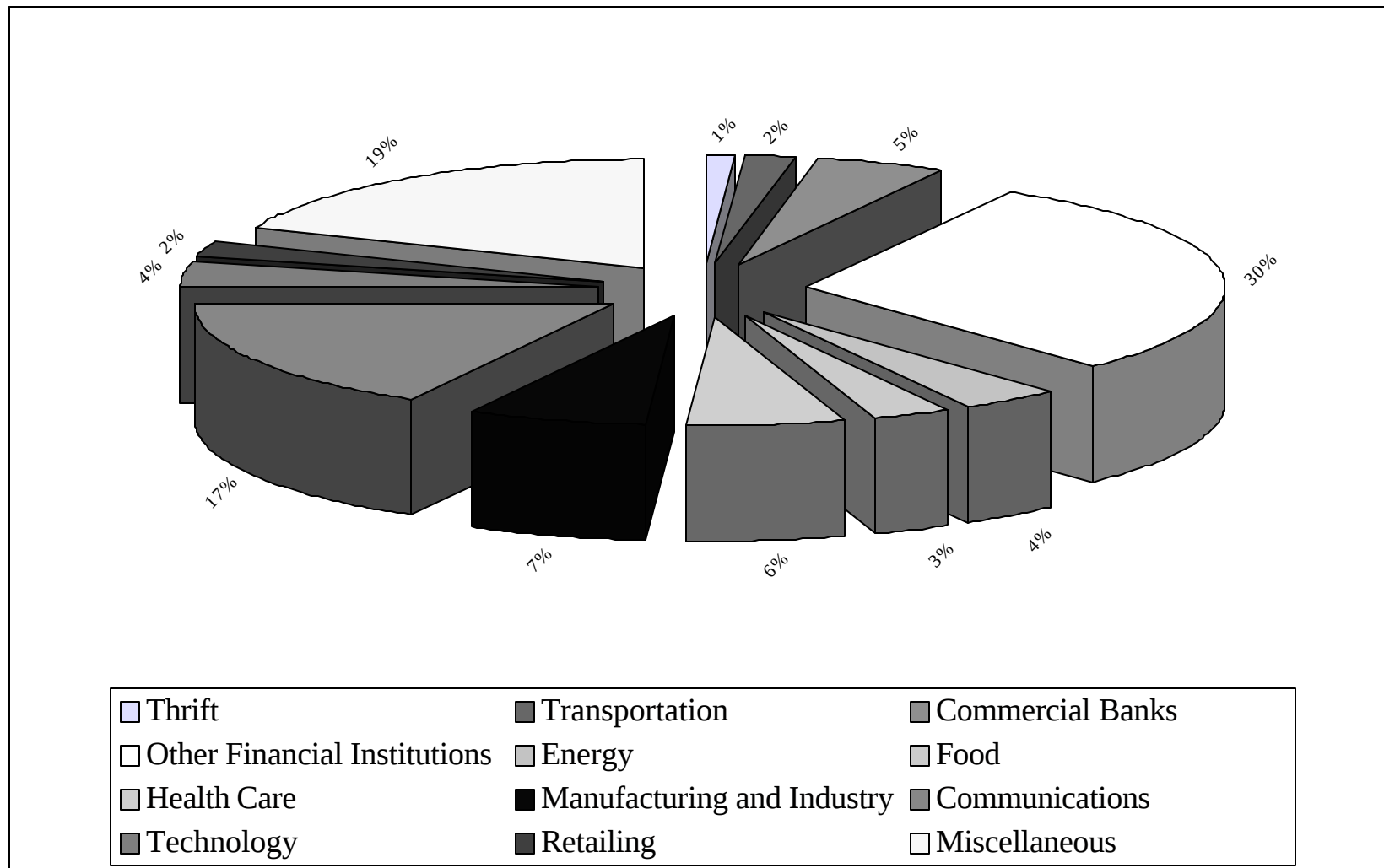


Figure 1-2: Corporate Name Changes by Industry (1999)

firms that wish to change their names run into problems with some of their stakeholders who oppose the move. *Datsun's* name change to *Nissan*, for example, was vehemently opposed by its American dealers who claimed that changing the name of the car to *Nissan* meant an increasing cost to doing business for them since they would have to "sell the public all over again" (Wagner, 1981). Other examples include *Massachusetts Institute of Technology's Sloan School of Management* (the university's business school) being threatened by potential donors who said that they would withhold donations to the school if it changed its name (Solomon, 1988).

In spite of these high stakes, the motives behind this corporate strategy are quite diverse, intriguing and, at times, vague. Some theorists argue that brand name changes are a result of the firm's strategic decision to leverage equity and/or "broaden the scope of business," others ascribe the motive to a rather selfish nature of the executives and/or the firms. For example, Yunker (1983) believes that name changes (after a merger or an acquisition deal) are made because the acquirer wants to gain prestige and visibility through recognition that a previously independent company is now a part of its own company. These arguments show that the strategic action can be employed not only as a means for strengthening the current portfolio but also as a competitive tactic to eliminate the competing brand.

The consequences of such actions by firm are enormous, both strategically and financially. While on one hand, firms aim at achieving leveraged synergy and on the other hand they risk losing brand equity of the eliminated brand and even diluting the equity in case of a concatenated brand. In the *Daimler Chrysler* case, the merged firm

optimized between the equity loss of eliminating the *Chrysler* brand and the cannibalizing effect on the *Daimler* brand.

Anecdotal evidences also indicate that sudden changes in names causes confusion and frustration amongst the firm's stakeholders. This issue of confusion is best captured by Art Buchwald in his Aug. 30, 1981 Washington Post Column:

'...The other day I called GNU Computers to speak to a pal..

The operator who answered the phone said, "Good Morning, Hybrid Sun International"

"I'm sorry," I said, "I must have the wrong number. I wanted to speak to someone at GNU Computers."

"Hybrid just took over GNU Computers an hour ago," she replied. "I can put you through to your party"

"I wanted to speak to Walter Lyons."

"Walter Lyons speaking."

"Are you all right, Walter? I hear you were taken over an hour ago by Hybrid Sun International"

"That was an hour ago. A Half-hour ago, Stellar Joints merged with Hybrid, and now we are part of Stellar, Hybrid Inc."...'

Such confusion is expected to be profound in customers who develop intense loyalties to a particular firm or brand over long periods of time. Anecdotal evidences in popular press indicate that the customers may feel alienated, frustrated and sometimes

even cheated² with this sudden corporate action. A typical scenario is presented in Earl Peattie's (President of Mortgage News Co.) comments on the Bank of America-NationsBank merger:

"I get confused just looking at signs on the buildings any more - which bank is that? Next week it will be a different name It is unnerving. This is where you leave your money?"

While such corporate strategies have been adopted for years, there has not been much academic discussion in this area. From the marketing perspective the issue of brand redeployment forms an integral part of the theory of brand management. It furthers the brand extension literature to a higher level of brand manipulation while attempting to bring together the corporate and functional strategy. Given the frequency of these decisions and the enormities of costs involved, this phenomenon holds special significance to marketing managers. The above discussion of brand redeployments and its importance forms the basis of this study. In the following paragraphs, I provide a brief summary of the objective of my work followed by the motivations behind these studies, the implications of each study and its contribution to our body of knowledge. Here the aim is to study the strategic and/or "selfish" behavior of firms by investigating the antecedents and consequences of redeployment of brand names.

² In an cross-border acquisition, Coca Cola acquired one of the successful Indian soft drink manufacturer Parle Soft drinks and subsequently attempted to *eliminate* one of the leading brands, "Thums Up", to fight against the dominance of Pepsi in the market. However, in doing so, they not only lost market share to Pepsi but were also the target of the hatred of Thums-Up loyalists.

Objectives of the Study

One of the critical and probably most important corporate action following merger and acquisition (M&A) transactions is the redeployment of assets (or resources) of both; the acquirer and the target (or acquired). Amongst various resources, the redeployment of intangible assets, in general, is believed to contribute to a stronger competitive position for the merging firms, leading to superior performance. M&A deals provide an opportunity for the acquirer firm to rethink its own and its products' images and identities. Less advantaged firms (in terms of its reputation) can attempt to neutralize or leverage the advantaged firm through a merger. In certain instances, acquiring a brand name (and hence its reputation) may even be the primary motive of an M&A transaction. Many firms acquire others with well-known, reputed brand names to avoid high costs and risks of new identity development. This action also gives the acquirers access to new markets, and/or strengthens their positions in the existing markets. The advantage of such assets is that they can be deployed without consumption and used in several ways concurrently (Williams, Tsai, and Diana, 1991).

Despite the importance of corporate or product identity, and its implications on the overall performance of the firm, little previous research is available in this area³. The present study addresses the deficiency by investigating the firm- and transaction-specific antecedent factors that determine the brand name redeployments following M&A transactions. The research ties in closely with previous literature that examines the overall motive and attitude of the acquiring firm, i.e. whether firms acquire for the

³ Previous research in this field has mainly focussed on examining the effects of corporate name changes on stock price (Morris and Reyes, 1992; Karpoff and Rankine, 1994; Howe, 1982). The replication studies have failed to find a consensus in their results. Most of the other evidences are anecdotal, published by trade magazines.

purpose of acquiring necessary immobile resources, or just for building and expanding their empire. This research draws heavily from industrial organization (IO) economics, resource-based theory, agency theory and empire-building perspective.

The objective of this research is to identify antecedent factors (viz. characteristics of the acquirer, the target firms, market characteristics and the transactional issues) that lead to strategies for brand redeployments subsequent to a merger or an acquisition deal. During the preliminary study of this phenomenon, a total of six brand redeployment strategies were identified through a review of recent merger cases. A conceptual framework, that explains the influence of these antecedent factors, is developed and presented. Multinomial logistic regression is used to analyze the impact of these antecedent factors on a sample of about 656 recent brand redeployment cases (1995-99). Finally, a brief discussion of the consequences of these brand redeployments is also presented over a subset of cases. The consequences are empirically evaluated using the firms' financial characteristics before and after the merger / acquisition activity.

Motivations behind the Study

This proposed work covers a broad spectrum of research domain encompassing the brand redeployment phenomenon both from the organization's and the customer's perspective. This research tries to bridge the gap between the management (strategy) and the marketing literature. Conceptually, the study borrows from strategic management and economics literature at one end and traditional marketing theories on the other. I intend to develop a framework of how corporate strategies (merger and acquisition) can be linked

with functional strategies (brand redeployment) of a firm to illustrate the consequences of these functional strategies on the firm's performance.

The academic motivation of this work comes from the opinions expressed in recent literature. In their latest work in *Journal of Marketing*, Varadarajan et. al. (2001) state ...

"...Resource redeployment is reflected in the brand rationalization activities that firms often undertake post-deconglomeration and subsequent acquisitions of competitors of the businesses retained in order to pursue focused growth. In these instances, the firm will likely inherit a number of brand names in the product categories in which it already competes. Brand rationalization related issues could be expected to assume center stage in those firms, which through one or more intra-industry acquisitions inherit the rights to more number of brand names than they view as optimal. Representative of brand related issues that such firms may be required to address include: (1) which brand names to retain and phase out, (2) opportunities for brand consolidation through brand fusion / dual branding (e.g., melding of currently owned brand names and inherited brand names), and (3) organizing of retained brand names into categories such as (a) corporate, business, and product level brand names, and (b) global brands, multi-country regional brands, country-specific national brands, and country-specific regional brands..."

The reasons behind the above-mentioned brand redeployments are diverse, ranging from - trying to leverage brand equity to trying to accomplish market or even managerial power. No matter what the motive of the firm is for redeploying the brand, it is inevitably a complex and highly variable process. Despite of the frequency of brand redeployments in the corporate world, its variability, the enormous costs involved in its execution, and the implications of these on the firm's overall process, this phenomenon has not received its much-deserved attention from academic scholars. This project intends to address the question of "On what factors are these corporate brand redeployment decisions based, subsequent to a merger or an acquisition deal?" It aims at developing a predictive framework of this corporate action and providing a benchmark for analyzing the suitability of the strategic choice. The model relates the firm and transaction-related factors that influence this phenomenon of brand redeployments. While the aim is to analyze the factors affecting the strategic choice of redeployment decision, the consequences of this strategic choice is also examined.

General Organization of the Study

The remainder of this report is organized in various chapters. The second chapter includes conceptual background for this research linking previous research in related areas to the objectives of this study. Owing to this study's inherently strong links to the phenomenon of mergers and acquisitions, an understanding of the processes and theories underlying it are quite important. Therefore, in order to get a better understanding of these theories, I review the merger and acquisition literature emanating from a variety of disciplines such as Marketing, Strategy, Finance and Economics. Based on the theoretical

arguments, a conceptual framework for brand name redeployments is developed. Thereafter I propose the hypotheses for this study in Chapter 3 that highlight the antecedent factors of brand name redeployment strategy. The next chapter (Chapter 4) discusses the methods that are employed in this study. Chapter 4 also includes details of the data used and the formulated measures. An overview of the model (Nomological Logistic Regression) is also presented. Subsequently, two approaches of studying the consequences of redeployments are discussed. Chapter 5 includes the results of the empirical analysis and the summary of the findings and an analysis of the multinomial model. Finally the conclusions, limitations and the agenda for future work are discussed in Chapter 6.

Conclusion

Mergers and Acquisitions (M&A) occur in the context of a company's long term strategic plan and are aimed towards improving a company's competitive position. The last decade saw an increasing trend of merger and acquisition activity being pursued by firms (refer figure 1-3). During the last five decades, academic literature in the area of management, finance and economics have seen an abundance of conceptual and empirical studies on mergers and acquisition. Despite the vast understanding of the merger and acquisition processes, the interest of marketing scholars, in this domain, remains scarce.

For the past several years, scholars have proposed a transition to more strategically motivated mergers as they push toward a market-oriented corporate world. The process of merger or acquisition still begins and ends far too often with only the

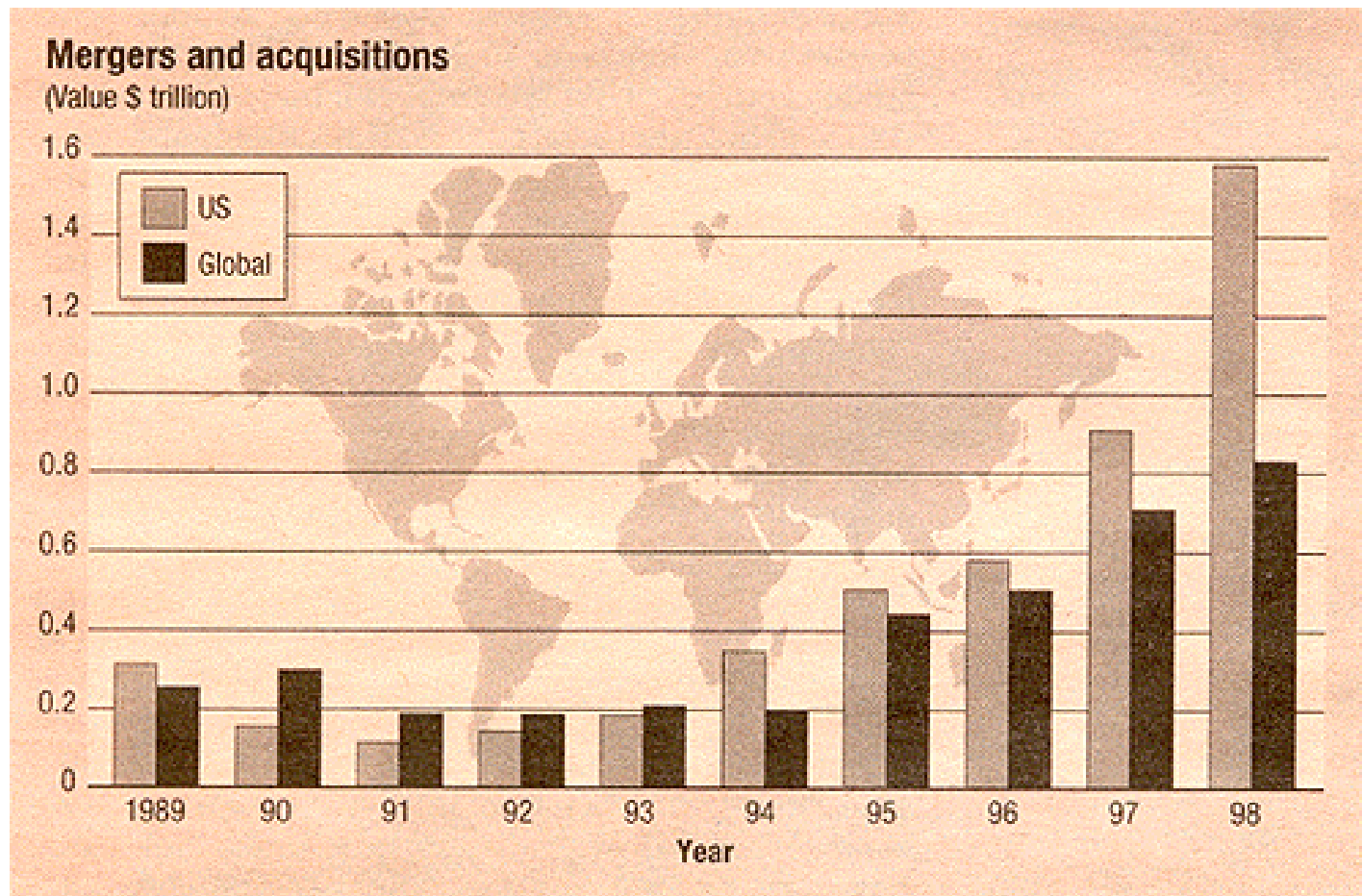


Figure 1-3: Merger and Acquisition Activity: 1989-1998

analysis of financial indices such as stock price, earnings, evaluation of tangible and intangible assets and investments. Unfortunately, the apotheosis of the marketing man in the organizations did not extend to automatic involvement in acquisition work. As stated by Ansoff (1965), a corporate strategy is essentially concerned with decisions affecting the product/ market posture of the company. The cross-level link between this corporate strategy and the marketing strategy remains unexplored. Apart from a few attempts in last couple of years, there has been absolutely no attempt by marketing researchers to evaluate the impact of this significantly important corporate strategy on the functional domain of marketing. Systematic assessment of prospective marketing synergies is too seldom included in the formal merger evaluation process. Specifically, the portfolio of businesses managed by a firm could play a fundamental role in determining the market-level strategies of the businesses.

I believe that this dissertation is amongst the few attempts made to bring this significantly important research stream into the realm of marketing. The ambition in pursuing this research is to assess how the firms can achieve synergy on marketing variables during the M&A deals and to study the phenomenon of acquisitions as a market-focused strategy. This understanding will undoubtedly contribute to improving the success rates of mergers and post-merger integrations. It is intended that this work will not only serve as a building block toward the theoretical perspectives on mergers and acquisitions and resource redeployments but will also aid in a better understanding of the process and its implications.

CHAPTER II

LITERATURE REVIEW

Introduction

Brand redeployments are a direct result of a merger or acquisition deal or an underlying cause of it. Mergers and acquisitions take place in the context of a company's long-term strategic plan and seek to improve or dramatically change a company's competitive position. The increasing tilt towards merger and acquisitions reflects several important advantages over internal growth:

1. Entry in a product market via acquisition is easier and less time consuming than internal development
2. Acquiring a business with a strong market position is often less costly than a competitive battle to achieve market entry.
3. Strategic assets such as brand image, distribution channels, proprietary technology, patents, trademarks, and experienced management are often difficult, to develop internally.
4. An existing, proven business is typically less risky than developing a new one.

In spite of these advantages, most of the consolidation efforts fail in the face of high level uncertainties and risks involved in integrating two businesses. Kraushar (1969) suggests that the main reasons for failure are poor or insufficient planning, and lack of adequate management capacity to integrate the merger within various functions of the

organization. Hence, it becomes imperative to study and understand various theories and associated variables that play a more deterministic role in the whole process of mergers and acquisitions. While drawing from the contemporary marketing literature and relatively recent studies in this area, I review the finance, economics, accounting and strategic management literatures to understand theories of the firm and the merger and acquisition process.

This chapter involves a comprehensive review of pertinent literature relating to the issues of mergers and acquisitions and brand redeployments. First an overview of various contemporary theories of the firm relating to the phenomenon of mergers and acquisitions is presented. These perspectives not only provide an understanding that firms grow via integration, diversification and acquisitions but also offer insights into the motives behind mergers and acquisitions. The true motives for mergers and the process adopted by the acquiring firms can be complex and diverse in scope, thus requiring more systematic investigations and better understanding of the theoretical justification for such corporate strategic actions. This theoretical background is used to assimilate overlapping issues of these perspectives as applicable to the phenomenon of mergers and acquisitions and brand name redeployments. Finally, with this background a conceptual framework for this study is developed. A part of the discussion is also focused toward the issue of analyzing the consequences of these brand redeployments.

Theories of Firm and the Phenomenon of Mergers and Acquisitions

Agency Cost Theory: Agency theory is based on the reasoning that owners and managers have different self-interests and, depending on which of these groups is able to

exert control, the actions of the organization will vary. There has been an apparent conflict of interest between the managers and the shareholders of the acquiring firms over the issue of excess cash. Acquisitions are one of the ways that managers spend surplus cash-acquired either through improved profitability or the ability to borrow more in debt markets - instead of paying it out to the shareholders in the form of regular or windfall dividends. On the other hand, dominance of shareholder interest spell a rather passive role for the managers of the acquiring firms. Financiers and active shareholders determined the goals of the firm and hire and fire managers to achieve better resource utilization.

Agency cost associated with the control over the free cash flows of corporations and their ultimate use in acquisitions has emerged in recent years as the primary basis for evaluating the success of mergers. Jensen (1984) argues that financial flexibility in the form of free cash flow, large cash balances and unused borrowing power provides managers with greater discretion over resources that are often not used in the shareholders' best interests. There is always the possibility that acquisitions will dissipate, instead of create, shareholder wealth. The free flow theory of Jensen (1986) implies that managers of firms with unused borrowing power and large free cash flows are more likely to undertake low-benefit or even value-destroying mergers. Bergh (1995) investigated that, when owner influence is lower (e.g. decreased blockholdings), the units acquired are related and larger business. Acquiring unrelated units enables managers to direct resources away from costly internal coordination and to focus on maximizing company diversity. In general, the agency cost theory emphasizes the dominance of internal forces on firm's strategic choice.

Resource-based Theory: Resource-based perspective, one of the primary theories that explains the phenomenon of mergers and acquisitions, suggests that the firm is a bundle of assets, some of which are fungible in nature. To the extent that some resources are fungible, firms tend to engage in acquisition activity so as to be able to redeploy them to enter new markets.

In Penrose's (1959) view, *"a firm is a collection of productive resources. A balance in the usage of the firm is never wholly achieved and this enables the firm to either, 'share' its bundle of resources or expand in the present markets or diversify. For expanding into the present markets, firms achieve significant growth by acquisitions in limited time"*

These resources can be used to achieve two types of economic benefits, a) cooperative or strategic or b) competitive or financial. Cooperative and strategic benefits accrue from sharing highly specialized resources such as labor, equipment, expertise, skills and complementary assets. Competitive and financial benefits are achieved from allocating resources more efficiently internally than through investments in external markets.

Resource Dependency Theory: As a general theory, mergers can be considered as simply one strategy for an organization to manage market and resource contingencies in a world of uncertainty. Pfeffer and Salancik, (1978), leading proponents of this theory, proposed that *"...in order to manage its vulnerable position (due to uncertain exchanges) in the environment, it strives to either increase its dominance so that the other party becomes more dependent on it or reduce its reliance on the critical exchanges that force*

it to be dominated by other firms or manage its interdependence by extending its control into those vital exchanges. These strategies can be viewed as means of restructuring conditions of interdependence with its environment. Such management of inter-organization interdependence can be accomplished through mergers and acquisitions"

Galbraith and Stiles (1984) argue that market power resides in a bilateral relationship and that these dependencies influence merger strategy and that the mergers are strategies for altering organizational interdependence by controlling the context of resource control. Firms act as quasi-markets in the sense, and they compete with the viability of the open market as a mechanism for obtaining resources (Coase, 1937). Imperfections in the market place create market costs, which in-turn, encourage vertical integration. The higher cost of conglomerate mergers is balanced by the lower cost of managing resources in the firm's primary market (Galbraith and Stiles, 1984). Firms enjoying a strong relative power base can manage their resource interdependencies through market exchanges, that is, through vertical quasi-integration, thus releasing resources for other forms of diversification activity. Whereas firms with weaker relative power positions are more likely to control their resource environment through either physical absorption by means of vertical integrations or expansion strategies. Additionally, mergers allow for release of synergy along technological lines and effectively utilize resources not needed for absorption strategies for managing resource interdependence.

Theory of Competitive Advantage: Mergers based on inter-relationships is the form of diversification with the greatest likelihood of increasing competitive advantage in

existing industries or leading to sustainable competitive advantage in new industries.

Mergers will offer the greatest potential for enhancing overall firm position when several important value activities can be shared (Porter, 1980). The most successful merger and acquisitions do not view market-, production-, and technology-oriented mergers as mutually exclusive, but seek ways to combine them.

"Acquisitions provide a way to broaden a firm's scope through adding new positions in new segments, positions in new geographic areas, greater integration, or a beachhead in new geographic areas. Such alliances might help provide significant strengths to attack an industry leader" (Porter, 1985)

Acquisitions can also play a key role in configuration or pure spending strategy. Acquisitions can allow two organizations to combine resources and skills in such a way that reconfiguration or pure spending is possible.

Transaction Cost Theory: Coase (1937) proposed that, in a market economy, the greater the number and the complexity of transactions, the greater the cost of transacting. Williamson (1975) following in Coase's footsteps elaborated that transactions were costly, noting that uncertainty, idiosyncraticity, complexity, informational asymmetry and opportunism were inherent to transactions, which made it difficult to coordinate highly interdependent production and distribution process through the market mechanism alone. So firms emerged and merged to reduce the cost of transactions with other firms by bringing more activities within one governance structure. This forms a basis for the "make or buy" decisions for most of the firm's resources.

In "The Theory of Business Enterprise", Veblen (1932, 29) wrote:

"...business consolidation ... (eliminates) the pecuniary element from the interstices of the system as far as may be ... with the result that there is a saving of work and an avoidance of that systematic mutual hindrance that characterizes the competitive management of industry ... "

Veblen interprets mergers as a response to threats by other firms to interfere at business interstices, which could obstruct seamless industrial processes; mergers are efforts to gain control of these interstices for guidance and coordination of industrial processes with a view to economies of production. In other words, firms merged primarily to minimize interstitial adjustments. Williamson (1975) states...

"...If the current market operations of a firm causes it to forgo significant profit opportunities, the firm may consider selling or contracting-out some portion of its resources, expanding its presence in its existing product markets, or diversifying into new products or services. To the extent that the resources involved are specialized and transactions costs in the factor markets are significant, expansion or diversification may be the most attractive alternative..."

Further, Williamson (1975) suggests that mergers occur when transaction costs are both high and reducible by combining two or more firms under the same management. In other words, firms merged primarily to reduce costs of making transactions. The firms operate within an environment where market power does not matter, where firms try first and foremost to economize.

Culture-based Perspective¹: Mergers and prospects of mergers result in a whole range of problems, both personal, such as stress and insecurity, and organizational, like "culture" differences (Krekel, 1969, Gill and Foulder, 1978). The culture-based theory defines merger as *"an organizational change wherein the object of the change is to create one organizational system from two previously distinct entities"* (Gill and Foulder, 1978). This theory views the dynamics that occurs during and after the merger as an attempt to consolidate two different cultures.

Organizational Culture is unique, it is something that the organization is, rather than something the organization has. Organizational change is brought about by the clash in cultures when two separate organizations come together introducing a disturbance in the equilibrium that the employees have achieved in developing familiar relationships and behavior with their environment. Hirsch & Andrews (1983) succinctly state this disturbance in equilibrium as:

"...The language of takeovers serves as an indicator of normative confusion, and functions to distance both participants and observers from the stress and fast pace involved in an organizational sequence amply spiced with drama, pain (for many), and uncertainty over legitimacy and final outcome"

A major source of problems in mergers would be the attempts of individuals who have lost status, specially those senior in the hierarchy of the acquired organization, who

¹ The existing literature on M&A transactions is largely concerned with the strategic, financial and operational consequences of merger activity. There has been some focus on the "human side" of mergers but this literature is largely pragmatic in nature and concerned with either surviving the aftermath or maintaining organizational morale and productivity. There is significant dearth of literature on 1) the perceptions of the merger patterns toward the newly formed organization, 2) attitude towards the job satisfaction and 3) the process through which these perceptions and attitudes are formed.

refuse to come to terms with the new situation. Structural problems causing organizational stress can result simply from an increase in size of the merged organization. As a crude generalization, organizations become more bureaucratic as their size increases.

The basic model used both to decide between alternative organizations with which to merge and to plan the new organization is an open systems model of organizations based on Contingency theory (Perrow, 1970; Legge, 1977). This model states that the organizations are contingent for their form and behavior on factors in the environment, the major factor being the degree of unpredictability or uncertainty. Thus the structure of a successful organization has to be congruent with the environment, both external and internal. Aspects of external environment such as customers, suppliers etc. being more predictable, the attainment of organizational goals becomes more dependent on the internal factors such as the people element. *The mere occurrence of an acquisition is a sure predictor of a myriad of people-related problems, especially for members of the acquired firm* (Jemison and Sitkin, 1986, p. 147)

Siehl, et.al, (1988) presents a framework of consolidation of organizational culture on the basis of its acceptance by its members. *Enhancing* is prevalent where adherence to core values of the dominant culture is more fervent. *Orthogonal* phase includes members simultaneously accepting the core values of the dominant culture and a separate, unconflicting set of values particular to themselves. Finally, a *counterculture* exists where there is a direct challenge to the core values of the dominant culture.

Contingency Theory: Key criteria typically used in assessing potential acquisition candidates include strategic and organizational fit, past performance, and the resource requirements of the acquisition. These are used as surrogate measures of how well an acquisition fares in terms of its value-creating potential in the context of the diversification strategy. An acquisition's ability to contribute to strategic purpose depends upon the degree of strategic and organizational fit present in the situation. Acquisitions with high degree of strategic fit include those that strengthen, expand or explore additional product-market or capability domains (Haspeslagh & Jemison, 1991) within the framework of the firm's current strategic direction. While the increase in fit does reduce the risk associated with dissimilarity, it can also increase the risk associated with specialization in a particular strategic niche (Pablo, Sitkin & Jemison, 1996).

Organizational fit addresses the degree to which potential benefits arising from strategic fit are likely to remain unrealized if the two firms cannot cooperate effectively (Pablo, Sitkin & Jemison, 1996). Appropriate levels of cooperation depend on the compatibility between the two firms as reflected in the similarity of their organizational cultures, top management styles, administrative systems and decision-making practices.

"The study of organizational and environmental issues contribute to determining the requisites for new acquisitions. They provide an understanding of the actual differences in structure and orientation between the acquired company and the parent and whether these differences should be maintained or diminished. Finally, they could shed light on conflict resolution in the acquisition process" (Lawrence and Lorsch, 1986).

Convergence of Theories of the Firm

From a close examination of the above perspectives, we find evidence of significant convergence in these theories. Pfeffer and Salancik's (1978) perspective of examining organizational strategies from a resource dependence perspective, fits integrally into the institutional economic framework of Williamson (1975) and Porter's (1980) extended rivalry. Agency theory and the resource-based view of the firm provide complimentary perspectives from which to consider the antecedents and consequences of acquisition characteristics. On the other hand, resource-based view suggests that firms have different types of resources, and that these resources can be used to achieve two types of economic benefits, 1) cooperative and strategic or 2) competitive or financial. Combining the agency and resource-based viewpoints, the types of units acquired depends on whether managers or owners have the most influence over an organization, as each prefers a different type of economic benefit. If managers have the most power, they would seek to enhance core competencies to achieve unrelated diversification and competitive internal source allocation. If owners have the most power, they would seek to enhance core competencies, to achieve related diversification and cooperative internal resource allocation.

Further, a link could be established between the Contingency view and the Culture-based theory. The contingency view, as proposed by Lawrence and Lorsch (1986), provides an understanding of the actual differences in structure and orientation between two companies. The organizational knowledge thus attained could save a parent company from inadvertently drifting into "converting" a new acquisition into its own image, rather than allowing it to maintain its own necessary orientations. It provides

direction to the structural changes in the behavior of members in consonance with the changing environment. Pitts (1977) summarizes;

"...acquired managers... have typically become accustomed to great independence in managing firms prior to acquisition and, as a result, may be assumed to put a high value on retaining independence following acquisition..."

Barney (1991) provides a consensus on the resource-based view, the theory of competitive advantage and the culture-based perspective. He states that resources need to have four attributes to be capable of sustaining competitive advantage: value, rarity, imperfect imitability and the absence of substitutes. Some of these resources that provide competitive advantage can be intangible (Itami, 1987) and can include organizational routines (i.e. unique organizational culture) (Nelson and Winter, 1982).

The resource-based, resource dependency, transaction cost and competitive advantage theory can be categorized as investment theories that assume that both firms involved in the merger are profit maximizers. The merger furthers the profit aspirations of both the firms by lessening competition, by generating economies of scale, by reducing risk, or by exploiting financial opportunities. That is, the management of both firms strive to serve only the stockholders' interests.

Broadly, the objectives underlying the phenomenon of merger and acquisition can be two-fold: a) creation of a synergistic effect (i.e. ability to effectively deploy resources of the combined entity), and/or, b) creation of monopolistic power (i.e. ability to charge higher prices, assuming a perfectly elastic market). The first motive suggests that an acquisition is likely to create value for the acquirer only if the acquirer has a distinctive

ability to generate significant economic benefits as a result of the combination. However the second objective indicates the dominance of market and managerial power in a merger or acquisition activity. The collusive strategy represents the class of scarce resources leading to market power. These objectives are built upon the assumption that the value of the merged firm should be greater than the sum of the market values of the bidding and target firms.

Synergistic Interrelationships

Synergies are difficult to achieve, if they can be achieved at all. The competitive analysis stage of the acquisition process tries to identify synergistic interrelationships between the company's businesses and other businesses that it may wish to enter. These relationships represent opportunities to create a competitive edge by reducing costs or enhancing differentiation. It is relevant also for the selection of new businesses based on the interrelationships with existing units. The sharing of value activities is the key interrelationship with both cost leadership and differentiation competitive strategy. A shared brand name, for example, can lower the advertising expenditure and at the same time might reinforce a differentiated product reputation.

Monopolistic Power

Market power is the ability of a market participant or group of participants to control the price, the quantity or the nature of goods sold, thereby generating extra-normal profits (Sheth, 1990). Organization with a monopoly in a market may perform well, in the short run, regardless of whether or not it modifies its offerings to suit

customer preferences. In horizontal acquisitions, market power results in gains to market participants through revenue-side effects that plausibly arise from greater opportunities for collusion (Stigler, 1968). The dominant-firm model of oligopoly again suggests that prices in an industry rise consequent to a horizontal acquisition by a dominant firm. It's a common folklore that merging competitors, takeovers create a monopoly that will raise product prices, produce less and thereby harm consumers. However, there is enough evidence (Jensen, 1984) that supports the fact that the takeover gains come not from this monopolistic power, but from the productive economies and synergy.

Brand Name Redeployments

One of the critical and probably the most important corporate actions following the Merger and Acquisition (M&A) transactions is the redeployment of assets (or resources) of both; the acquirer and the target (or acquired). Amongst the various assets, redeployment of intangible assets generally is believed to contribute to a stronger competitive position for the merging firms leading to superior firm performance. Intangible assets make up most of the value of M&A deals (70% in the United States in the early 1990s) and in most cases, brand equity accounts for considerable portion of these assets. A potentially important dimension of brand equity is the brand's name. Therefore firms engage in expensive and elaborate methods to select and nurture a "good" name for themselves and their products. The finance literature considers the corporate name as a "signal" of corporate reputation. Despite the tremendous costs involved in building a reputed brand name (corporate or product), many firms change or

modify these names when pursuing a new strategic direction. As indicated earlier, during 1999, a total of 2733 US firms changed their corporate or product names.

Previous research has identified two important criteria in selecting a new brand name - image and function. Image refers to those tangibles that conjure up a picture that distinguishes a firm and its products from its competitors. Functional name criteria range from such simple characteristics as being easy to pronounce/ spell to avoid unfavorable connotations and easy to remember. Research in cognitive psychology helps explain the phenomenon reported in name recognition. For example, Johnson, et al (1989) report that visual scan rates tend to be slower for consonants than for words.

Our literature provides a set of conflicting guidelines/arguments with regard to the preference or choice of one strategy over the other. On one hand the integrated marketing concept suggests congruence and consistency of identity communication. This philosophy prefers the use of a common theme in messages across the firm targeted toward all stakeholders ("*One Voice Marketing Communication*"). A system that ensures that all brand messages are consistent. It promotes integration and consistency in the way the brand's image is communicated so as to maintain a clear and consistent image, position, and message. Broadly, this theory promotes use of solitary brands and/or use of brands with a common theme woven around them ("*Singular Identity*").

On the other hand, the signaling perspective Wernerfelt (1998) suggests that two brand names may provide greater assurance of product quality than one alone. This perspective promotes leveraging the brand equity from all the resources available. And since brand equity is built upon the associations the consumer has for the brand, any attempt to change these associations presents risks (Keller, 1993).

Intangible Assets: Corporate Identity & Image

Intangible assets are those invisible, yet immensely valuable, corporate resources such as corporate image, reputation, brand recognition, customer loyalty, employee dedication, and their likes. Itami and Roehl (1987) emphasized how these intangible assets can be exploited to a firm's competitive advantage. The advantage of such assets is that they can be deployed without consumption and used in several ways concurrently (Williams, Tsai, and Diana, 1991). At the same time, however, these intangible assets are not commonly, easily, or readily exchanged in the market place.

Amidst these, the brand identity is one of the most important and visible elements of the firm's market strategy. Corporate audiences routinely rely on the reputations of firms in making investment decisions, career decisions and product choices (Dowling, 1986; Shimp and Bearden, 1982). Favorable reputations can therefore generate excess returns for firms by inhibiting the mobility of rivals in an industry (Caves and Porter, 1977; Wilson, 1985; Williams, Tsai, and Diana, 1991).

Many firms undergo "pure" name changes if the existing name limits growth opportunities, lacks distinctiveness and / or elicits a negative image about the company's activities. Additionally, long, awkward names impede communication, are difficult to remember, and fail to create a visual effect of a company's activities. Owing to the high costs involved with brand redeployments, changing the corporate or product brand name will not be undertaken unless the benefits outweigh the costs.

Merger & Acquisitions and Brand Name Redeployments

When firms engage in a merger or an acquisition transaction, marketing managers have to make a decision with respect to the branding of their firms' products and services. Owing to the involvement of high stakes in a merger or an acquisition transaction, the stakeholders of the firms require immediate clarity in information. Top management of the firms is required (by law and otherwise) to explain every aspect of the transaction, in the tiniest of details to the grandest of strategic issues, from every conceivable angle. It becomes imperative for the management of the firms to know exactly "who we are and who we are becoming?" They can choose between employing an entirely new identity or alternatively capitalize on some combination of the already existing identity. However, at such time, a confused identity sends confusing signals that might elevate the hostility on the parts employees, and its customers.

In a recent article, Capron and Hulland (1999) have briefly evaluated the consequences of brand name redeployment (subsequent to horizontal mergers) on geographic coverage, market share and profitability. While their study provides valuable insights to the nature and magnitude of market resource redeployments in general, it stops short of assessing the antecedents of these redeployments decisions.

As discussed previously, firm's motive of initiating the M&A transaction can be explained through two main classes of theories: 1) value-creating theories, and 2) managerial motives theories. The former focuses on how firms enhance their performance or value through integrating the businesses (resource redeployments) via transactions, while the latter investigates how managers can increase their own utility through acquisitions. These theories have imbedded elements of power perspectives (both

managerial and economic) and synergy perspectives. The industrial organization economics emphasizes market power as a primary incentive underlying horizontal acquisitions (i.e. transactions within the same industry). Whereas on the other hand, the synergy (efficiency and effectiveness) perspective argues that firms often use acquisitions to reconfigure and redeploy the target businesses and its resources as part of the process of broader strategic change (Capron and Hulland, 1999).

Conceptual Framework for Brand Name Redeployments

On a careful investigation of the previous merger and acquisition activity and upon reviewing brand redeployments during the last 10 years a wide variation of redeployment approaches have been observed. Upon segregating and classifying the various brand name changes, the following six fundamental brand name redeployment strategic actions are observed (refer to Appendix B for examples of these redeployments):

- 1) The acquirer and the target adopt the name of the acquirer as the final name
- 2) The acquirer and the target adopt the name of the target as the final name
- 3) The acquirer and the target concatenate their names with acquirer's name dominating the final name.
- 4) The acquirer and the target concatenate their names with target's name dominating the final name.
- 5) The acquirer and the target adopt a completely new name.
- 6) The acquirer and the target continue with their respective corporate names

Such strategic actions being an outcome of the M&A transactions can be further categorized based on the motives of the redeployment transaction:

a) Value Creating Motive: Synergistic Redeployment / Non-Synergistic

Redeployment: Resource redeployment enables firms to potentially, i) reduce costs by enhancing productivity, and ii) enhance merging firms' revenues. The synergistic motive of redeployment assumes that the acquirer aims to capitalize on the synergies created through the concatenation of the acquirer's and the target's names or their simultaneous existence². This strategy derives benefits from the acquired firm by capitalizing on its equity. However, on the other hand, non-synergistic redeployment takes place when either of the names (acquirer's or target's) ceases to exist³ or the merged entity takes up a complete new name.

b) Power Motive: (Acquirer) Dominated Redeployment / Non-Dominated

Redeployment: The power motive denotes the dominance of the acquirer during the whole transaction process. The power of the acquirer can be either through monopolistic dominance in the market place or the managerial greed for empire building. Such motive would incorporate actions wherein the acquirer's name dominates the ultimate name after the merger or acquisition. On the other hand, a non-dominated redeployment would allow usage of target's name.

² Here it is assumed that simultaneous existence of names (strategy 6) may be synergistic because such strategic actions enable cooperative interactions and leverage of brand equity between the two companies both in the consumer and financial marketplace.

³ Such a strategic action is now being termed "assassination" in the M&A popular press vocabulary.

This framework is as depicted in Figure 2-1. Theoretically, Strategy 3 and 4 can be differentiated from each other with respect to the dominating effect of one on the other. While theoretical reasoning provides support for such choice options, practical occurrence of this issue has been questioned. During the course of this research, discussions with corporate brand consultants yielded facts which suggest that the choice of acquirer dominating synergistic versus acquirer non-dominating synergistic redeployments is dependent primarily on the issues of “semiotics” or “schema (in)congruency” effects of the name. While this choice option is included in the theoretical model, it has been excluded in the empirical model building. Therefore, these two strategies are combined into one choice option labeled as “Concatenated Synergistic Redeployment” which includes both the acquirer dominated and acquirer non-dominated types of cases. Further, as it will be discussed later in the data section, out of 656 cases included in the empirical study only 16 of them were acquirer non-dominating cases and therefore unsuitable for empirical testing.

Consequences of Brand Redeployment

Mergers and Acquisitions present a lucrative opportunity to the acquiring and target firms to "reconfigure" their brand portfolio. Brand redeployment following from a merger or an acquisition can provide a powerful leverage. Despite all associated costs and risks, changing a brand name can produce substantial benefits. While a name change might seem like a cosmetic surgery, it can have dramatic impact on the company's success. Improved profitability may accrue through lower advertisement expenses, higher employee morale and even increased customer preference for the firm's products and

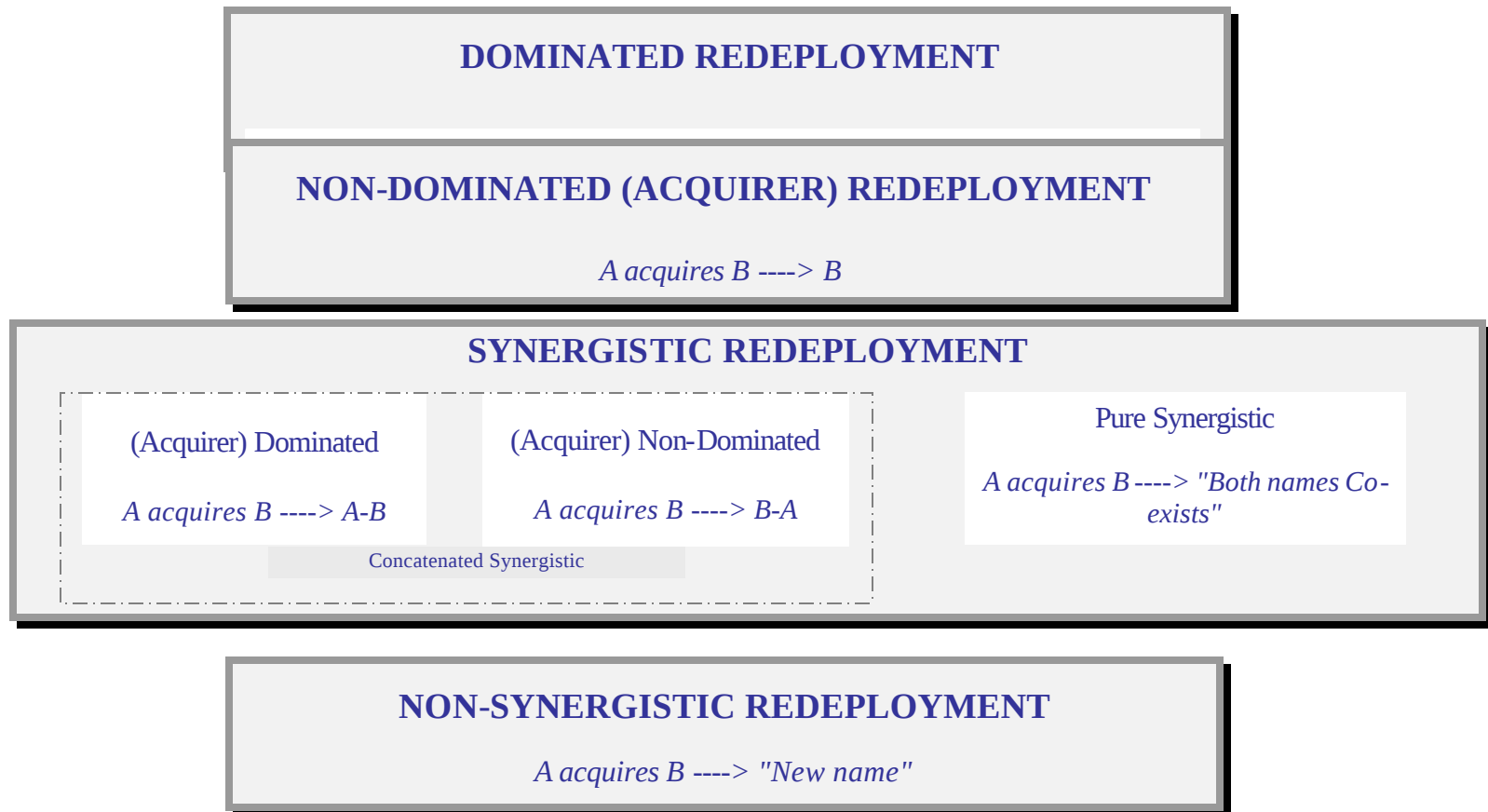


FIGURE 2-1: FRAMEWORK OF BRAND REDEPLOYMENT STRATEGY

services. Studies going as far back as 1969 have shown a positive relationship between the firm's image and its stock performance. Quite a few studies (Howe, 1982; Horsky and Swyngedouw, 1987; Ferris, 1988, Bosch and Hirschey, 1989) suggest that the stock market seems to react to the announcement of corporate brand name change. This research seems to suggest that a corporate brand name change may be a signal of an improvement in the growth prospects of the firm. However, while these brand redeployments (corporate or product) promise to yield significant value to the merged company, the stumbling block is their enormous failure rates. Knudsen et. al (1997) studied 23 cases, from complex mergers of several brands operating in the same market to seemingly straightforward changeovers, and found that market share was maintained in less than half. For pure brand mergers, where two or more brands in a market are combined into one, the success rate fell to one-fourth. The reasons for these failures can be attributed to a variety of reasons: 1) inability to estimate the correct economic value of brand, 2) the inability to manage the eventual brand and/or, 3) a decrease in original-brand loyalty of the customers. Another problem with the several studies examining this issue is the lack of conclusive results and a common understanding. In an event study conducted by Horsky and Swyngedouw(1987) on 58 corporations that changed their names in 1981-1985, it is found that, for most of the firms, name changes are associated with improved performance. They found that the greatest improvements tend to occur in firms that produce industrial products and whose performance prior to the change was relatively poor. However, the findings do not support the contention that the new name per se will enhance demand for the firm's products. Instead, it appears that the act of a name change serves as a signal that other measures to improve performance, such as

changes in product offerings and organizational changes, will be seriously and successfully undertaken. On the other hand, in a random, popular press study of 15 public companies, that have changed their corporate brand names, Friedman (2000) shows that subsequent (to the name change) stock market performance of these companies has been 'all-over-the-board' - but mostly dismal relative to the S&P500 index. While, Howe (1982) found weak evidence of a positive market reaction to changes in corporate names, Karpoff and Rankine (1994), present evidence that the positive stock price reaction to the announcement day is weak and is sensitive to sample selection. Overall, the results of these studies have been, to a large extent, inconclusive.

Changing of these corporate and product brand names is a fairly complicated and expensive process. Apart from the expenses involved in physical name change activities, the firms forgo large consumer goodwill as intangible expenditure. Considering the millions of dollars spent on commercializing products, and the considerable investments that the firms make in their brand names, the rationale behind sudden redeployments (cannibalizations/assassinations etc.) of brands subsequent to a M&A transaction has not been explored by researchers. The central thesis of this analysis is that the success of the brand redeployment depends on the stakeholders' perception of the new redeployed brand vis-à-vis the previous brand.

Due to the resemblance of this issue, the brand extension literature can be leveraged for a better understanding. So far the brand extension literature has focused on three primary issues; the first issue reflects one of the more widely discussed concerns related to the pursuit of brand extension strategies: To what extent does the number of different categories affiliated with a brand affect its strength? Drawing primarily on the

theories of cognitive categorization, Keller and Aaker (1992) and Loken and Roedder (1993) argue that a brand loses its identity and hence its strength as the number of categories affiliated with it increases. The second issue involves the effect of quality variance across products affiliated with a brand on brand strength. Typically, new brands are targeted to fit the needs of specific market niches. However, such niche marketing strategies can result in a brand portfolio comprising products that vary widely from each other in terms of quality. The quality variance across products/firms associated with a brand is not only expected to have a direct effect on brand strength, but is also a key determinant of when adding products to a brand strengthens or weakens it. The third issue involves the effect of the degree of relatedness among firms/products affiliated with brand. The existing brand extension literature suggests that consumer evaluations of brand extensions tend to be positively correlated to the degree of “fit” between the parent brand and the extension category (Aaker and Keller, 1990; Bousch and Loken, 1991). A basic implication of this perspective is that extensions (and redeployments) should be restricted to categories that are closely related to other products affiliated with the brand. With this understanding, an extrapolated argument can be made regarding the importance of relatedness between the acquirer and the target and its impact on the overall evaluation of the brand redeployment decision. Therefore, while analyzing the antecedents and consequences of the brand name redeployment decision, it becomes imperative to examine the relatedness between the acquirer and the target along with their initial brand strengths and associations.

Conclusion

The main purpose of this chapter is to provide a review of the relevant literature and provide an understanding of the gaps in our literature. Based on the review, this research study is positioned as an area that is important in the field of brand management and also as an extension to our knowledge of branding. With this literature review and the conceptual framework, this present study aims at developing and examining the antecedent factors that play a role in determining the acquirer's strategic action in terms of its corporate name redeployment. Issues such as informational asymmetry and inability to assess the market reaction before the decision are central assumptions in this study. Competing theories are employed to explain the proposed model. In the next chapter, relevant hypotheses are developed for empirical testing. Subsequent chapters include details of data, measures, model and finally the empirical analysis.

CHAPTER III

HYPOTHESIS DEVELOPMENT

Introduction

Desire to obtain resources (tangible or intangible) may provide the motivation behind firms' decisions to undergo an M&A transaction. However, to exploit the value of these resources fully, firms must redeploy both the acquirer's resources into the target's markets and the target's resources for use in the acquirer's market. This redeployment becomes particularly important when the resources (such as a brand name) is rare, imperfectly imitable and low in substitutability.

As stated in the previous chapter, the process of identification and explanation of the antecedent factors requires an understanding of the motives behind asset redeployment. Broadly four motives of brand name redeployment have been identified, from the several theories of the firm presented in the previous chapter. They include: 1) Acquiring/leveraging brand equity, 2) Competence destroying, 3) Signaling motive and 4) Ease of Transition. The theoretical arguments presented suggest that redeployments of brand names occur to acquire the inimitable and immobile asset (brand name) or to pursue monopolistic motives by eliminating competing brand names from the market place or to be possibly used by the corporate executives (the brand redeployment phenomenon) as a signaling vehicle to the firms' stakeholder groups. This chapter attempts to use all these motives to develop hypotheses based on arguments derived from the previous chapter. First, a brief description of theories governing each of these

hypotheses is presented as a review and subsequently arguments for each hypothesis are presented along with the relevant hypothesis.

Resource-based Perspective

There has been ample evidence that indicates that firms use the M&A transactions as a means for businesses to exchange firm-specific resources that otherwise are not easily re-deployed (Capron and Hulland, 1999; Hennart and Park, 1993; Mitchell 1994; Wernerfelt, 1984).

Resource immobility occurs when resources are unique and not easily transferable. These resources protect the firm's ability to achieve superior firm performance by sustaining resource heterogeneity across competitors. However, in contrast to the traditional structure-conduct-performance paradigm, the resource-based view of the firm sees industry structure resulting from firm heterogeneity in terms of efficiency (competence) rather than just market power.

Recent attempts at measuring corporate reputation suggest that firms with strong reputations are both rare and have considerable value. Immobility of this intangible asset inhibits other firms to imitate easily. Moreover, its effects cannot be readily or easily duplicated through the use of other strategic resources, i.e. substitutability is low. Hence, firms often turn to markets to "acquire or sell" these corporate names and hence their reputation. According to the resource-based view of the firm, corporate brand name is a resource of a firm and yields rent-yielding firm-specific advantages. With respect to the transaction cost argument, M&A transactions have been recognized as a means of internalizing benefits. Given opportunistic behavior and bounded rationality, low

transaction costs might create a preference for external resource redeployment. Thus, acquisitions can be a fundamental way of obtaining such unique firm specific resources. This argument assumes perfect information transfer between the acquirer, target and the environment, i.e. it is quite likely that the acquirer does not have timely and accurate information about the target's reputation. Such differences in information available to the participants either make their strategies acutely sensitive to their beliefs and expectations or they use some market and / or financial signals as proxy for the target's status/standing in the marketplace.

On the contrary, executives may not even use such rational processing while redeploying resources. Agency theory suggests that executives work more towards their self-interest than the collective interest of their organizations. As suggested earlier, they might use this opportunity created through the M&A transaction to expand their personal power-base.

Managerial Power Perspective

A basic assumption in the microeconomic theory is that managers are motivated strictly by profits. Business behaviors such as advertising, pricing, corporate structuring, merger or acquisition transactions are all assumed to be in pursuit of profit. Rhoades (1983) contends that business executives (and even government officials) are motivated by the desire for power - power in the sense of control over resources, people and events. Berle and Means (1991) state that, although ownership is centrifugal, economic power is centripetal. By a very careful and exhaustive investigation they conclude that two thousand individuals control half of the industry in the United States. They regard the

modern executive as analogous to the Kings and Popes of former times. The twentieth century philosopher Bertrand Russell (Russell, 1962) has observed that "love for power is the chief motive producing the changes which social sciences has to study." The desire for power in the economic arena seems likely to be manifested in the achievement of size, a wide range of operations (i.e. diversification in unrelated markets), and access to large-scale financing. Examples of hostile takeovers provide striking illustration of the drive for power. Executives use acquisitions as a tool to expand their empire to achieve more controlling power over resources and markets. This may be pursued even without any economic rationale. Yunker (1983) believes that corporate brand name changes are made after acquisitions because the acquirer wants his company to gain prestige and visibility through recognition that a previously independent company is now a part of his own company. This process is simplified when the acquirer has an upper hand in the transaction process. Russell believed that a man's love for power would depend upon his temperament, his opportunities, and his skills. Moreover, his opportunities and circumstances largely mold his temperament. Therefore, executives in a firm use this opportunity created through M&A to satisfy their power greed. This suggests that even if empire building is not the motive of the transaction, the executives use it as an opportunity to restructure. Quite similar to the social and political heritage, source of power is basically attributed to firm's economic well being i.e. in terms of its size and assets.

Signaling Perspective

Brand name change signaling is based on signaling theory, which is used mostly in finance and economics. Signaling theory is a unique communication theory whose application is necessitated by the existence of information asymmetry between a firm and its stakeholders (i.e., consumers, competitors, investors and the like). Unlike ordinary communication models, signaling models use symbols (variables) that are understood by the sender (a firm or a potential employee) and the target audience (shareholder, consumers, competitors, employers, etc.), but cannot be easily mimicked by others who may not have anything to signal.).

The model assumes that the stakeholder of the firm lives in a world that exists outside of business organizations. Thus, the majority of the stakeholders do not have direct access to many important information nor knowledge of many strategic management decisions that exist within the organization. A prominent preoccupation throughout the finance literature has been the possibility that an agent with more information (e.g., the manager of a firm who has "inside" information) could "signal" information to less informed agents (e.g., shareholders). Investors may interpret a name change as a signal from management. However, some of these decisions and information pertain to such issues as the firm's long term objectives and goals, its strategic posture, the new products that the firm plans to introduce in the future, and the financial health of a firm; all of which have a direct bearing on the potential stakeholder. The fact that the stakeholder is oblivious to these decisions gives rise to information asymmetry. Even though information asymmetry allows a firm to surprise its competition with new products, etc., the information gap can cause stakeholders (specially the consumers or the

buyers) to become skeptical, and suspicious. Such feelings can be so strong that they can even destroy markets, in which case both sellers and buyers lose the opportunity to consummate an exchange (Akerlof, 1970). Evidently, signaling is not a costless process. In fact, the high cost of signaling, is an essential part of the theory as it makes a signal credible, prevents mimicking, and establishes a separating equilibrium that makes signals meaningful. Signals lose their meaning once they can be mimicked by organizations which do not have any useful information to communicate.

To bridge this information gap between the internal and external stakeholder groups, firms often use several financial and marketing variables to communicate the firm's mission or strategic objective, superior quality of its products or the soundness of its financial position. Previous academic studies also conjecture that a name change may "signal" information to the investors (Howe, 1982; Bosch and Hirschley, 1987). The finance literature addresses this issue suggesting that the stock market seems to react to the announcement of a corporate name change (Bosch and Hirschey, 1989; Ferris, 1988; Horsky and Swyngedouw, 1987; Howe, 1982).

The signals may not only come from the type of name change but cues can also be derived by the investors while trying to analyze the implicit motives behind the name change reason or process. For example, if an acquiring company drops its own name and takes up the name of the target company that might signal that the management of the new company is dominated by the target company's executive and in all likelihood the operations of the new entity would be similar to that of the target company or the new entity in all likelihood would retain products and brands of the target company, etc. Such

reasoning / arguments by the stakeholders can be formed based on the explicit and implicit signals that they get from just the name change information.

Ease of Transition Perspective

As mentioned in previous chapters, owing to a complex, expensive and unpredictable M&A process and the subsequent integration, it can also be argued that executives rely on ease of transition or operationalization while making resource redeployment decisions. In an attempt to streamline the operations of the new / acquired entity, executives either maintain the status quo of the acquired firm's brand names or choose a strategy such that it requires the least effort toward redeployment and also eliminates any anxiety amongst its stakeholder groups. The ease of operationalization of the redeployment process will gain importance mostly in cases when either: a) the number of stakeholder groups is higher for one firm than the other and it is easier to manage the smaller group's resistance to change, b) the name change of one firm and not the other requires a more formal process, or c) the influence of brand name on the firm's operations is low. In the presence of any or all of such situation, it would be considered more prudent by firm's executives to redeploy the brand name in such a way so as to minimize the transition complexity. In certain situations it is also likely that a temporary redeployment of brand name is adopted for the transition phase, which is subsequently finalized or re-redeployed.

Hypothesis Development

The above-discussed perspectives are employed in the following paragraphs to identify the factors influencing brand name redeployment and subsequently derive the relevant hypotheses:

Impact of Relative Standing:

Frank (1985) introduced “relative standing” to describe an individual’s status relative to that of others in a social setting, such as a community, neighborhood, company or a team. Even though relative standing can be considered as a unified construct, it has numerous facets. It derives from real or attributed abilities, performance and other status/visible capabilities, all in relation to those of others in a given social/transactional unit (Cohen and Zhou, 1991). Relative standing is manifested in such things as access to centers of power, titles, acts of respect, inclusion etc. Both social comparison and equity theory have spawned substantial research, supporting the general conclusion that individuals evaluate their situations relative to others while making evaluation/judgements/decisions about their behavior/actions. For example, Hambrick and Cannella (1993) drew a link between the size of the acquired firm relative to its buyer and the relative standing of the acquired executives. Walter (1985) asserts that when the acquired firm is smaller relative to the buyer, the human needs of the acquired firm tend to get overlooked or trivialized by the buyer. This phenomenon of “big fish” dominance is not only due to the power motive but can also be explained by a more rational, resource-based and capabilities theory. While comparing the two firms, it is quite prudent to examine the source of the “bigness (or smallness) ” or the reason why one firm is

superior to the other. Relative standing between the two firms offers a measure of relative status of the two firms over their market-based credibility or reputation. This leads to the argument that, probably, the better firm has more well-defined processes, organizational culture, capabilities, access to better resources etc. These processes, culture, capabilities and resources enable the bigger/better firm to grow and prosper thus establishing higher equity and brand recognition/reputation in the marketplace. Thus, in cases where target is a larger firm than the acquirer, it is hypothesized that:

H1a: Acquirer-dominated brand name Redeployment Strategy is more likely to be adopted when the relative standing of the acquirer is higher than the target.

Similarly, for cases when acquirer is larger than the target:

H1b: Non-dominated brand name redeployment strategy is more likely to be adopted when the relative standing of the target is higher than the acquirer.

Impact of Market Relatedness

Mergers are categorized as horizontal, vertical, related and conglomerate. A horizontal merger is one that takes place between two firms in the same industry, a vertical merger is one in which the buyer expands backward toward the source of raw materials or forward in the direction of ultimate customer. A related merger is a merger between two diversified firms that aim for synergy in businesses outside their core areas of operations. A conglomerate merger, on the other hand, involves companies in unrelated lines of business. While this classification enables us with some insights into

the motives of the transaction, it does not provide any clues or justifications with regard to the outcome of the transaction.

Horizontal Mergers: Monopolistic Power: Even though profit maximization through market synergies has been touted as a logical explanation for transactions between competing firms (horizontal M&As), economists have shown that such mergers often create a monopolistic situation that result in higher profits for business. Market power is the ability of a market participant or group of participants to control the price, the quantity or the nature of goods sold, thereby generating extra-normal profits (Sheth, 1990). Organization with a monopoly in a market may perform well, in the short run, regardless of whether or not it modifies its offerings to suit customer preferences. In horizontal M&A's, market power results in gains to market participants through revenue-side effects that plausibly arise from greater opportunities for collusion (Stigler, 1968). The dominant-firm model of oligopoly again suggests that prices in an industry rise consequent to a horizontal acquisition by a dominant firm. It's a folklore that for merging competitors, takeovers create a monopoly that will raise product prices, produce less and thereby harm consumers. This classical oligopoly model (Stigler, 1964) suggests that horizontal mergers increase the likelihood of effective collusion by decreasing the number of competitors within an industry. Industrial organization (IO) economics emphasizes market power as a primary incentive underlying horizontal acquisitions (i.e. transactions within the same industry)

Subsequent to M&A transaction, the acquirer's redeployment of target's assets, to seek monopoly, would result in competence-destroying effects. This may even be

pursued even without an economic rationale. Furthermore, acquiring firms are better able to assess the value of their own assets than those of the targets. Hence, it suggest that post-M&A redeployment, would lead to "assassination" of target's assets.

H2a: Acquirer dominated brand name redeployment strategy is more likely to be adopted subsequent to a horizontally related M&A.

Prior research in brand management has extensively evaluated the role of “fit” or similarity between product classes/brands in formation of brand evaluations. Scholars have identified that the transfer of perceived quality of a brand will be enhanced when two product classes in some way fit together. Several theoretical perspectives are compatible with this view. The theory of cognitive consistency (Heider, 1958; Osgood and Tannenbaum, 1955), stimulus generalization (Bierley, McSweeney and Vannieuwkerk, 1985) and categorization theory (Cohen and Basu, 1987; Fiske, 1982, Sujan 1985) provide support to this phenomenon. The degree of perceived fit is a function of both feature similarity perception and brand consistency perception. Here, the relevance of fit is conceptualized among the acquirer, target and the finally redeployed brand.

Vertical Mergers and Acquisitions: As stated earlier in the literature review, the synergy (efficiency and effectiveness) perspective argues that firms often use acquisitions to reconfigure the target businesses as part of the process of broader strategic change – i.e. leveraging the operations of the target. Synergistic transactions are plausible only if the

acquirer is able to effectively redeploy resources of the combined entity. Competitive analysis stage of the acquisition process tries to identify synergistic interrelationships between the company's businesses and other businesses that it may wish to enter. These relationships represent opportunities to create a competitive edge by reducing costs or enhancing differentiation. An acquisition is likely to create value for the acquirer only if the acquirer has a distinctive ability to generate significant economic benefits as a result of the combination. A shared corporate name, for example, can lower the advertising expenditure and at the same time might reinforce a differentiated product reputation. Also, for M&A transactions allow firms to leverage their corporate equity outside their core competency areas. This can be achieved when firms combine their identities and leverage their equities in their respective markets. Such combination of entities which are process-related (and not complementary) requires leveraging of tangible and intangible assets.

H2b: Synergistic (Concatenated or Pure) brand name redeployment Strategy is more likely to be subsequent to a vertically related M&A.

Related/Complimentary Mergers and Acquisitions: Related mergers or acquisitions are characterized by the fact that the acquirer and target share the same market of operations other than their primary domain. This suggests that the acquirer is a diversified firm and that it is likely that the target can be “accommodated” along with an already-existing subsidiary of the acquirer. The motive behind such mergers is to acquire a target, which has a relatively higher standing than the subsidiary of the acquirer. To a large extent, such

mergers or acquisitions occur between a large and diversified acquirer and a relatively small unified/undiversified target. Owing to target's specialization/brand awareness in its core area of business, the acquirer intends to acquire and leverage that resource. The post-acquisition integration of the target occurs in such a way that it becomes a wholly owned subsidiary of the acquirer firm.

H2c: Pure synergistic brand name redeployment strategy is more likely to be adopted if the acquirer and target are related in industries other than the primary industry.

Conglomerate/Unrelated Mergers and Acquisitions: Maintaining Equity: The above discussed managerial power perspective also lends support to the fact that the so-called conglomerate mergers are generally not consistent with the traditional microeconomic theory because they do not yield monopoly profits. Thus, analysis of such mergers guided by the profit maximization axiom yields no clear results. Blair (1958) contends that "*...of all types of merger activity conglomerate acquisitions have the least claim to promoting efficiency in the economic sense....*" The effectiveness of such mergers is questioned due to the economic and organizational risks in the post-merger consolidation process. Hanlon (1967) and Mueller (1977) have determined that there was no significant difference between the growth in earnings per share between conglomerates and other companies. This argument against the economic efficiency is also supported by agency theorists, who debate that there appears to be a private incentive to managers who have

little or no ownership interest in the company to pursue growth through efficiency gains.

To this effect, Kahn (1981) states that:

"... they (managers) may well be interested in the prestige, the public exposure and influence, and the higher remuneration that seems to go with their working for larger than smaller companies"

Further, theorists have even argued that prospects for attaining operational integration in processes are remote primarily because the originator of the merger plans are Wall Street financiers and their talent, training, and objectives can only drive the short term strategies of the firm. Such short termed motives behind conglomerate M&As may compel the acquiring firms and their executives to maintain the status quo of the acquired firm. Such maintenance of status quo is aimed toward milking profits from the acquired firm without interfering in its processes/operations or in any effort/investments toward integration of the two firms. This phenomenon is consistent with the “*black widow*” or “*cherry picking*” behavior where the motive of the firm is to regard the target purely as a cash cow. It involves an opportunist behavior by the acquirer firm where the target firm is “disposed off” (resold) once the acquiring firm “picks” the useful assets/resources and achieves the desired objective. This lack of integration of entire operations can also be extrapolated to the firm’s branding decisions. Such a process may involve that the brand names of the two firms are isolated such that their respective equity is maintained and can be “resold” later. The maintenance of the original brand names ensures that individual

brand reputations are maintained and hence the complexity of the “disposal” process of the acquired firm is eliminated.

H2d: Pure synergistic brand name redeployment strategy is more likely to be adopted subsequent to a conglomerate M&A.

Impact of Ownership Status

The ownership of a firm and the phenomenon of redeployment are related by the basic principle of ease of transition / redeployment process. It can be argued that at instances when one of the merging entities is a public unit while the other one is a private one, it becomes more prudent to adopt the brand name of the public unit. Such an action is also determined by the fact that since the public entity has an additional stakeholder (shareholders) group associated with its operations, it is much easier to operationalize the redeployment process. This argument is also consistent with the resource-based view and the fact that it is more likely for a public firm to have higher resources, market value, capitalization and brand awareness than a private firm. Thus suggesting that the brand name of the public firm be adopted as the redeployed name of the new entity.

H3a: Acquirer dominated brand name redeployment strategy is more likely to be adopted when the acquirer is a public firm and target is a privately-held firm.

Conversely, with a similar argument as above,:

H3b: Non-dominated brand name redeployment strategy is more likely to be adopted when the acquirer is a privately-held firm and the target is a public firm.

Impact of Acquirer's Diversification

Apart from the relative standing and the market overlap between the acquirer and the target, it is also likely that the integration of the target's resources within the acquirer firm is governed more by the present status of the acquirer and the ease of integration.

Acquirer's Degree of Diversification: Diversified firms tend to have the expertise and the ability to manage different businesses and their resources under one corporate umbrella. This phenomenon is represented quite closely with the M-form of organizational hierarchy (Klein, 1999). A diversified firm might already have several distinct brand names for each of its subsidiaries and product lines. Subsequent to a M&A deal, owing to the ease of transition and the capability of the acquirer to manage such a organizational structure, it becomes more prudent to follow a pure synergistic redeployment strategy, which would entail redeploying the target's brand name as a subsidiary name under the corporate name of the acquirer (e.g. Rosetta Inpharmatics, a wholly owned subsidiary of Merck & Co., Inc.). In such instances, the target becomes a wholly-owned subsidiary of the acquirer but retains its identity such that it can leverage the equity. This relationship between the degree of diversification of the acquirer and the redeployment decision is consistent with the above discussed related/complimentary merger argument.

H4a: Pure synergistic brand name redeployment strategy is more likely to be adopted when the acquirer has a highly diversified business portfolio.

With a less diversified business portfolio, the acquirer might be forced to use a dominated approach toward brand redeployment i.e. either use its own brand name or target's brand name. However, in case of the acquirer and target being in unrelated lines of businesses, it might be dangerous for the acquirer to use its own brand name in another/unfamiliar business area. Such a situation might call for a restructuring of its assets such that the acquirer and target choose and form a completely new brand name for the newly formed entity that can be associated with both the business segments.

H4b: Non-synergistic brand name redeployment strategy is more likely to be adopted when the acquirer has a less diversified business portfolio and the relatedness between the acquirer and target is low.

Impact of Transactional Characteristics

The signaling perspective purports that firms use a variety of ways and means to transfer information to their several stakeholder groups. Firms actively provide cues and signals about its future direction and performance using the processes of mergers and acquisitions and the subsequent redeployment decisions. The stakeholders may interpret a name change as a signal from management about several issues: 1) management's thought process/ philosophy or objective (perceived future direction) behind a particular merger or acquisition, 2) management's plans for the integration and/or the way the merger is consumed, and 3) the current and future relative standings of the two firms. The executives of the two firms may use the various transactional procedures as a way of signaling any of the above issues to the stakeholder groups.

Merger of Equals: Houston and Ryngaert (1994) define a transaction as a merger of equals, “When either the assets or the equity value of the smaller firm would constitute over 45% of the combined assets—of the two firms and the board of directors of the new firm will be composed of equal numbers of directors from each firm.” Aboody, Kasnik and Williams (2000), alternatively, define a merger of equals as when the market value of equity of the two firms is within 25% of one another prior to the merger. They suggest that the motive behind most of such merger of equals happens to be more synergistic. Owing to their similar relative standing, it is more likely that the eventual firm decides to leverage the brand equity of both the firms and achieve the synergistic objective of integrating the two firms.

H5a: Synergistic (concatenated) brand name redeployment strategy is more likely to be adopted subsequent to a merger of equals.

The attitude or recommendation of the target company's management or board of directors toward the transaction plays an important role in the merger or acquisition transaction. It not only acts as a signal to the stakeholder groups in terms of the viability of the deal but also influences the procedure by which the merger is carried out. It provides cues regarding the objective of the M&A deal.

Friendly Mergers: Mergers and acquisitions through the negotiations, willingness and consent of the target company are called friendly mergers. It is argued that the gains from friendly mergers come from the operational synergies. While the definition of friendly

mergers is quite broad and vague, they usually involve retention of resources and capabilities of both the firms so as to leverage them as a combined entity. Friendly mergers can be carried out between several types of acquirers and targets in terms of their relative standings and structures. In a large number of such cases, entrepreneurs have an objective of establishing a stable business and subsequently selling it off to a larger firm. Further, friendly mergers also occur across two large firms with relatively high equity and brand awareness. While on one hand the synergistic motive is quite clear in the case of a friendly merger, on the other, owing to the range of relative standing between the acquirer and the target, it is hypothesized that:

H5b: Synergistic (concatenated or pure) brand name redeployment strategy is more likely to be adopted subsequent to a friendly merger.

Hostile Acquisitions: A basic assumption in microeconomic theory is that managers are motivated strictly by profits. Business behaviors such as advertising, pricing, corporate structuring, merger or acquisition transactions are all assumed to be in pursuit of profit. Rhoades (1983) contends that business executives (and even government officials) are motivated by the desire for power - power in the sense of control over resources, people and events. As stated earlier, Russell (1962) observed that "love for power is the chief motive producing the changes which social sciences has to study." The desire for power in the economic arena seems likely to be manifested in the achievement of size, a wide range of operations (i.e. diversification in unrelated markets), and access to large-scale financing. Examples of hostile takeovers provide striking illustration of the drive for

power. Executives use acquisitions as a tool to expand their empire to achieve more controlling power over resources and markets. Proponents of hostile acquisitions see it as the ultimate sanction on managerial underperformance: the threat to replace one managerial team with another dedicated to raising the return on corporate assets. Yunker (1983) believes that corporate name changes are made after acquisitions because the acquirer wants his company to gain prestige and visibility through recognition that a previously independent company is now a part of his own company. Of course, this process is simplified when the acquirer has an upper hand in the transaction process. This suggests that even if empire building is not the motive of the transaction, the executives use it as an opportunity to occupy the assets of the target and assimilate them so as to increase the equity/assets of their own firm. Further, while the motive behind the friendly mergers is to achieve synergy, the motive of the hostile mergers/acquisitions is more likely to be “disciplinary” or to “set things straight.” This disciplinary action might result in restructuring of processes of the firm, its market images, positioning etc. It is quite likely that the restructuring involves eliminating the target’s processes, brand image etc with that of the acquirer which might have a proven track record. This reasoning is supported by Jensen’s (1988) article, which suggests that most of the hostile takeovers occur between a large acquirer and a smaller target. Hence,

H5c: Acquirer dominated brand name redeployment strategy is more likely to be adopted subsequent to a hostile acquisition.

Apart from the attitude of the transaction, signals (for business analysts) can also emanate from the method of payment and accounting methods employed in the M&A deal.

Stock Swap: Broadly, a stock swap transaction includes exchanging one entity's stock with that of the other. Its a method of exercising stock options where shares that the holder already owns are used to buy new shares at the exercise price. Most of such acquisitions involve the acquiring company using its own stock to pay for the target company. For procedural ease of integrating the identities of the two companies at the stock market, such transactions result in the target losing its own identity and the eventual entity taking up the identity of the acquirer.

H5d: Acquirer dominated brand name redeployment strategy is more likely to be adopted subsequent to a stock swap M&A.

Pooling of Interests: Pooling of interests is an accounting technique employed in mergers and acquisitions where the balance sheet items of the two companies are simply added together. The current accounting rules allow an acquirer to choose one of two deal structures: a purchase or a pooling-of-interests. This choice has a significant impact on the resulting earnings, capital and financial statements of the acquirer.

Under the purchase method, the seller's balance sheet is adjusted to fair market value and then added to the acquirer's financials. The difference between the purchase price and the net asset value of the seller is treated as goodwill in the acquirer's books.

Any associated goodwill is amortized over a 15- to 25-year period. Under the pooling-of-interests method, the balance sheets of both the acquirer and seller are added together, item by item. No goodwill is recorded since the assets are recorded at book value. Because there is no goodwill to be amortized, the acquirer's earnings and tangible capital are significantly higher under the pooling method. In general, publicly traded institutions and mergers with equals have preferred the pooling method. Similar to the arguments presented with merger of equals, it is also likely that the motives behind pooling of interest transactions are more synergistic. Pooling of interest method might provide cues that the management intends to leverage the resources and capabilities of both the firms and intends to seamlessly integrate the firms to achieve synergy in the long run.

H5e: Synergistic (concatenated) brand name redeployment strategy is more likely to be adopted subsequent to a merger or acquisition involving pooling of interests.

Divestiture (of Target's Assets): Divestiture by a target company involves the firm casting away its assets and resources. Such divestiture of target's assets is primarily motivated by the fact that the executives ascertain no perceived value of the target's assets subsequent to integration with the acquirer. It is also likely that the divestiture might occur if target's assets and resources have been linked to negative performance. In such situations, the management might decide to do away with the identity of the target and convey an image of "starting afresh or overhauling" to its stakeholders. The elimination of the target's identity might also signal a change in the firm's focus,

capabilities and resources, which might eventually be translated into projections for better firm performance.

H5f: Acquirer dominated brand name redeployment strategy is more likely to be adopted subsequent to a divestiture of assets by the target.

Reverse Takeovers: A reverse takeover is a transaction where a smaller company makes an offer to the shareholders in a larger company for their shares, in exchange for shares in the offering company, with the result that the shareholders in the larger company becomes owners of share in the offering company. A reverse takeover may be desirable for a number of reasons: Where a larger unlisted (private) company wishes to acquire a smaller company that is listed (public). In some circumstances, the listed company will only be a "shell" company which the larger company wants to reverse into purely to take advantage of its listing. The smaller firm is highly active and acquisitive, which wants to acquire a larger company. In some circumstances, the board of the smaller company may get institutional shareholder support for such an acquisition. The reverse merger occurs when a public company, which has no business and usually limited assets, acquires a private company with a viable business. The private company "reverse merges" into the already public company, which now becomes a new operating entity reflecting the dominance of the private company on the newly formed company's business.

H5g: Non-dominated brand name redeployment strategy is more likely to be adopted subsequent to a reverse takeover.

Hence, with this above theoretical reasoning, a conceptual model of antecedent factors of brand name redeployment is developed (as shown in Figure 3-1) and a snapshot of the hypotheses is presented in Figure 3-2

Consequences of Brand Redeployment

Company identity, its reputation and its ability to provide quality product and services etc. are likely to be uncertain when a M&A deal is announced, especially given the potential for distorted information shared between managers and outsiders (its customers). Subsequent to the corporate decisions on brand redeployment, it becomes imperative to identify the consequences of such actions from the customer's perspective. Our literature provides a set of conflicting theories with regard to the effectiveness of these brand strategies. On one hand the Integrated Marketing Communication theory suggests congruence and consistency of identity communication, on the other hand, the signaling perspective (Wernerfelt, 1998) suggests that two brand names may provide greater assurance of product quality than one alone. The objective of this enquiry is to deliver insights into issues such as: How do the various stakeholder groups of the company interpret this corporate strategy (Brand redeployment) subsequent to the M&A activity? How do they evaluate each of these six brand redeployments? Do these evaluations of brand redeployment "match" the managerial judgment - and thereafter evaluate the effectiveness (or success) of each brand redeployment strategy? While these

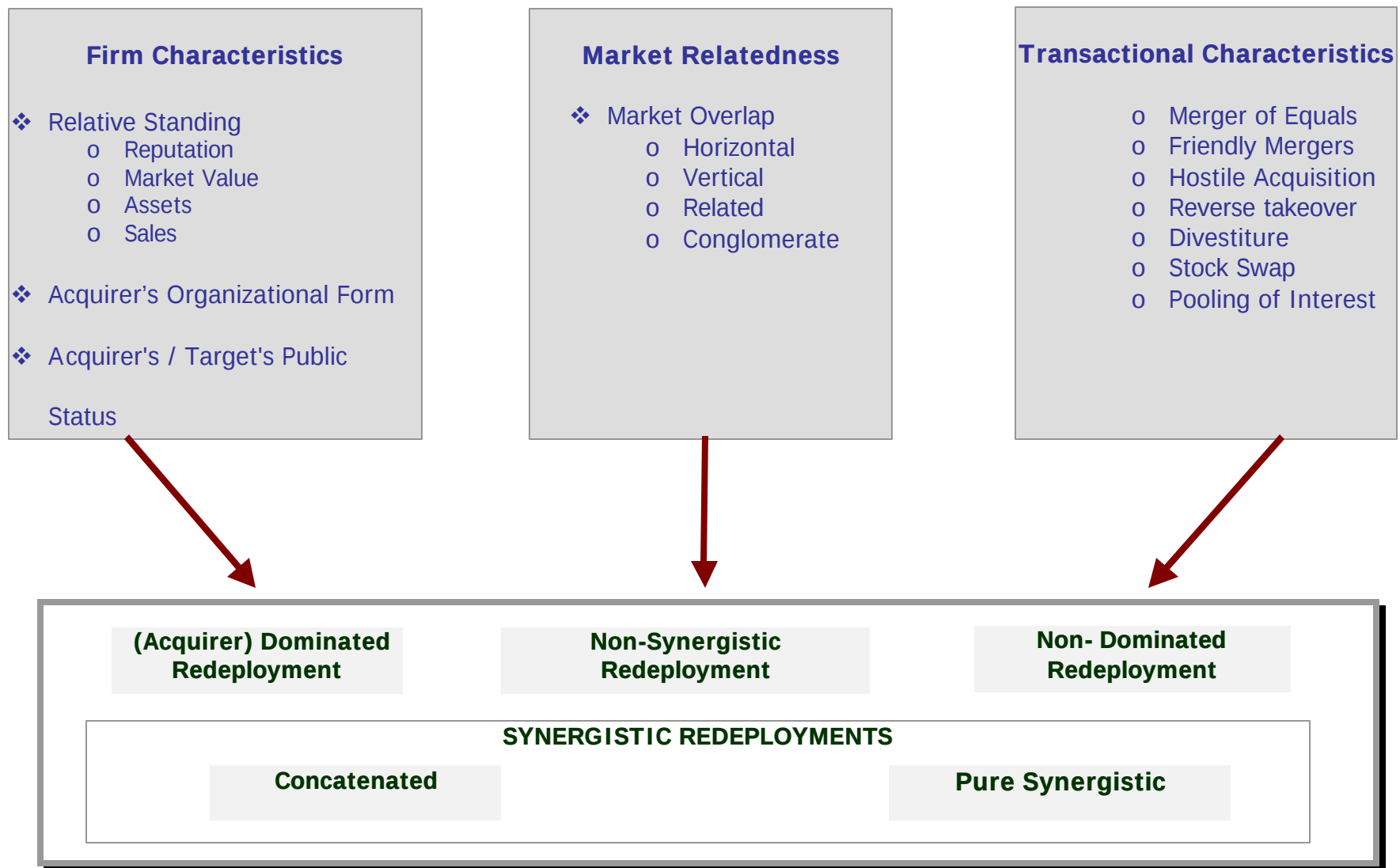


FIGURE 3-1: ANTECEDENTS OF BRAND REDEPLOYMENT STRATEGY

				(Acquirer) - Dominated	(Acquirer) Non-Dominated	Concatenated Synergistic	Non-Synergistic	Pure Synergistic
THEORY		INDEPENDENT VARIABLES						
Acquirer/Target Characteristics	Resource-based	Relative Standing	Acquirer > Target	0̄				
			Target > Acquirer		0̄			
	Strategy-Conduct Performance	Acquirer's Organizational Form	Acquirer is Diversified					0̄
			(Acquirer=diversified) + (Low Relatedness)				0̄	
	Corporate Governance	Ownership Status	(Acquirer - Public) + (Target - Private)	0̄				
			(Target - Public) + (Acquirer - Private)		0̄			
Relatedness	Competitive Strategy	Market Overlap	Horizontal	0̄				
			Vertical			0̄		0̄
			Related/ Complimentarity			0̄		
			Conglomerate			0̄		
Transactional Characteristics	Signaling Theory / Ease of Trasformation	Transaction Technique	Merger of Equals			0̄		
			Friendly Merger			0̄		0̄
			Hostile Acquisition	0̄				
			Stock Swap	0̄				
			Pooling of Interest			0̄		
			Divestiture	0̄				
			Reverse Takeover		0̄			

FIGURE 3-2: HYPOTHESES

questions require an in-depth analysis of each of the stakeholder groups, considering the time and resource limitations, this study provides a glimpse of the consequences of these brand name redeployments through an exploratory analysis of the changes in its financial and market status subsequent to the merger or acquisition activity. The analysis is explained in the next chapter on “Methods.”

Conclusion

Several hypotheses, backed by their theoretical rationale, are outlined in this chapter. These hypotheses were developed using a multitude of perspectives from IO economics, marketing, finance, management strategy etc. Subsequently, a brief overview is provided to motivate the exploration of the consequences of brand redeployment. In the next chapter, an outline of the method, along with a discussion of the data and measures employed in this study are presented. The remainder of this report consists of an empirical examination of these hypotheses, analysis and discussion of the results and eventually the limitations of this work along with a list of future agendas.

CHAPTER IV

METHOD

Introduction

In this chapter, the research method employed in this study is explained. This chapter is split into two sections: the first section includes the description of the data, measures of key constructs and an overview of the model used for analyzing the antecedents of brand name redeployment. The second section includes description of two techniques that can be used to examine the consequences of brand name redeployment. The first technique (an experimental design) is a proposal for future research and the method is described as a possible avenue for future research. Later, the second technique is employed toward an exploratory analysis of performance characteristics of acquirer and target before and after the merger and acquisition. A brief synopsis of the dataset used for this analysis is also provided.

Antecedents Of Brand Name Redeployment

Data Description: In order to examine the antecedent factors of the transaction process, analysis was performed on a combination of firm- and transaction-specific variables. Data was extracted from the *SDC Mergers and Acquisitions database*. SDC is a syndicated data service that tracks and records information on individual merger and acquisition deals. The initial sampling frame consisted of cross-sectional, M&As of value above \$100 million, that took place in the United States during a 5-year period (1995-

1999). Transactions below \$100 million mostly included private firms where the financial information before the transaction was not available. Mergerstat (2000) shows that the out of the total of 2439 disclosed deals, more than 68% of them were valued over \$100million. Therefore deals valued over \$100million are a fairly good representative sample of the overall population. The initial extracted dataset consisted of 1868 transactions. After elimination of missing data points and elimination of duplicate entries, a set of 1589 transactions was obtained. Of these, over 150 transactions were cross-border deals and were eliminated as they are subject to special regulatory requirements, making it difficult to compare them with other firms. Also for cross-border deals, the resulting firms may not have the choice for all brand name redeployment strategies owing to the language barriers. Transactions that were not completed by the effective date were eliminated from the dataset.

Information about corporate name change and the attitude of the transaction (hostile versus friendly) was manually obtained from archived news articles from LEXIS/NEXUS database, which includes archived information obtained from several newspapers and periodicals. Target-acquirer characteristics, transactional elements, and procedural elements were recorded from various sources such as *Mergers and Acquisitions Sourcebook*, *Mergers and Acquisition Yearbook*, etc. These news articles were mainly used to 1) validate the data on name changes and confirm that the name change decision was not reversed in any of the cases, and 2) to identify whether the transaction was a hostile acquisition or a friendly merger. More name change information was also obtained from *Center for Research in Security Prices (CRSP)* database. The final data set contains over 656 transactions after eliminating cases of missing values.

The dataset includes financial, operational and market-related information on both acquirer and target. Financial data included information of acquirer's and target's market value, total assets, sales/revenue and net income. The domain of operations of both the firms are identified by their presence in several industries based on 4-digit SIC codes. SIC Codes of both acquirer and the target are available in the dataset. The operations of each of the firms are identified in up to 18 SIC-codes/industries. Amongst these 18 fields of SIC codes, the primary businesses of both the acquirer and the target are uniquely identified. The dataset also contains information on the ownership status of the firms viz. Public, Private, Subsidiary etc. These were coded categorically in the dataset. Business Week/Forbes/Fortune Top 500 Rank is available for both acquirer and target. The Top 500 ranking for the acquiring/Target company includes subsidiaries and uses current years ranking. Further the dataset also included details on the transactional characteristics. Each transaction is described using several procedures/M&A techniques viz. Merger of Equals, Pooling of Interests, Divestiture, Stock Swap, Reverse Takeover etc. The dataset also includes categorically coded information on the type of transactions: Friendly Merger or a Hostile Acquisition.

Measures: The independent variables include both, the financial and market-level status of the firms at the time of the transaction, and the transactional procedural data. Procedural data that included information about how the transaction was conducted was obtained from the summaries of the M&A transaction directly available and extracted from the SDC database. The following description provides a detailed overview of several measures incorporated in this study:

Relative Standing: The relative standing construct was based on five distinct measures: viz. market value, total assets, sales/revenue, net income and reputation rank of both the acquirer and the target. A combination of acquirer and target's firm characteristics were captured using a ratio measure. This ratio measure also helped eliminate the industry or size effect from the several variables and hence all transactions can be analyzed on a continuum. Subsequently, a fifth cumulative index of relative standing is calculated using the four measures. This average across the four measures constitutes the cumulative relative standing index. The cumulative relative standing index is calculated to facilitate the coding in the polytomous/multinomial logistic regression and for analyzing interaction effects.

Market Overlap: Market overlap between the acquirer and target is measured over four dimensions based on the type of relatedness between the acquirer's and the target's domain of operations. The domains of operations of each firm were identified using the 4-digit SIC codes of each of the firms.

Horizontal M&As: Horizontal M&As are those transactions, which involve two directly competing firms as acquirer and target. This measure is calculated using the primary SIC code of the acquirer and the target. A transaction is classified as horizontal if the primary SIC code of the acquirer is equal to the primary SIC code of the target. A primary SIC code represents the industry in which the acquirer or the target have their primary operations or an industry from which they generate their maximum revenue. This is coded as dichotomous

variable, 1 representing that it is a horizontal M&A, while 0 representing otherwise.

Vertical M&As: A vertical transaction is one in which the acquirer or the target is related vertically to each other in the supply chain. This would give backward integration to the company to assimilate the sources of supply and forward integration towards the market. i.e., the merging undertaking would be a buyer or a supplier using its product as intermediary material for final production. This measure is obtained using Lemelin's (1982) and Fan and Yang's (2000) method of vertical relatedness index. This index of relatedness is based on the "Use Tables" provided by the Bureau of Economic Analysis. The "Use Table" is a matrix (Input-Output or IO matrix) containing the value of commodity flows between each pair over 500 industries. The table reports for each pair of industry, i and j , the dollar value of i 's output required to produce industry j 's total output, denoted as a_{ij} . For calculating the vertical relatedness index, a_{ij} is divided by industry j 's total output to get v_{ij} representing the dollar value of industry i 's output required to produce 1 dollar's worth of industry j 's output. Conversely, a_{ji} is divided by the dollar value of industry i 's total output to get v_{ji} , representing the dollar value of industry j 's output required to produce 1 dollar's worth of industry i 's output. The vertical relatedness index is calculated as an average of v_{ij} and v_{ji} . Primary businesses (SIC codes) of both the acquirer and the target are used in calculation of this vertical relatedness index between the two firms. It is a continuous measure representing the "degree" of relatedness.

Related/Complementary M&As: The relatedness measure depicts the overlap between the acquirer and the target in areas other than their primary business. The SDC dataset provides information (SIC codes) of each firm's operations in up to 18 industries. This measure is calculated by correlating the number of common industries between the acquirer and the target. It is based on a count measure of the number of common SIC codes between the acquirer and the target. It is a continuous measure representing the "degree" of relatedness. In case of overlap in the primary business/industry, the case is considered as a Horizontal merger/acquisition.

Prior Studies have used SIC-based variable to classify relatedness between firms (Hoskisson, Hitt, Johnson and Moesel, 1993; Hambrick and Cannella, 1993). Fan and Yang (2000) compare the mean relatedness coefficients (obtained through Use Tables – IO matrix) between industry pairs classified into different SIC industries and between industry pairs classified into common SIC industries. Their comparison indicates that the results are better when the relatedness/complementarity between firms is calculated using SIC codes whereas the results are more valid when vertical relatedness is calculated using the IO matrix. Conclusively suggesting that SIC-based variables capture more complementarity and IO matrix variable captures more vertical relatedness.

Conglomerate M&As: Conglomerate M&As where cases which were neither horizontally/vertically-related nor had any degree of relatedness/complementarity between the acquirer and the target. Cases were

coded as conglomerate M&As if no level of relationship between the acquirer and the target could be ascertained from the above mentioned measures. This is coded as dichotomous variable, 1 representing that it is a conglomerate M&A, while 0 representing otherwise.

Ownership Status: Measures for identifying the ownership status of both the acquirer and the target are available directly from the SDC dataset. This measures includes a categorical variable each for the acquirer and the target.

Acquirer Ownership Status: This categorical variable is coded so as to identify the acquirer ownership status as a Public Company, Private Company or a Subsidiary.

Target Ownership Status: This categorical variable is coded so as to identify the acquirer ownership status as a Public Company, Private Company or a Subsidiary. These coded variables are isolated to yield two dichotomous variables as follows: a) Acquirer is a Public Company while Target is a Private company, and 2) Target is a Public Company while Acquirer is a Private Company.

Acquirer's Degree of Diversification: Measure of Acquirer's degree of diversification was calculated using the acquirer's portfolio of businesses. The degree was calculated using the measure relating to spread across the businesses.

The acquirer's degree of diversification (ADDI) was calculated as:

$$ADDI = \sum_{j=1}^n \sum_{i=1}^n ASIC_i - ASIC_j$$

Here, ASIC = Acquirer 4-digit SIC code, n= number of businesses.

This measure is consistent with Rumelt (1974) conceptualization of firm's diversity and is in accordance with the work by Christensen and Montgomery (1981). This approach categorizes the extent of diversification of firms based on the relatedness between its several types of businesses.

Another indicator of acquirer's diversification is also incorporated that represents a categorical measure of presence or absence of acquirer's diversified portfolio. This is coded as dichotomous variable, 1 representing that the acquirer has a diversified portfolio, while 0 representing otherwise.

M&A Techniques / Transactional Characteristics: Measures for identifying the techniques of transaction are available directly from the SDC dataset. All these measures are identified by coded variables that represented acquisition techniques used in each transaction. These coded variables are isolated to yield seven dichotomous variables as follows:

Merger of Equals: This indicates that the acquirer and target in the stock swap transaction have approximately the same market capitalization and relative standing, and further the ownership of the new entity will be owned roughly 50/50 by the target and the acquirer shareholders. Both companies also tend to have

close to equal representation on the board of the new company. This is coded as dichotomous variable, 1 representing that transaction is a merger of equals, while 0 representing otherwise.

Friendly Mergers: Mergers and acquisitions through the negotiations, willingness and consent of the target company are called friendly mergers. This is coded as dichotomous variable, 1 representing that the transaction was a friendly merger, while 0 representing otherwise.

Hostile Acquisition: Hostile acquisitions are cases in which an acquirer may not offer the proposal to acquire the target company's undertaking, but may silently and unilaterally pursue efforts to gain controlling interest in it against the wishes of the management. They are also called raids or takeover raids. This is coded as dichotomous variable, 1 representing that the transaction was a hostile acquisition, while 0 representing otherwise.

Stock Swap: It indicates a transaction in which the acquiring company exchanges equity in itself for equity in the target. This is coded as dichotomous variable, 1 representing that it is the transaction involved stock swap technique, while 0 representing otherwise.

Reverse Takeover: Such a transaction indicates a merger in which the acquiring company offers more than 50% of its equity as consideration offered to

the target company resulting in the target company becoming the majority owner of the new company. This is coded as dichotomous variable, 1 representing that the transaction was a reverse takeover, while 0 representing otherwise.

Divestiture: This transaction indicates that the deal is a divestiture meaning that there is a loss of majority control; the parent company is losing a majority interest in the target or the target company is disposing of assets. This is coded as dichotomous variable, 1 representing that the transaction was a part of the target firm divesting its assets, while 0 representing otherwise.

Pooling of Interest: A transaction that is classified as a pooling of interest transaction indicates that the acquirer is using this accounting method whereby the balance sheets of both the companies are added/merged together. This is coded as dichotomous variable, 1 representing that the transaction involved pooling of interest by the acquirer and the target, while 0 representing otherwise.

Overview of the Empirical Model: The task under analysis requires modeling a categorical dependent (discrete choice) variable with a set categorical and continuous independent covariates. For categorical dependent variable there are two usual methods of estimating a rule for classification of y given x : the normal discriminant procedure and the multinomial logistic regression procedure. The former places strong assumptions on the fact that x has a multivariate normal distribution, whereas the latter places no explicit

restrictions on x (Campbell and Donner, 1989). Further, multinomial logistic regression has the following advantages:

- a) Logistic Regression does not assume a linear relationship between the dependent and the independent variables. It can handle nonlinear effects even when exponential and polynomial terms are not explicitly added as additional independents.
- b) The dependent variable need not be normally distributed.
- c) The dependent variable need not be homoscedastic for each level of the independent(s).
- d) Normally distributed Error terms are not assumed.
- e) It does not require that the independents be unbounded or interval.

Therefore the polytomous (or multinomial) logistic regression¹ has the advantage of being robust under a wide variety of distributions of x . Multinomial logistic regression works well when we have a mix of both categorical (or dichotomous) and continuous independent variables. This special type of logistic regression model is useful for predicting categorical outcomes based on a set of predictor variables. It is more general in nature (as compared to the logistic model) because the dependent variable is not restricted to just two categories. A multinomial logistic model estimates the effects of the explanatory variables on the likelihood that one falls into a group relative to the likelihood that one falls into a group relative to the likelihood of falling into some pre-selected reference group. Conversion of discrete data to probabilities allows

¹ Literature on logistic regression uses polytomous, polychotomous or multinomial logistic regression interchangeably.

representation of probabilities for discrete choices. The multinomial logistic model also follows the independence of irrelevant alternatives since adding another option to the choice does not change the ratio probabilities for the two existing choices. The general plan is to model the odds of plan choice as a function of the covariates and to express the result in terms of odds ratios for choice of different plans. Therefore, it is planned to use this robust model to mathematically represent and empirically evaluate the concept.

The underlying assumption of this model is derived from the decision theory literature, i.e. a decision maker can rank possible alternatives in order of preference and will always choose that option from available alternatives that option which he/she considers most desirable, given his/her perception of the benefits that he/she derives from that decision. (Punj and Staelin, 1978). The goal of the multinomial logistic regression is to correctly predict the category of outcome for individual cases using the most parsimonious model. Agresti (1990) suggests that the probability of each of the outcomes can be calculated from the regression parameters for any given value of set of x 's (here x represents the independent variables in the model). Here it is assumed that the log of odds is proportional across categories. The logistic transformation is formalized as follows:

$$P_i = \frac{e^{a_i + \sum_{j=1}^k b_{ij}x_j}}{[1 + e^{a_1 + \sum_{j=1}^k b_{1j}x_j} + e^{a_2 + \sum_{j=1}^k b_{2j}x_j} + \dots + e^{a_n + \sum_{j=1}^k b_{nj}x_j}]}$$

Here, No. of categories = n , $i = 1, 2, \dots, n$

No. of independent variables = k , $j = 1, 2, \dots, k$

$x_j = j^{\text{th}}$ independent variable

P_i = Probability of selecting category i of a total of n categories

α is the intercept and β the slope of the parameter value of the predictor variable.

In this study, we have the following model:

No of categories (choices) of name redeployment strategies = five(5)².

As outlined in the conceptual framework, the name redeployment decision is based on a set of 12 firm- and transaction-specific characteristics (independent variables) inherent to each transaction. Hence, the probability that the firms choose strategy 1 can be mathematically represented by the following equation:

$$P(1) = \frac{e^{a_1 + \sum_{j=1}^{12} b_{1j} x_j}}{[1 + e^{a_1 + \sum_{j=1}^{12} b_{1j} x_j} + e^{a_2 + \sum_{j=1}^{12} b_{2j} x_j} + \dots + e^{a_5 + \sum_{j=1}^{12} b_{5j} x_j}]}$$

... and so on for probabilities of each of the other name choices.

The goal of this study is the estimate the b_{ij} 's for each independent variable for the set of choices of name redeployment. Unlike in the Logit model, the parameters b_{ij} 's vary with the dependent variable (instead of the independent variable varying with the dependent) in multinomial logistic regression. This estimation is conducted through the

² Unlike the previously discussed conceptual model, which contains 6 redeployment strategies, the empirical examination is conducted over 5 strategies. The Acquirer dominated synergistic and acquirer non dominated synergistic strategies are combined into one category to form "(concatenated) synergistic strategy."

maximum likelihood estimation technique using the SPSS multinomial logistic regression module.

To simplify the discussion of the estimation and interpretation of odds ratios in the multinomial outcome situation, a generalized notation similar to that used in a binary outcome case is used, so as to include the outcomes being compared as well as the values of the covariate. Interpretation of each estimated odds ratio and its corresponding confidence interval is closely related to that of a binary outcome setting. As is the case with the binary outcome setting with a dichotomous covariate, the estimated standard error of the coefficient is the square root of the sum of the inverse of the cell frequencies. It is assumed that the last choice (Strategy 5) is the reference option. Therefore, the results depict estimation of four β s', instead of five. The probability of the first category (also known as the reference category) can be calculated since,

$$\sum_{i=1}^5 P_i = 1$$

The estimation would require calculation of $(4 \times 15 + 4 =)$ 64 parameters. In general, the likelihood ratio test for the significance of the coefficients for a variable has degrees of freedom equal to the number of outcome categories minus one times the degrees of freedom for the variable in each logit (binary estimation).

This above discussed model and estimation method allows calculation of the predicted probability of each of the 5 categories on any given score on the value of x's. Subsequently enable us to develop predictable models of corporate name redeployment. Such a model can be further examined by comparing the number of firms predicted to

deploy a particular name strategy with the actual number of firms deploying that particular strategy (using a holdout sample).

As with any fitted model, multinomial logistic regression analysis requires estimation of its overall fit and examination of the contribution of each variable to the fit. A model with multiple outcome categories makes the problem more difficult than is the case with binary outcome category because unlike in the latter case, the former has multiple estimated probabilities of occurrence of each category. Lesaffre and Albert (1989) have proposed extensions of tests of goodness of fit and logistic regression diagnostics to multinomial logistic regression model. The process by which coefficients are tested for significant for inclusion or elimination from the model involve several different techniques:

Wald's Test: The Wald test is used to evaluate the statistical significance of each coefficient (β) in the model. A Wald test calculates a Z statistic, which is

$$Z = \frac{\bar{B}}{SE}$$

This Z value is then squared, yielding a Wald statistic with a chi-square distribution.

Several authors have identified problems with the use of Wald statistic. Menard (1995) warns that for large coefficients, standard error is inflated, lowering the Wald statistic (chi-square) value. Agresti (1996) states that the likelihood-ratio test is more reliable for small sample sizes than the Wald test.

Likelihood-Ratio Test: The likelihood-ratio test uses the ratio of the maximized value of the likelihood function for the full model (L_1) over the maximized value of the likelihood function of the simpler model (L_0). The likelihood-ratio test statistic equals:

$$-2 \log \frac{L_0}{L_1} = -2[\log(L_0) - \log(L_1)] = -2(L_0 - L_1)$$

This log transformation of the likelihood function yields a chi-squared statistic. This is the recommended test statistic to use when building a model through backward stepwise elimination.

Hesmer-Lemshow Goodness of Fit Test: The Hosmer-Lemshow statistic evaluates the goodness-of-fit by creating 10 ordered groups of cases and then compares the number actually in the each group (observed) to the number predicted by the logistic regression model (predicted). Thus, the test statistic is a chi-square statistic with a desirable outcome of non-significance, indicating that the model prediction does not significantly differ from the observed. The 10 ordered groups are created based on their estimated probability; those with estimated probability below 0.1 form one group, and so on, up to those with probability 0.9 to 1.0. Each of these categories is further divided into two groups based on the actual observed outcome variable (success/failure). The expected frequencies of each of the cells are obtained from the model. If the model is good, then most of the cases with success are classified in the higher deciles of risk and those with failure in the lower deciles of risk.

List of Variables: The following discussion provides a glimpse of the dependent and independent variables used in the study, their value ranges and the associated units.

Dependent Variable (Categorical): **BRSTR** (Brand name Redeployment Strategy)

BRSTR=1,	Acquirer Dominated Brand name Redeployment
BRSTR=2,	Acquirer Non-Dominated Brand name Redeployment
BRSTR=3,	Synergistic (Concatenated) Brand name Redeployment
BRSTR=4,	Non Synergistic Brand name Redeployment
BRSTR=5,	Pure Synergistic Brand name Redeployment

Independent Variables:

Relative Standing Variables

RMV (Relative Market Values) = Market Value of Target divided by that of acquirer.

Market Values (\$mil) of both the target and the acquirer are calculated by multiplying the total number of their respective shares outstanding times the respective stock price 4 weeks prior to announcement date.

RTASS (Relative Total Assets) = Total Assets of Target divided by that of acquirer.

Total Assets (Last 12 Months)(\$mil) includes current assets, long-term investments and funds, net fixed assets, tangible and intangible assets/goodwill, and deferred charges (\$mil).

RSALES (Relative Sales) = Net Sales of Target divided by that of Acquirer.

Net Sales (Last 12 Months)(\$mil) are the primary source of revenue after taking into account returned goods and allowances for price reductions. If not available, total revenues are used. For banks, net sales equals interest income plus non-interest income.

RNI (Relative Net Income) = Net Income of Target divided by that of Acquirer.

Net Income (Last 12 Months)(\$mil) is income from continuing operations, after taxes and minority interest, before extraordinary items and preferred dividends.

ORS (Overall Relative Standing): Mean of RMV, RTASS, RSALES and RNI.

RRANK (Relative Reputation Rank Indicator): Average Rank of Target divided by that of Acquirer.

Average Rank of the firm s calculated as a mean rank across the Fortune, Business Week and Forbes Ranks assigned to each firm during the last 12 months.

Market Overlap Variables:

HORIZON = 1, if the merger/acquisition is classified as a horizontal merger, 0 otherwise.

VERTICAL (Vertical Relatedness Index): Continuous variable representing the vertical relatedness between the acquirer and the target as calculated using IO matrix (see description in the “Measures” section).

RELATED (Degree of Relatedness/Complementarity): Continuous variable representing the degree of market overlap between acquirer and the target using SIC codes (see description in the “Measures” section).

CONGLOM = 1, if the merger/acquisition is classified as a conglomerate merger, 0 otherwise.

Ownership Status Variables:

APT = 1, if the acquirer is a public enterprise AND target is a privately-held firm, 0 otherwise.

AV = 1, if the acquirer is a privately-held firm AND target is a public firm, 0 otherwise.

Acquirer's Degree of Diversification Variable:

ADDI (Acquirer Degree of Diversification Index): SIC-based degree of diversification of acquirer's business portfolio.

ADIV = 1, if the acquirer is a diversified firm, 0 otherwise.

Transactional Variables:

MOE (Merger of Equals): = 1, if the merger is classified as a merger of equals (the acquirer and the target have relatively similar assets and capabilities), 0 otherwise.

FRNDMERG (Friendly Merger): = 1, if the merger is classified as a friendly, 0 otherwise.

HOSTACQ (Hostile Acquisition): = 1, if the acquisition is classified as a hostile, 0 otherwise.

STOCKSWAP (Stock Swap): = 1, if the merger/acquisition involves stock swap technique of transaction., 0 otherwise.

REVTAKE (Reverse Takeover): = 1, if the merger/acquisition involves a reverse takeover, 0 otherwise.

DIVEST (Divestiture): = 1, if the merger/acquisition involves a divestiture of assets of the target, 0 otherwise.

POI (Pooling of Interest): = 1, if the merger/acquisition involves pooling of interest, 0 otherwise.

Consequences Of Brand Name Redeployment

Dowling (1986) concluded that organizations develop and manage their image to:

- a) stimulate sales;
- b) establish company goodwill;
- c) create an identity for employees;
- d) influence investors and financial institutions;
- e) promote favorable relations with the community, government, special interest groups and other opinion leaders;

so as to achieve a sustainable competitive advantage. Each of these objectives affect a different set of company stakeholder groups. To be beneficial to all of these goals, a company's brand image must have a positive affect on all stakeholders involved. A key factor in choosing the right corporate brand image is in considering the diverse views of the company's many stakeholder groups. Each major stakeholder group has different characteristics, needs and expectations and may hold a different image of a company. The major stakeholder groups of an organization include: stockholder, board of directors, employees, suppliers, channel members, customer, and community. Perceptions and inferences about the company will differ among the various stakeholder groups, depending on the nature of the interaction with the organization. In the increasingly competitive environment of today's business world, developing an brand image that is favorably perceived by all company stakeholder groups is an advantage but a complex process. To accomplish this, it is critical that the company understands how each

stakeholder group perceives the company and how important company characteristics are to these groups. This knowledge coupled with an in depth analysis of how potential company brand images would effect these stakeholder perceptions aids decision making concerning what image is best for the company. All too often companies develop an image based on their relationship with one group of stakeholders. But, what is considered a desirable corporate image by one stakeholder group may not be by another. For example, IBM built an image of caring for its employees. Yet, IBM took a beating on Wall Street partly due to this same image. Many investors did not believe IBM would be tough enough to accomplish necessary cost cutting to be competitive. Such a complexity of identifying a corporate brand image that is acceptable by all the stakeholder groups plagues the brand management practice and research.

The above-discussed complication has severe implications to our understanding of the consequences of brand redeployment and the effect of redeployment decision on the various stakeholder groups. The measurement of the consequences of the redeployment action requires an analysis of the reactions (or change in attitude) toward the redeployment decision across all stakeholder groups. The complications arise at measuring the reactions of “all” stakeholder groups and coagulating it into a one-dimensional construct. The core issue is that research in this field is yet to provide us with any method or instrument to adequately capture the gestalt impression. Johnson and Zinkhan (1990) point out that an integrative measurement instrument is necessary, yet no such measure has been designed. Therefore, with the current tools of conceptual and empirical research available, it becomes prudent to identify and study the reactions of brand name redeployment decisions by each stakeholder group individually. The

following discussion is aimed at providing a glimpse of how the consequences of brand name redeployment for each stakeholder group can be studied.

The issue of studying the consequences of brand redeployment can be studied from a variety of perspectives. For example, one way would be to examine the performance of the firm using its financial/performance-based data as surrogate to the reaction of its stakeholder groups. This approach is similar to the one used by Capron and Hulland (1999) in which they analyze the change in market share and geographic coverage subsequent to brand redeployment decision. A multitude of studies in the finance literature also follow this approach. Previous studies (e.g. Karpoff and Rankine, 1994; Howe, 1982; Linda and Reyes, 1992; etc) have analyzed the effect of brand redeployments on stock prices have used secondary data in conjunction with event study analysis. The other “direct” method and possibly a much more rigorous method of the study is to conduct an experimental design. To separate the main effects from confounding variables such as new business plans, advertisement and sales promotion effects, conducting an experiment with individual stakeholder groups might yield better insights. While this latter approach is possibly more rigorous, it has not been applied so far in any of the studies. The following paragraphs provide a discussion of this “direct” approach toward analyzing the consequences of brand name redeployment.

Direct Approach of analyzing the Consequences of Brand Redeployment:

The direct approach of analyzing the reactions of the stakeholder group involves analyzing the attitude toward change in brand names across all stakeholders using an experimental design approach. The design involves assessing the original brand

reputation of both the acquirer and the target and subsequently, comparing it with the perceived brand reputation of the final merged firm. Original brand reputation and the fit between the firms can be manipulated as part of the experiment and subsequently, attitudes toward several brand choices can be ascertained. Stimuli for manipulating the original brand reputation and fit between the two firms have to be developed.

Stimuli Development: The first step toward stimuli development is to identify industry categories and corporate and product brands within the categories that could be used for experimental stimuli. The choice of the industry category rests on 2 conditions: 1) subjects have to be knowledgeable about that industry category; 2) should be able to identify the hierarchy of brand names in that category. To accomplish this task, personal interviews can be conducted to identify these categories. Next, five to six firms can be identified within each category such that: a) the brand reputation of one is higher than the brand reputation of other two and other two have same brand reputations. b) The degree fit between 2 firms is high and the degree of fit between the other 2 is low. This exercise will enable setting up the manipulating of degree of fit and examine the true effects of original brand reputation on the attitude towards the eventual brand choice. Subsequently stimuli can be developed and tested with a small sample of college students as a pilot study.

Metrics of Measurement: The dependent variable in this approach consists of a self-reported attitude toward the hypothetically redeployed brand of familiar corporate or product brands. The following self reported measures also need to be captured:

Attitude toward Firm: The first metric of measurement is the overall evaluation of the company or the firm. Since the emphasis of this approach is on evaluating the overall consequences of the redeployment decision, it is imperative to study the evaluation of the eventual company than just the new name of the firm. This measure might also provide some insights into the new metric of measuring merger and acquisition success. From a consumers perspective (and in accordance with Aaker and Keller's (1990) work) the evaluation of the firm will include their perception of the firm's ability to provide quality goods and services. The attitude is measured for both the two original firms and the redeployed firm. This will enable examination of transferability of quality perception between the original brands and the redeployed brands. From the brand extension viewpoint, Aaker and Keller (1990) suggest that the transfer of brand's perceived quality is enhanced when the two product categories in some way fit together. When the fit is weak, the transfer is inhibited.

Attitude toward Brand Names: A brand can be conceptualized as a cognitive category containing one or several products (Boush and Loken, 1991; Bridges, 1989; Park, Milberg and Lawson, 1991). The brand name acts as the mental category label and as such carries the meaning and affect associated with the category. The seminal article by Zinkhan and Martin (1987) argues and provides empirical evidence that attitude toward brand names exist independently of attitude toward a product or brand. These attitudes are based on the literal

meaning of the name, the way it sounds, or some associations that brand name accumulates over time due to company promotion or individual usage.

Involvement: As previous research indicates that industry/product category knowledge and involvement may affect brand evaluations (e.g. Sujan, 1985), involvement of the subjects with the categories also becomes an important element to measure. Firm/Product involvement will be used as a covariate or moderating variable in the analysis.

The above discussion provides a brief glimpse of a methodology that can be applied to study the consequences of brand name redeployment via a direct method of studying the changes in perception of the various stakeholders of the firm. This method is proposed as a part of future study as mentioned in the last chapter of this report. While this method is possibly rigorous and might yield richer insights, a simpler mechanism, of evaluating the changes in firms' financial characteristics, for identifying the consequences is included in this study. This method has been chosen owing to the time, and resource constraints associated with this work. The subsequent paragraphs describe the firm performance-based method used in this study to analyze the consequences of brand redeployment decision. An exploratory analysis is presented that aims to identify significant differences in firm performance across several performance variables (such as revenue, market value, net income etc.) subsequent to the brand name redeployment decisions.

Performance-based approach of analyzing the Consequences of Brand Redeployment:

As a part of the exploratory analysis, an initial random subset of sample of 167 transactions is extracted from the previously-used (to analyze the antecedent factors) dataset. The randomization was performed such that almost equal numbers of transactions of each strategy are included. Subsequently, transactions which included acquirer's that engaged in merger or acquisition activity again within one year of initial activity were removed so as avoid confounding due to the second M&A transaction. Also, few cases with missing data were also eliminated. The final dataset comprised of 148 transactions. This new dataset was used to extract acquirer's and target's financial and operational information from the *Compact Disclosure* database. *Compact Disclosure* derives its data from the SEC filings of the firms and is considered as a significantly reliable and valid database. The following six financial and operational variables were extracted to analyze the consequences of brand name redeployment on the firm's performance:

- a) Revenue
- b) Net Income
- c) Intangible Assets³
- d) Market Value
- e) Average Stock Price
- f) Earnings per Share

³ Amongst other elements of intangible assets, here the variable is being considered a measure of brand equity, goodwill, customer relationship etc.

The choice of these six variables was attributed to capture the change in attitude of two primary stakeholder groups of the firm: its customers and its shareholders. The first three variables (Revenue, Net Income and Intangible Assets) were included so as to capture the reactions from the consumers whereas the last three (Market value, Average Stock Price and Earnings per share) were included to capture the response of the shareholders. These variables were standardized against firm size. As suggested by Klein (1999) firm size is calculated as a natural logarithm of total assets of the firm. The size control is important so as to balance out the pre- and post- acquisition changes attributed to size. Data for each firm was extracted and averaged across three quarters before the date of announcement and three quarters after the effective date⁴ of merger to eliminate the anticipated and post-merger knee-jerk effects on financial reporting. Each transaction involved three data-points across each variable: one each for acquirer, for target and for the final company. Finally a matrix of 148 cases is obtained which is distributed over five brand redeployment categories. Each case included data on the acquirer, target and final company's standardized revenue, standardized net income, standardized intangible assets, standardized market value, average stock price and earnings per share.

The main objective behind this analysis is to identify if there is any significant differences in firm performance before and after the merger and subsequently compare the change in firm performance across the five brand redeployment groups. Standardized significance test (ANOVA) is conducted to analyze differences across means of each of the six variables across the five redeployment groups. The results of this analysis are presented in the next chapter.

⁴ Effective dates are dates when the company started incorporating the redeployed name (e.g. stock trading, promoting etc.). These dates are available in the original SDC database.

Conclusion

This chapter provides a description of the database used is provided, the measures of key constructs and dimensions have been outlined and an overview of the model used to analyze the antecedent factors that influence the brand name redeployment decision is provided. Further, this chapter also provides an outline of two methods that can be used to examine the consequences of the redeployment decisions. While the first, direct method is proposed as a part of the future study, the second method involving the performance measures of the firm as surrogates to the response of the stakeholders is operationalized. The subsequent chapters of this report include the data analysis and the findings of the both the analysis – the antecedents and the consequences of brand name redeployment decisions.

CHAPTER V

ANALYSIS & RESULTS

Introduction

This chapter includes analysis of both the antecedents and the consequences of brand redeployment decisions. The empirical analysis presented includes both descriptive analysis of the several variables used and the impact of each variable included in the model on the final choice of brand name redeployment strategy. The descriptive results of variables are discussed along with the parameter estimates of multinomial logistic model. Multinomial logistic regression yields the probability of choice of one redeployment strategy over the other given the acquirer and target characteristics and the transactional characteristics. As part of the analysis to determine consequences of the redeployment decision, standard significance test is performed on firm's performance variables (as discussed in the previous chapter) across the five redeployment categories. In this chapter, first the descriptive analysis of the initial dataset (used to analyze the antecedent factors) is presented, followed by a discussion of results of the several hypotheses, a discussion of results of multinomial logistic regression and finally a discussion of the result of the exploratory analysis of consequences of redeployment decision.

Descriptive Analysis

The descriptive analysis is performed to gain an initial understanding of the phenomenon under investigation. The descriptive statistics of all the variables used in the

analysis are calculated prior to empirical analysis of the model and a summary of the descriptive results is provided in the following paragraphs. The dependent variable is a categorical variable with five choice options. The number of cases associated with each choice option is as shown in Figure 5-1. Figure 5-2 provides a glimpse of the number of redeployments every year during the time frame of the dataset. The figure shows an increasing trend of brand redeployments in the 5-year period.

Means and standard deviations of overall relative standing of the acquirer and the target firm are as presented in Table 5-1. Relative standing is calculated as Target's characteristics divided by Acquirer characteristics. Relative standing measure greater than 1 indicates that the target characteristic (on that particular measure) is higher than that of the acquirer, whereas a relative standing measure lower than 1 indicates the target's characteristic is lower than that of the acquirer. Reputation/Rank indicator of the relative standing is eliminated owing to the high number of missing values. The preliminary analyses suggest that all measures of relative standing indicate a rather consistent result. Cases where the target's characteristic is higher than that of the acquirer, non-dominated redeployment strategy is adopted whereas, cases where the acquirer has higher relative standing, acquirer dominated strategy is chosen. These results are quite consistent with the hypotheses.

The descriptive statistics of the market overlap between the acquirer and the target firm are as represented in figures 5-3a, 5-3b, 5-3c, 5-3d, 5-3e and 5-3f. Market overlap is calculated over four dimensions: horizontal, vertical, complimentary and conglomerate. The dataset contains 261 horizontal mergers, 31 vertical, 82 complimentary and 282 conglomerate transactions. Out of these, horizontal and conglomerate variables are

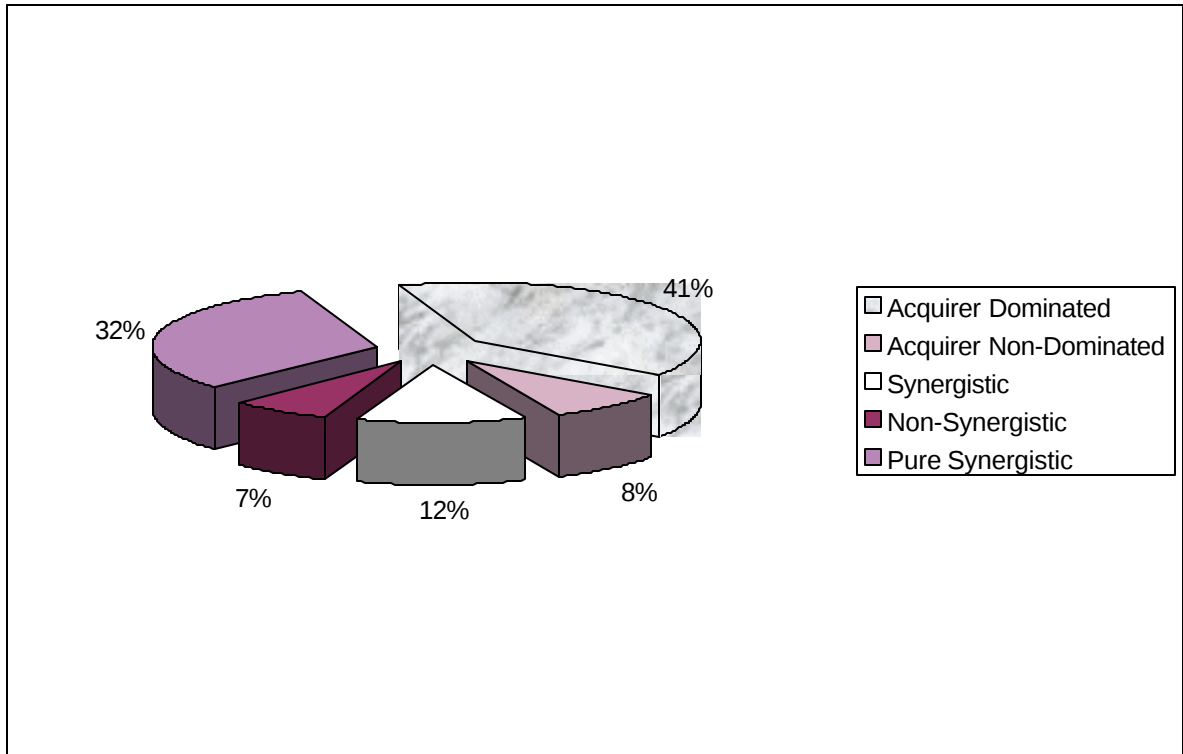


FIGURE 5-1: BRAND NAME REDEPLOYMENT STRATEGIES (Total Cases=656)

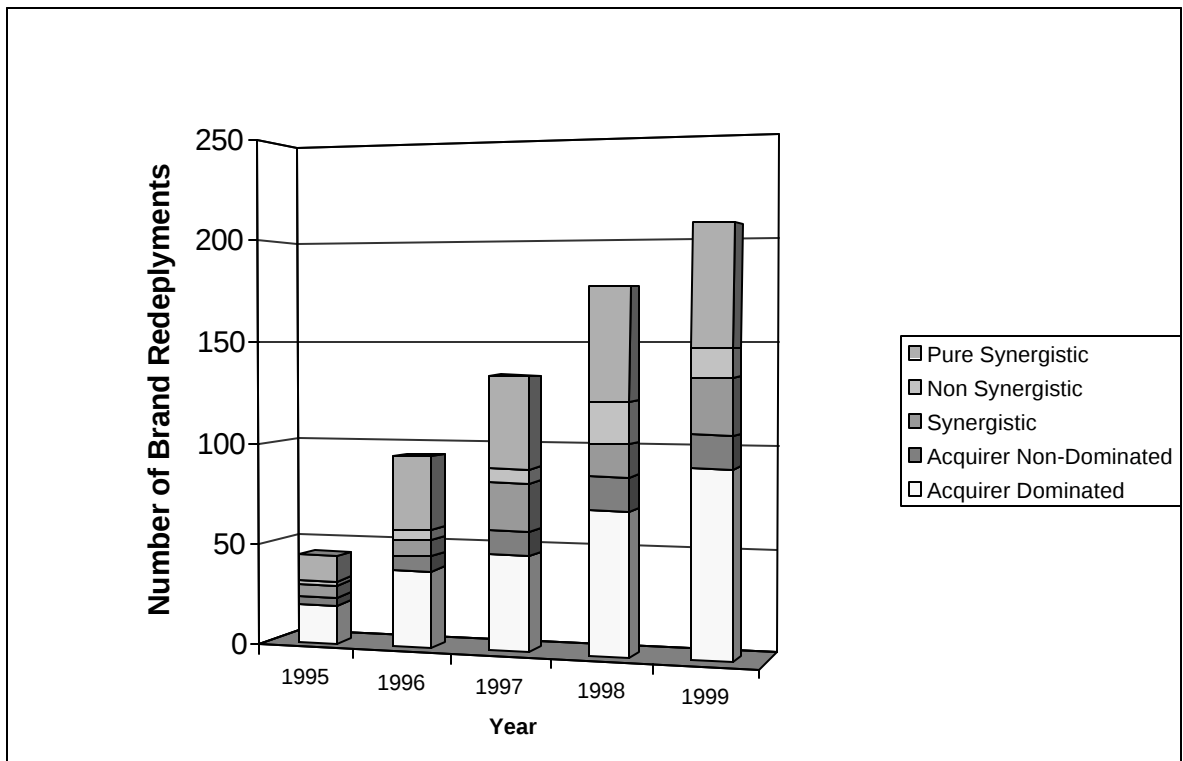


FIGURE 5-2: NUMBER OF BRAND REDEPLOYMENTS OVER THE YEARS

TABLE 5-1
DESCRIPTIVE RESULTS: ACQUIRER–TARGET CHARACTERISTICS (RELATIVE STANDING)

(SAMPLE SIZE: 656 Mergers & Acquisitions)
(Means and Standard Deviations)

Relative Standing*	N	Dominating Redeployment		Synergistic Redeployment		Non-Synergistic Redeployment
		Acquirer-Dominated	Non-Dominated	Concatenated	Pure	
Reputation/Rank	97	2.656 (3.614)	6.202 (15.738)	1.38 (0.815)	1.619 (1.791)	1.515 (1.276)
Market Value	597	0.343 (0.427)	0.796 (1.1023)	0.520 (0.426)	0.245 (0.254)	0.617 (0.369)
Total Assets	570	0.535 (0.661)	3.194 (11.744)	0.741 (0.948)	2.592 (19.715)	1.397 (1.498)
Sales	581	0.653 (0.876)	5.895 (18.857)	0.528 (0.084)	2.758 (19.362)	0.977 (0.819)
Net Income	553	0.265 (4.061)	1.170 (4.467)	0.339 (3.310)	1.509 (12.940)	0.899 (5.426)
Overall Relative Standing	633	0.316 (0.906)	2.008 (6.099)	0.811 (0.108)	1.349 (8.327)	0.550 (1.053)

* Relative Standing is ratio of Target Characteristics by Acquirer Characteristics

TABLE 5-2
DESCRIPTIVE RESULTS: VERTICAL AND COMPLIMENTARY MARKET RELATEDNESS

(SAMPLE SIZE: 656 Mergers & Acquisitions)
(Means and Standard Deviations)

	N	Dominating Redeployment		Synergistic Redeployment		Non-Synergistic Redeployment
		Acquirer-dominated	Non-dominated	Concatenated	Pure	
Vertical Relatedness	31	0.291 (0.426)	0.000 (0.000)	2.553 (4.744)	19.208 (59.322)	3.452 (5.724)
Relatedness/Complimentarity	82	1.51 (0.899)	2.29 (1.765)	1.59 (0.908)	1.53 (0.979)	1.36 (0.674)

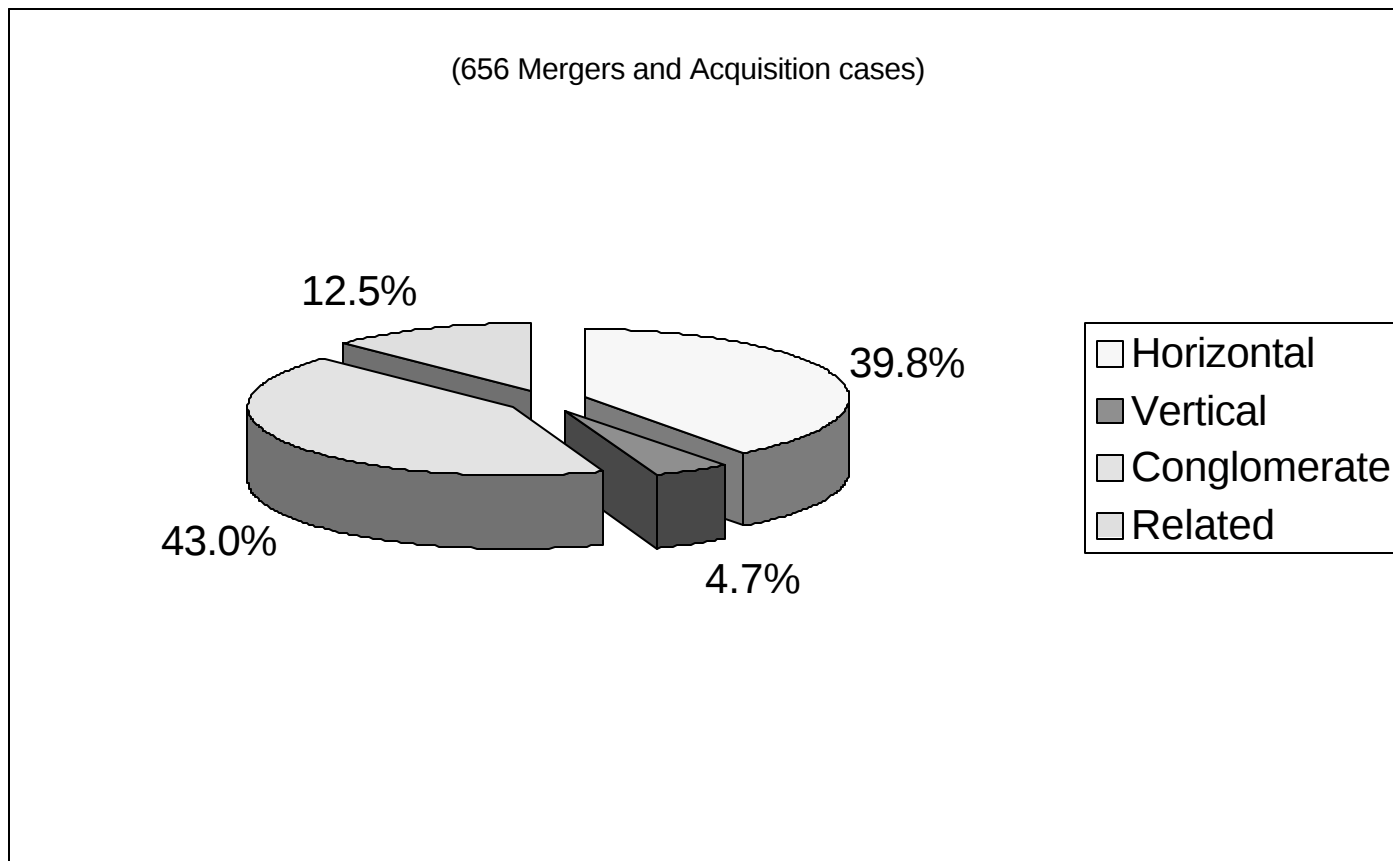


Figure 5-3a MARKET RELATEDNESS: DESCRIPTIVE

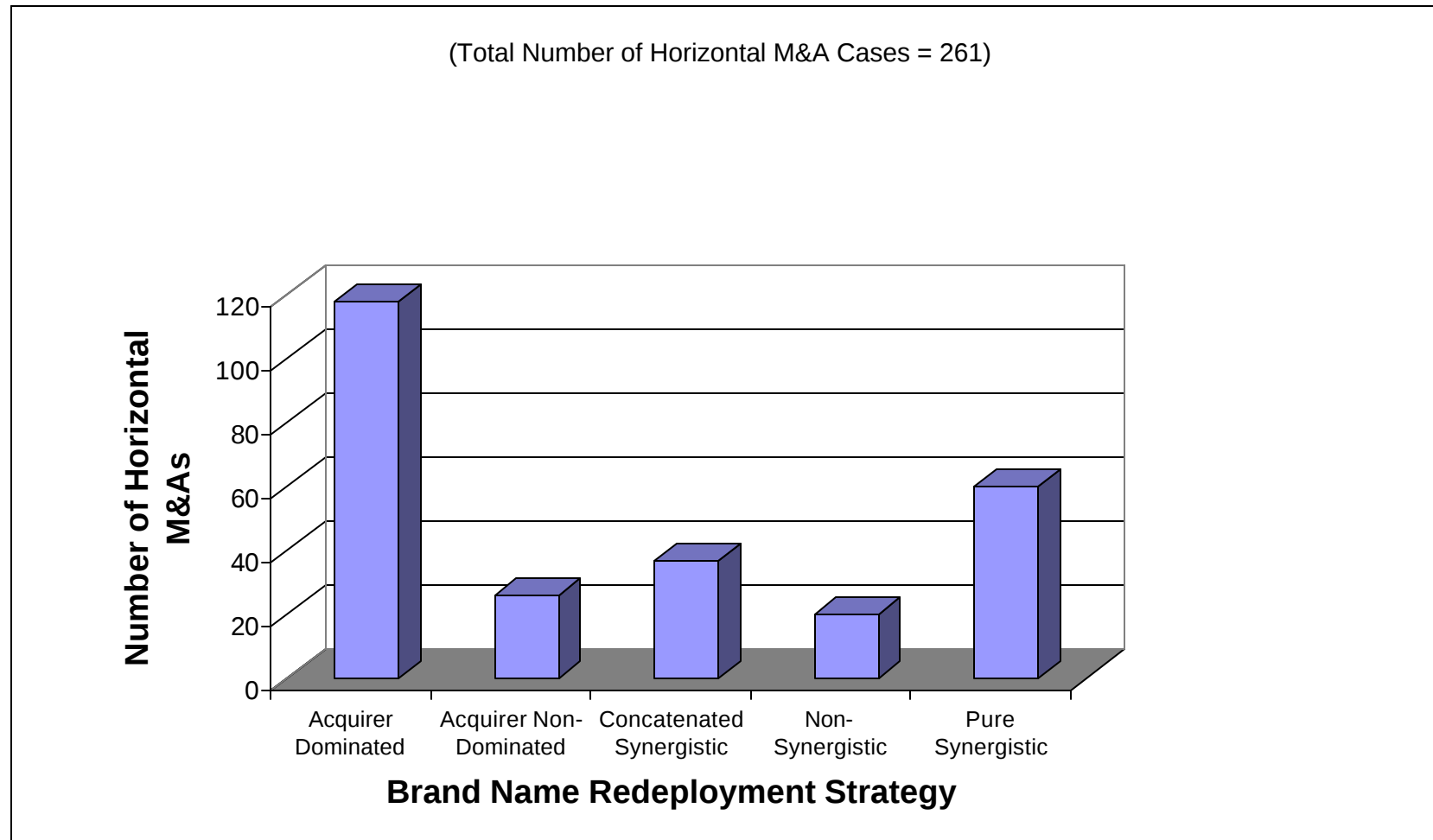


FIGURE 5-3b: HORIZONTAL MERGERS AND ACQUISITIONS

(Total Number of Vertically-related M&A Cases = 31)

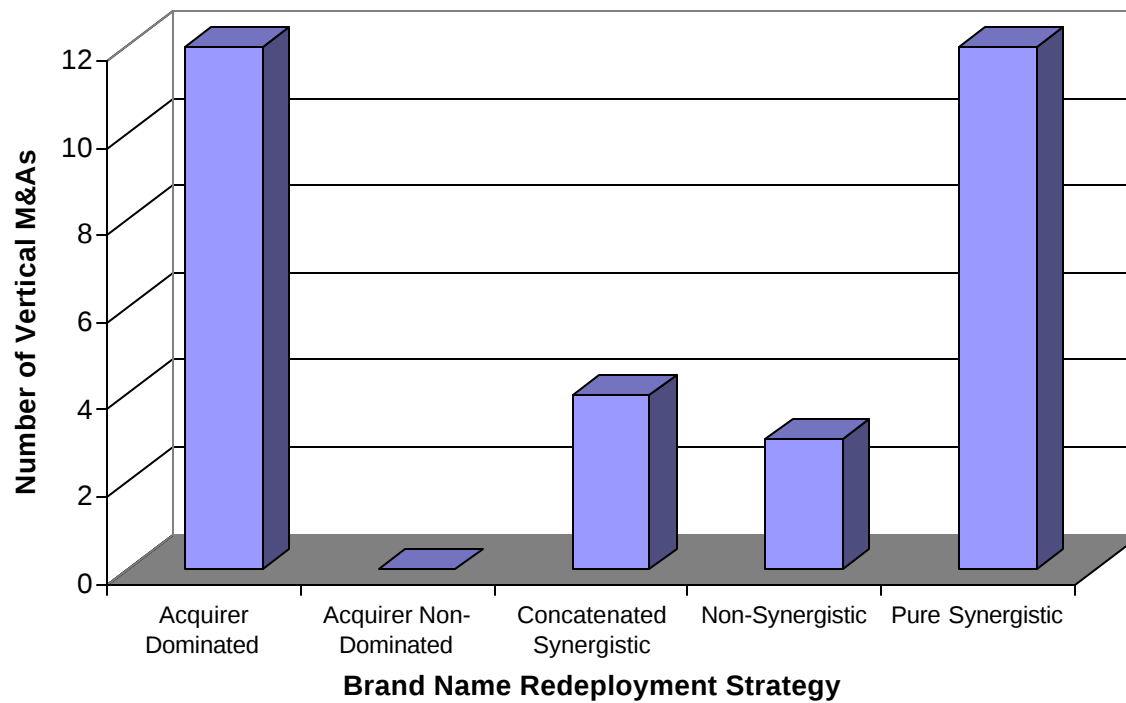


FIGURE 5-3c: VERTICAL MERGERS AND ACQUISITIONS

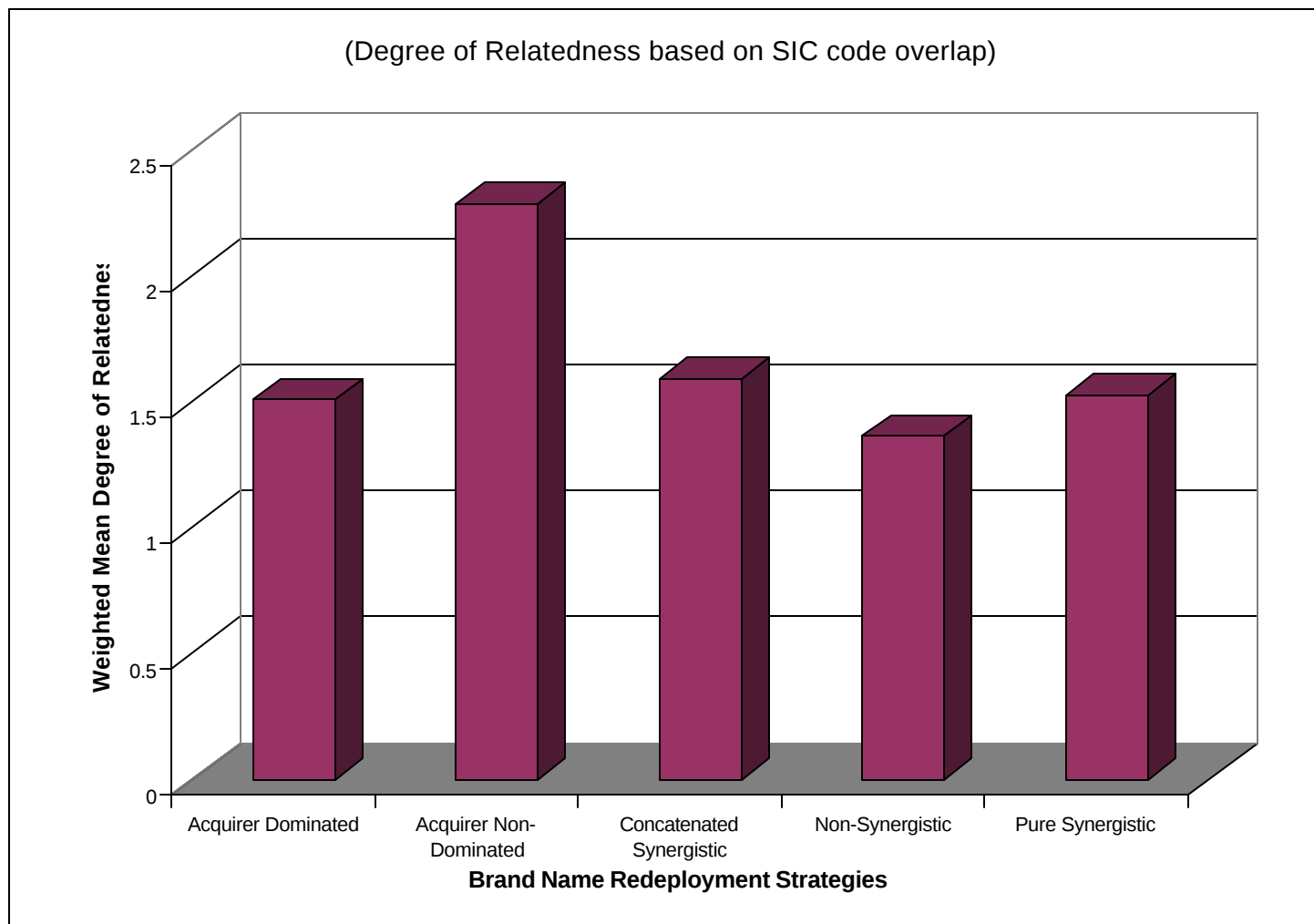


FIGURE 5-3d: RELATED (Degree of Relatedness) MERGERS AND ACQUISITIONS

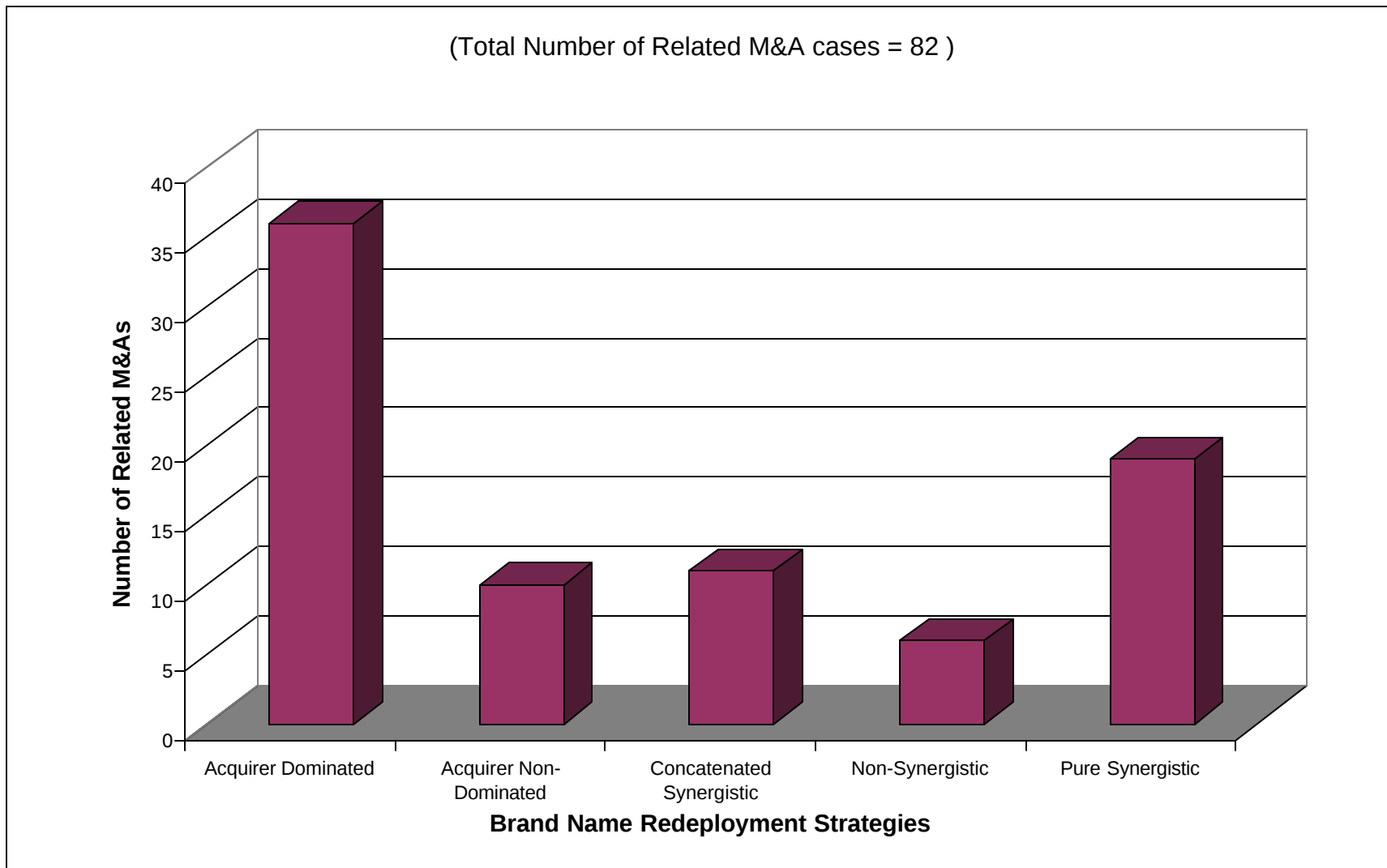


FIGURE 5-3e: RELATED MERGERS AND ACQUISITIONS

(Total Number of Conglomerate M&A Cases = 282)

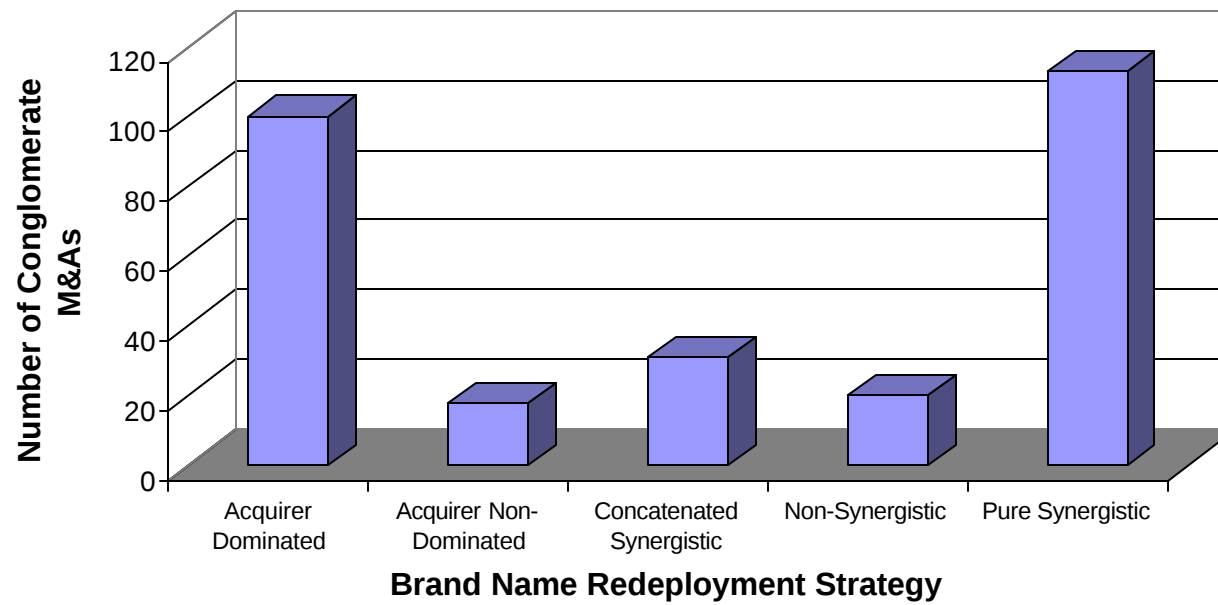


FIGURE 5-3f: CONGLOMERATE MERGERS AND ACQUISITIONS

dichotomous while vertical and complimentary measures are continuous. Means and standard deviations of the degree of vertical relatedness and the complimentary overlap between acquirer and target are as presented in Table 5-2. The preliminary results, as presented in Table 5-3, indicate that 45.21% of horizontal mergers or acquisitions adopted the acquirer-dominated strategy while only 7.66% adopted the non-synergistic redeployment strategy. It is also noted that over 40% of conglomerate type mergers or acquisitions chose the pure synergistic strategy compared to only 6.38% that chose the non-dominated redeployment strategy. Transactions that followed the pure synergistic redeployment strategy have the maximum mean vertical relatedness, while no vertically related mergers adopted the non-dominated redeployment strategy.

Table 5-4 and Figure 5-4a, 5-4b and 5-4c provide descriptive statistics for the ownership status of the two firms. Out of the total 656 transactions, 611 of them involve publicly owned acquirers and 492 involve publicly owned targets. About 18 (2.5% of the data) acquirers are also classified as subsidiaries to large publicly owned conglomerates. A total of 136 cases involved a publicly owned acquirer and a privately held target firm. Of these 136 cases, 50% of them followed the acquirer dominated redeployment strategy. None of the transactions in the entire dataset involved a privately held acquirer and a publicly owned target.

As discussed previously the acquirer's organizational form or acquirer's diversification status is captured using two measures: a continuous measure representing the degree of diversification, and a dichotomous measure representing if the acquirer has a diversified portfolio or not. The preliminary analysis of these two measures is as presented in Table 5-5. A total of 531 (80.9%) of the acquirers have a diversified

TABLE 5-3
DESCRIPTIVE RESULTS: ACQUIRER-TARGET MARKET RELATEDNESS

(SAMPLE SIZE: 656 Mergers & Acquisitions)
(Number of Cases and Percentages of Total)

	Dominating Redeployment		Synergistic Redeployment		Non-Synergistic Redeployment	TOTAL
	Acquirer-dominated (265) (=41%)	Non-Dominated (55) (=8%)	Concatenated (80) (=12%)	Pure (208) (=32%)	(48) (=7%)	(656)
<i>Market Relatedness</i>						
Horizontal	118 (45.21%)	26 (9.96%)	37 (14.18%)	60 (22.99%)	20 (7.66%)	261
Vertical	12 (38.71%)	0 (0.00%)	4 (12.90%)	12 (38.71%)	3 (9.68%)	31
Related/Complementarity	36 (43.90%)	10 (12.20%)	11 (13.41%)	19 (23.17%)	6 (7.32%)	82
Conglomerate	100 (35.46%)	18 (6.38%)	31 (10.99%)	113 (40.07%)	20 (7.09%)	282

TABLE 5-4
DESCRIPTIVE RESULTS: ACQUIRER-TARGET OWNERSHIP STATUS

(SAMPLE SIZE: 656 Mergers & Acquisitions)
(Number of Cases and Percentages of Total)

	Dominating Redeployment		Synergistic Redeployment		Non-Synergistic Redeployment	TOTAL
	Acquirer-dominated (265) (=41%)	Non-Dominated (55) (=8%)	Concatenated (80) (=12%)	Pure (208) (=32%)	(48) (=7%)	(656)
<i>Acquirer Ownership Status</i>						
Public	252 (41.24%)	50 (8.18%)	75 (12.27%)	42 (6.87%)	192 (31.42%)	611
Private	7 (25.93%)	4 (14.82%)	3 (11.11%)	10 (37.04%)	3 (11.11%)	27
Subsidiary	6 (33.33%)	2 (11.11%)	0 (0.00%)	5 (27.78%)	3 (16.67%)	18
<i>Target Ownership Status</i>						
Public	197 (40.04%)	41 (8.33%)	67 (13.62%)	144 (29.27%)	43 (8.74%)	492
Private	68 (41.46%)	14 (8.54%)	13 (7.93%)	64 (39.02%)	5 (3.05%)	164
Acquirer=Public & Target = Private	68 (50.00%)	12 (8.82%)	13 (9.56%)	40 (29.41%)	3 (2.21%)	136

Total Number of Cases where Acquirer=Private AND Target=Public = 0

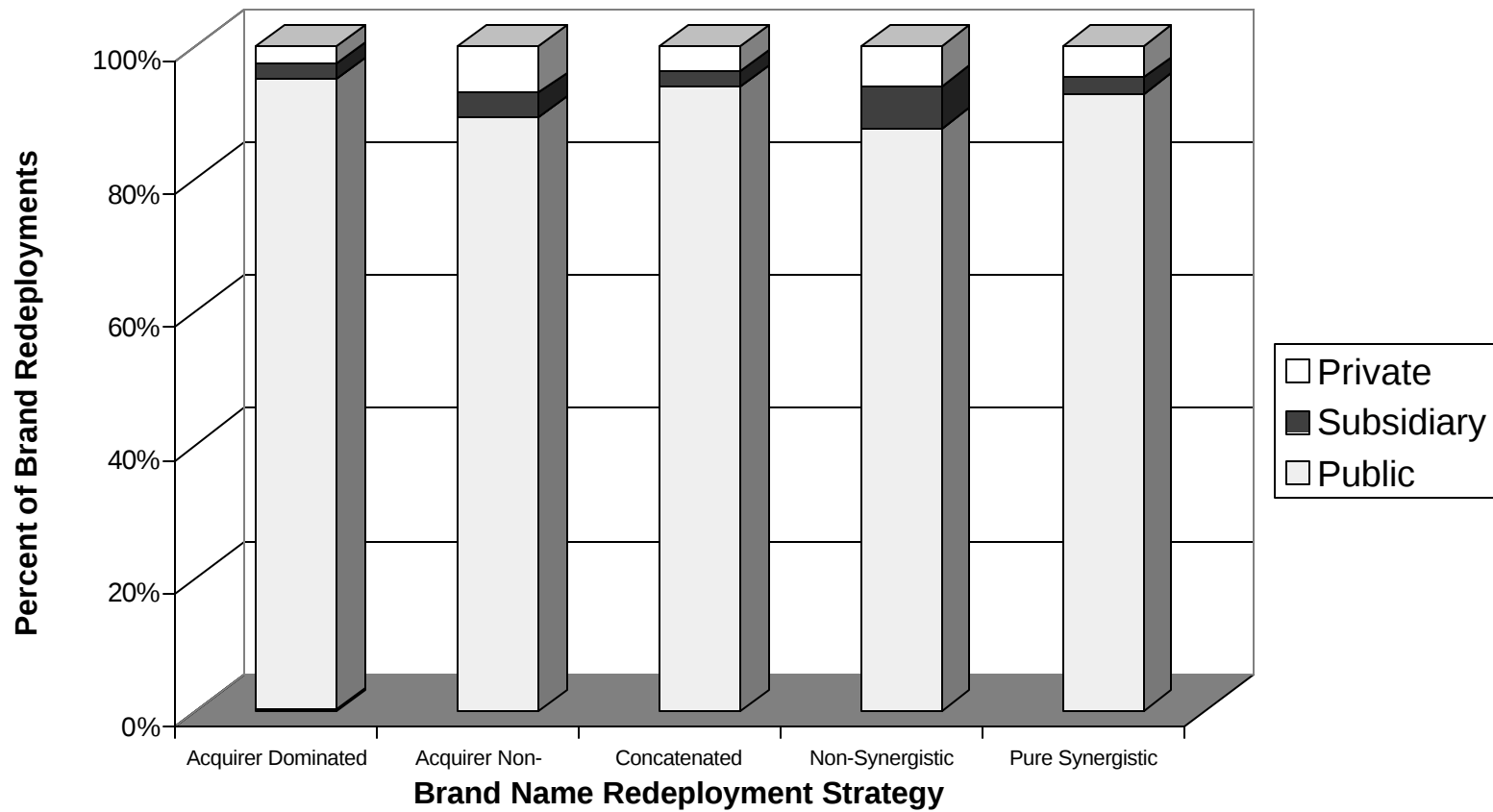


FIGURE 5-4a: ACQUIRER OWNERSHIP STATUS

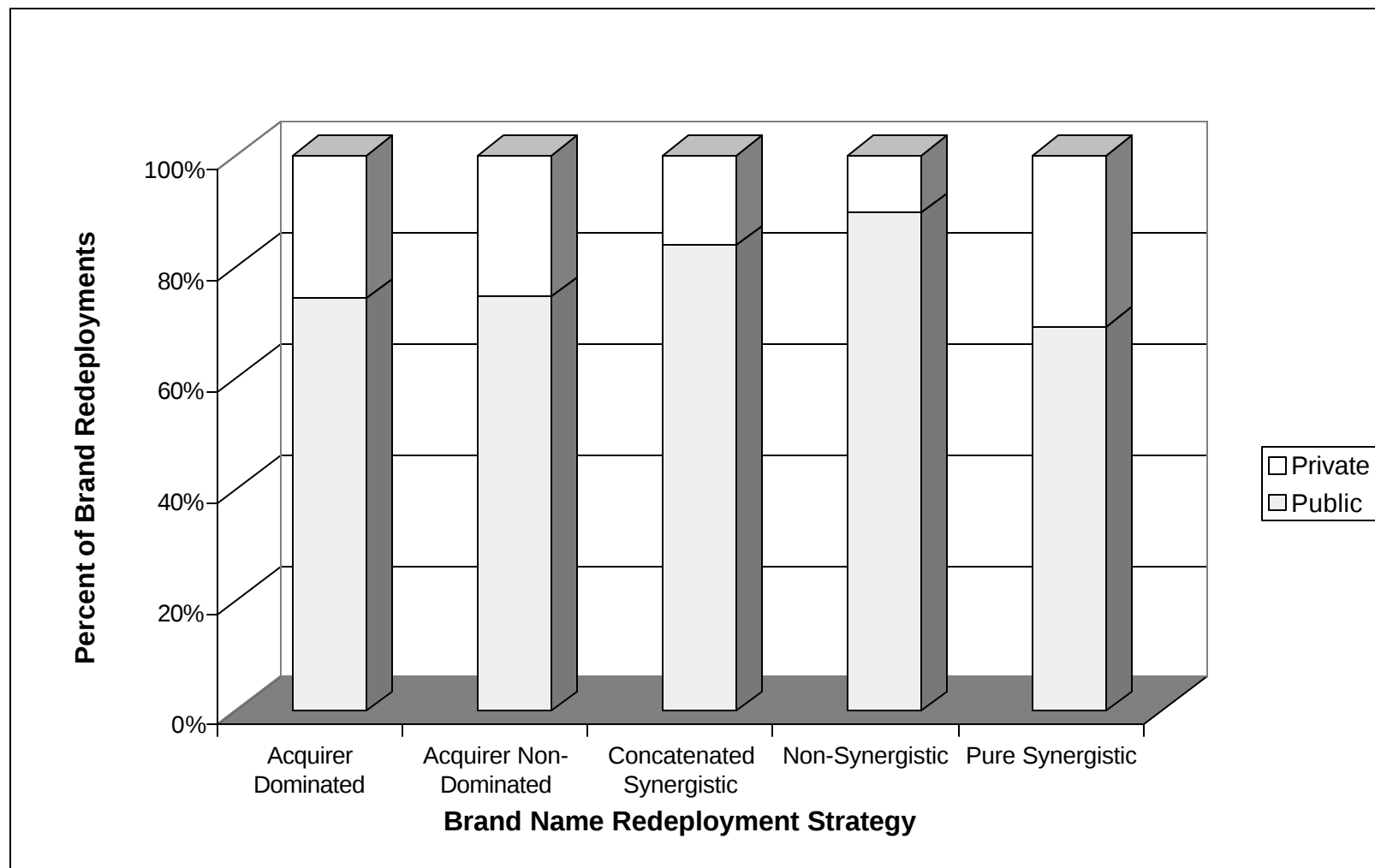


FIGURE 5-4b: TARGET OWNERSHIP STATUS

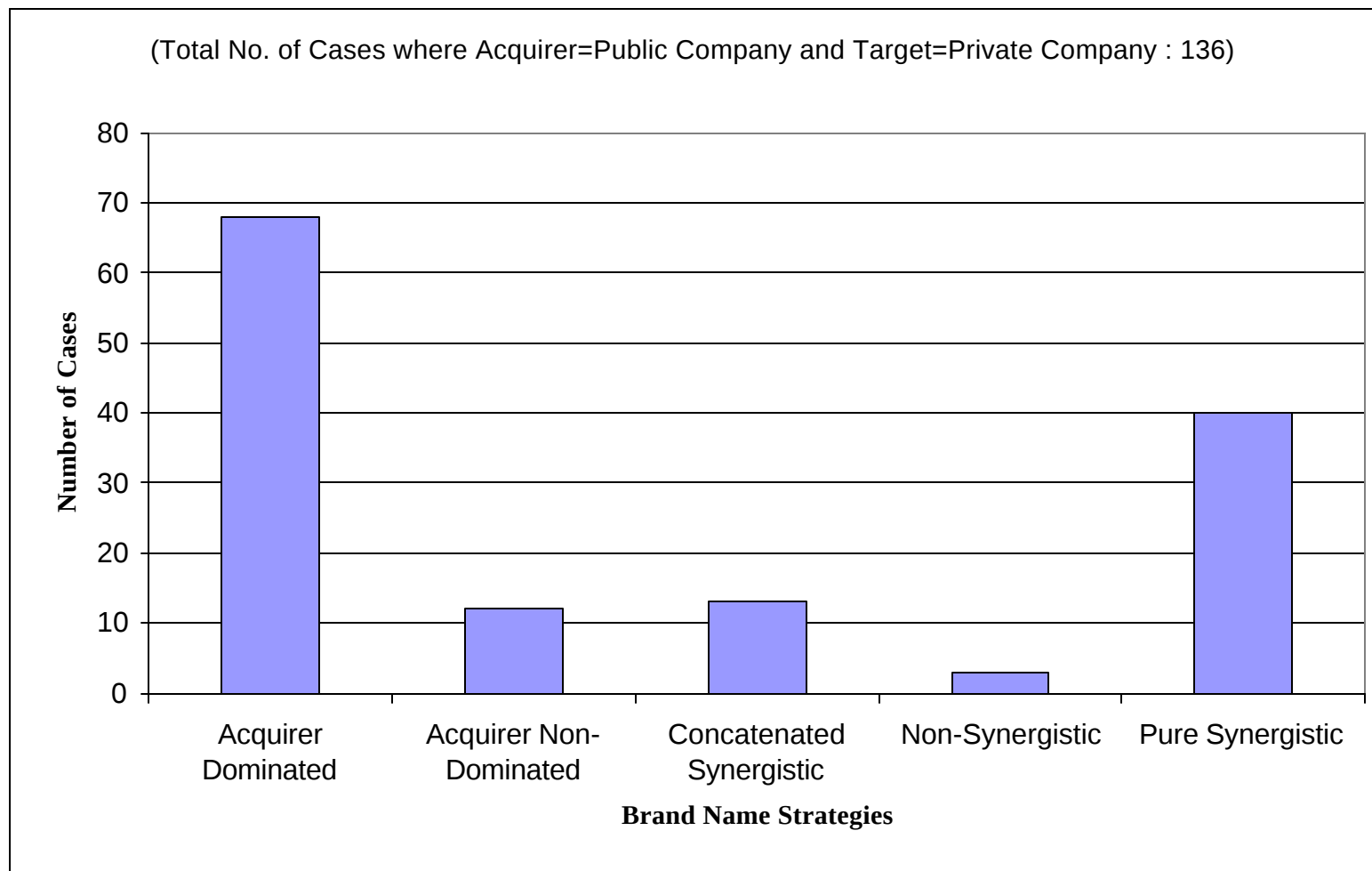


FIGURE 5-4c: Ownership Status: Acquirer=Public and Target=Private

TABLE 5-5
DESCRIPTIVE RESULTS: ACQUIRER CHARACTERISTICS (ACQUIRER'S DIVERISIFICATION)

(SAMPLE SIZE: 656 Mergers & Acquisitions)
(Number of Cases and Percentages of Total)

	Dominating Redeployment		Synergistic Redeployment		Non-Synergistic Redeployment	TOTAL
	Acquirer-dominated (265) (=41%)	Non-Dominated (55) (=8%)	Concatenated (80) (=12%)	Pure (208) (=32%)	(48) (=7%)	(656)
Acquirer is a						
Diversified Firm*	163 (29.69%)	46 (8.67%)	61 (11.49%)	228 (43.93%)	33 (6.21%)	531

* Acquirer is a diversified firm if it has operations in more than one segments/Industries (SIC codes).

(SAMPLE SIZE: 656 Mergers & Acquisitions)
(Means and Standard Deviations)

	N	Dominating Redeployment		Synergistic Redeployment		Non-Synergistic Redeployment
		Acquirer-dominated	Non-dominated	Concatenated	Pure	
Degree of Acquirer's Diversification**	531	241684.1 (248413.61)	180076.20 (218775.85)	253968.78 (281923.66)	246626.40 (270259.92)	231760.02 (221072.74)

** Degree of Diversification is based on the SIC codes of the acquirer over its top 18 businesses.

portfolio and 49.93% of these acquirers follow the pure synergistic strategy of brand redeployment. The means and standard deviations of the degree of diversification indicate a rather insignificant difference across the various redeployment categories. The results indicate that acquirers with highest degree of diversification tend to follow the concatenated redeployment strategy, closely followed by acquirer dominated strategy and pure synergistic redeployment strategy.

The descriptive statistics of the transactional characteristics are as presented in Table 5-6 and Figure 5-5a, 5-5b, 5-5c, 5-5d, 5-5e and 5-5f. All variables that represent the transaction process are dichotomous. It is noted that out of the 656 cases, 22 of them are merger of equals, 94 are hostile acquisitions, 562 are friendly mergers. 247 of the M&A deals follow the pooling of interest accounting method, whereas 402 of the deals follow stock swap type of transaction. Further 60 of the transactions involve divestiture of the assets by the target and 27 are reverse takeovers. It is noted that over 60% of the hostile acquisitions and over 52% of the stock swap transactions follow the acquirer dominated brand redeployment

Prior to any subsequent analysis, a few statistical checks were performed to ensure the validity of the dataset and the model. Correlation analysis was done to identify and subsequently remove the effect of multi-collinearity within the independent variables. Further, the dataset was checked for biases against industry-effect on redeployment decisions. No significant effect was found ($\chi^2 = 0.351$ for acquirer, $\chi^2 = 0.721$ for target). The redeployment decisions were not industry related or rather the redeployment categories were spread out across all industries. Checks were also performed to examine the effect of deal value on redeployment decision. The merger and acquisition deal value

TABLE 5-6
DESCRIPTIVE RESULTS: TRANSACTIONAL CHARACTERISTICS

(SAMPLE SIZE: 656 Mergers & Acquisitions)
(Number of Cases and Percentages of Total)

	Dominating Redeployment		Synergistic Redeployment		Non-Synergistic Redeployment	TOTAL
	Acquirer-dominated (265) (=41%)	Non-Dominated (55) (=8%)	Concatenated (80) (=12%)	Pure (208) (=32%)	(48) (=7%)	(656)
<i>Transactional Characteristics</i>						
Merger of Equals	5 (22.73%)	4 (18.18%)	7 (31.82%)	1 (4.55%)	5 (22.73%)	22
Hostile Acquisitions	57 (60.64%)	2 (2.13%)	5 (5.32%)	25 (26.60%)	5 (5.32%)	94
Friendly Merger	223 (39.68%)	53 (9.43%)	75 (13.35%)	168 (29.89%)	43 (7.65%)	562
Divestitures	34 (56.67%)	3 (5.00%)	7 (11.67%)	10 (16.67%)	6 (10.00%)	60
Pooling of Interest	118 (47.77%)	20 (8.10%)	37 (14.98%)	58 (23.48%)	14 (5.67%)	247
Reverse Takeover	6 (22.22%)	8 (29.63%)	6 (22.22%)	2 (7.41%)	5 (18.52%)	27
Stock Swap	210 (52.24%)	31 (7.71%)	63 (15.67%)	78 (19.40%)	30 (7.46%)	402

(Total Number of Merger of Equals = 22)

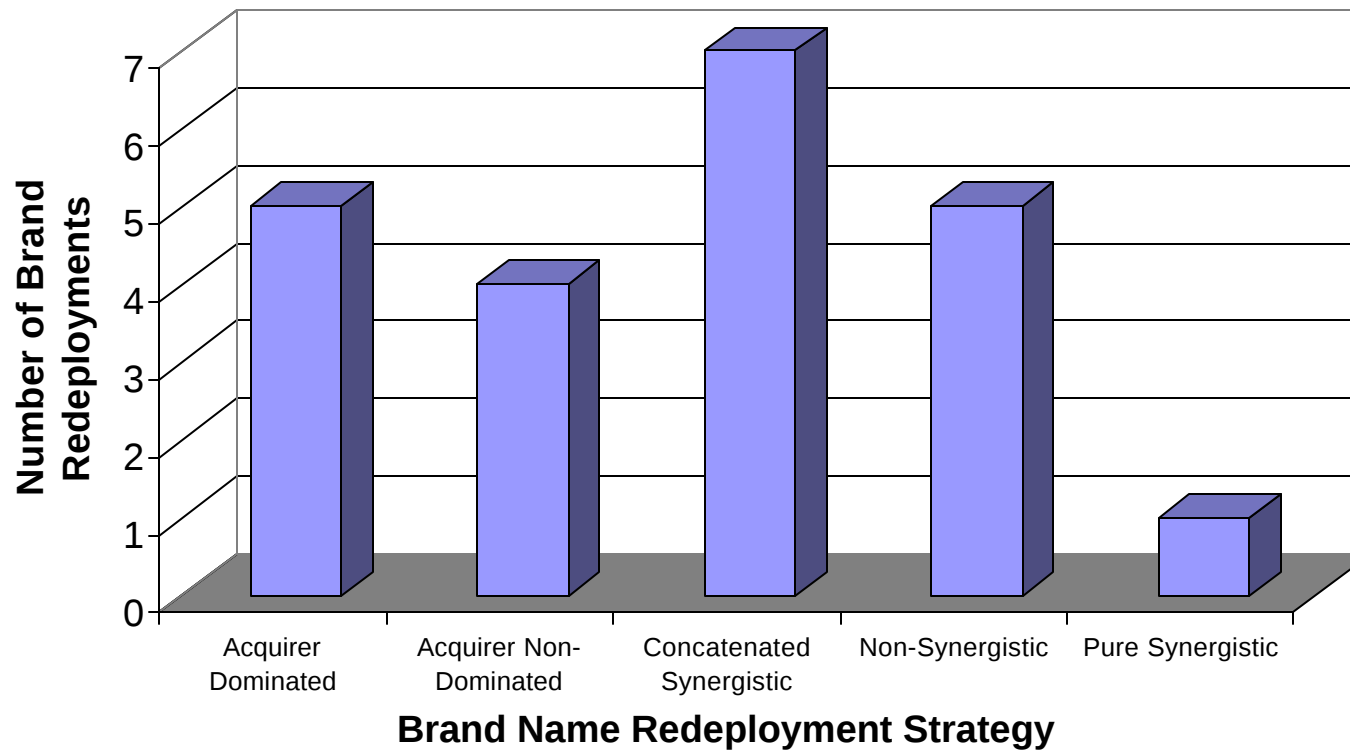


FIGURE 5-5a: MERGER OF EQUALS

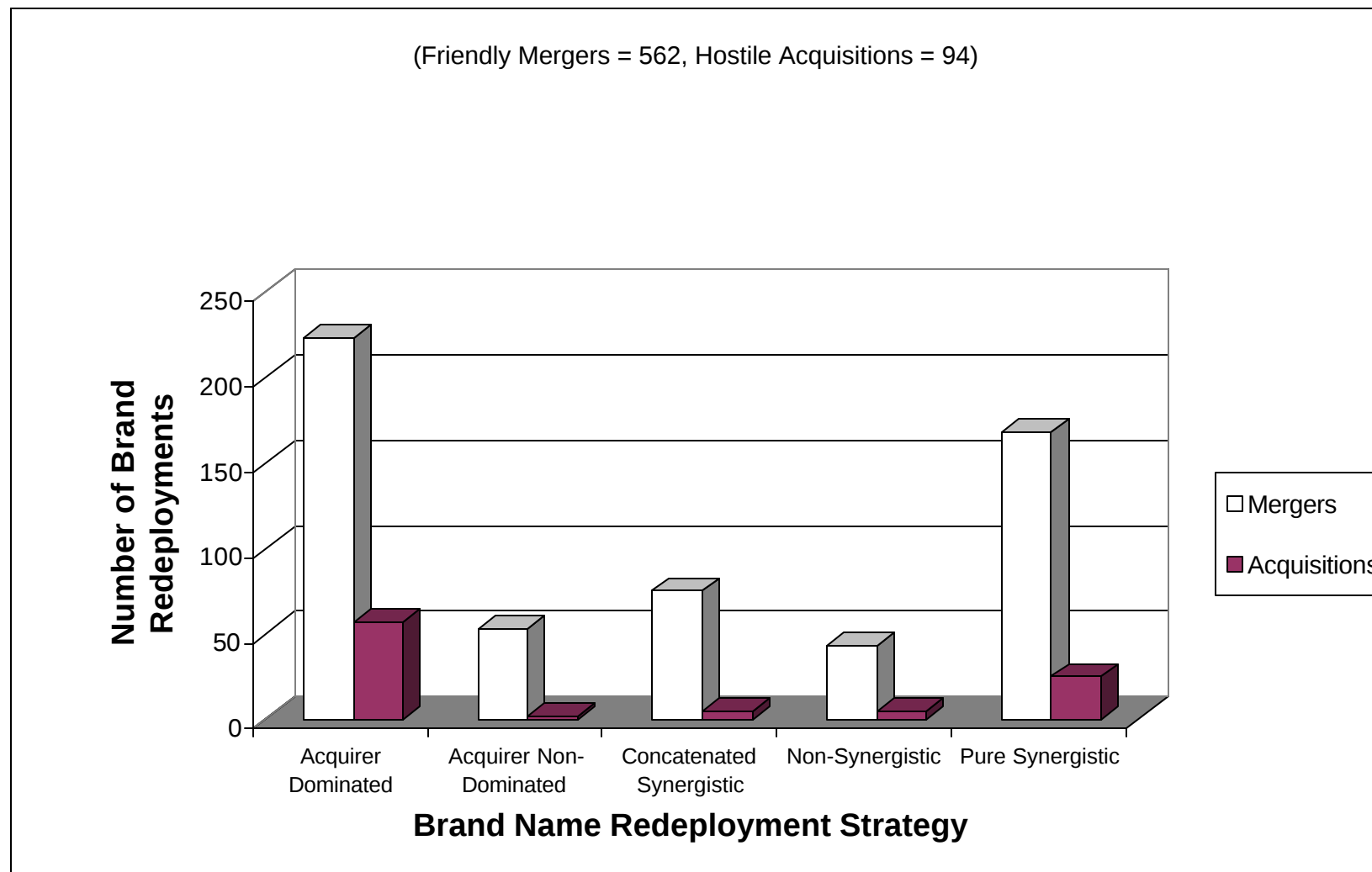


FIGURE 5-5b: Friendly Mergers and Hostile Acquisitions

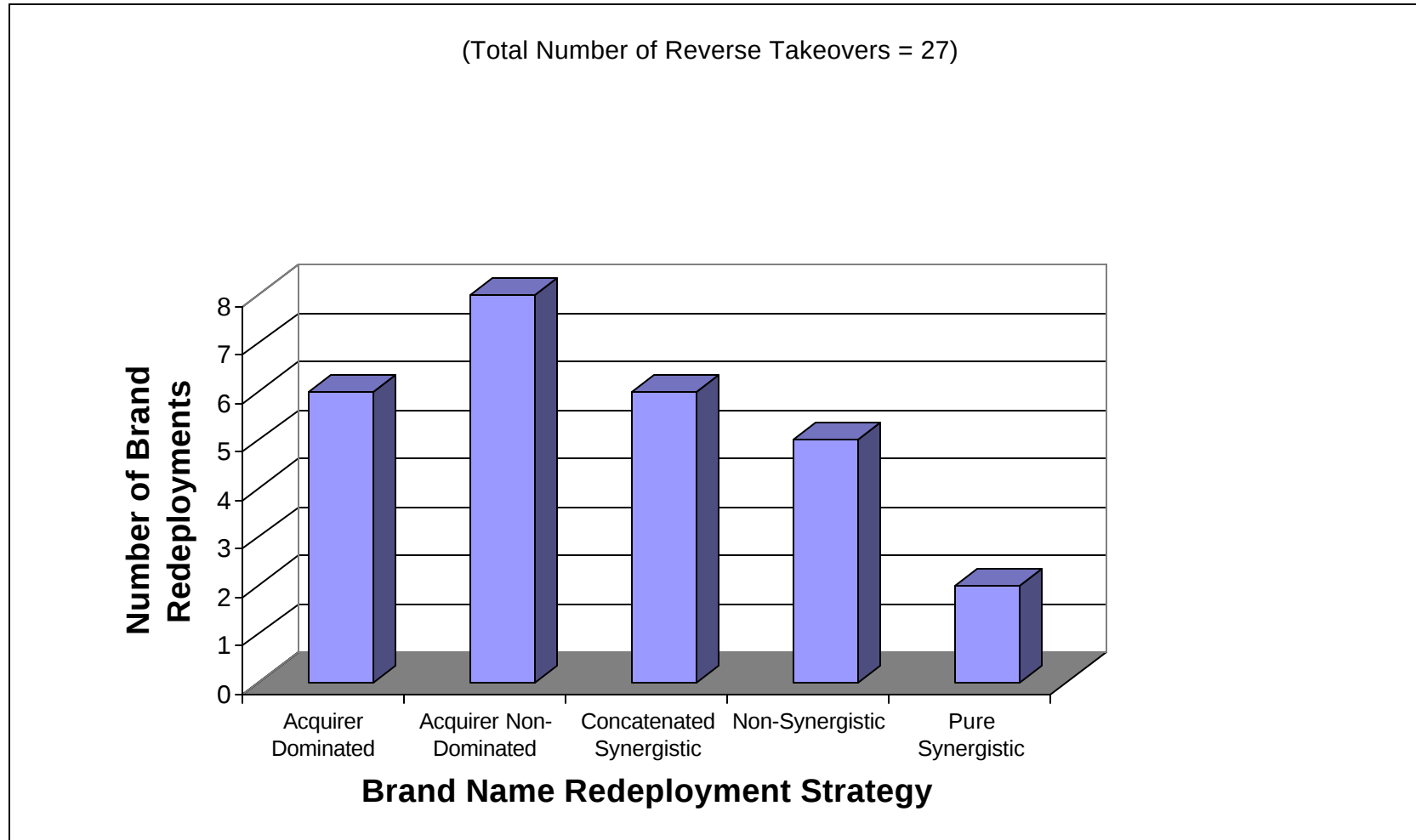


FIGURE 5-5C: REVERSE TAKEOVERS

(Total Number of Divestitures = 60)

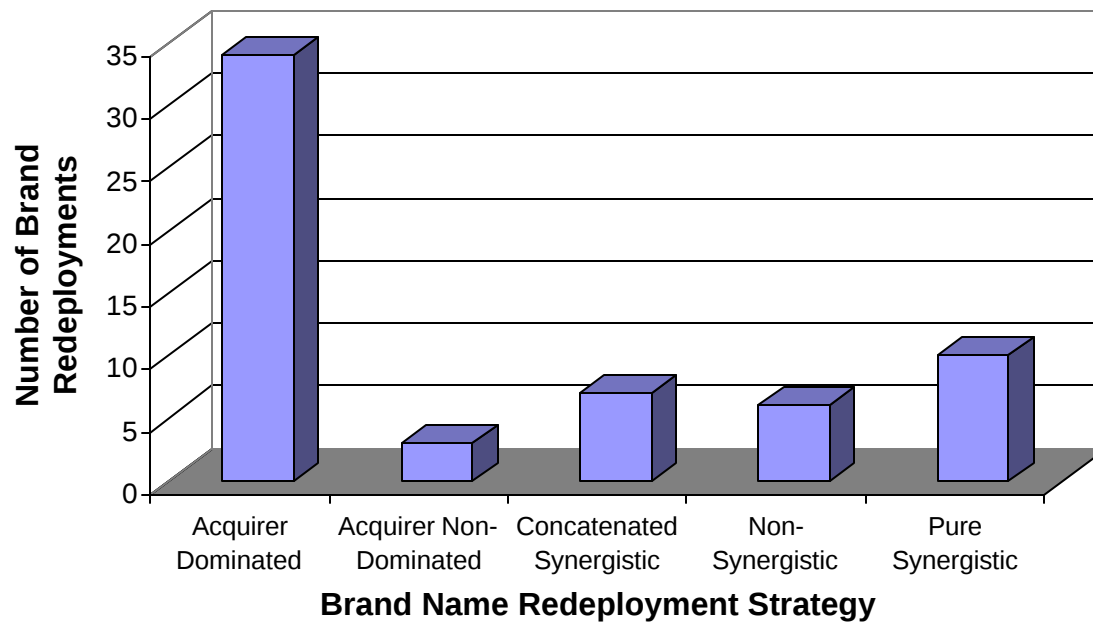


FIGURE 5-5d: DIVESTITURES

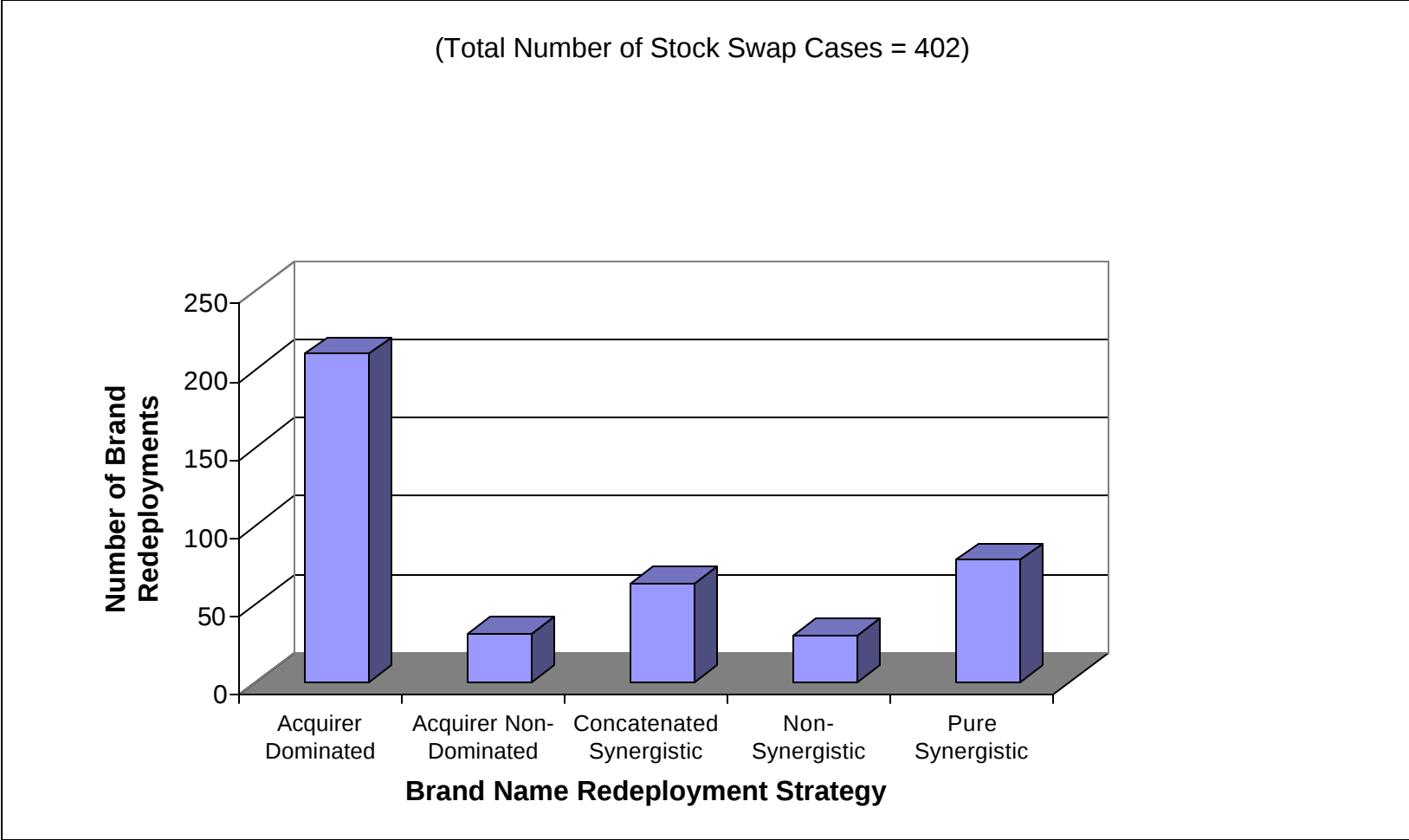


FIGURE 5-5e: STOCK SWAP

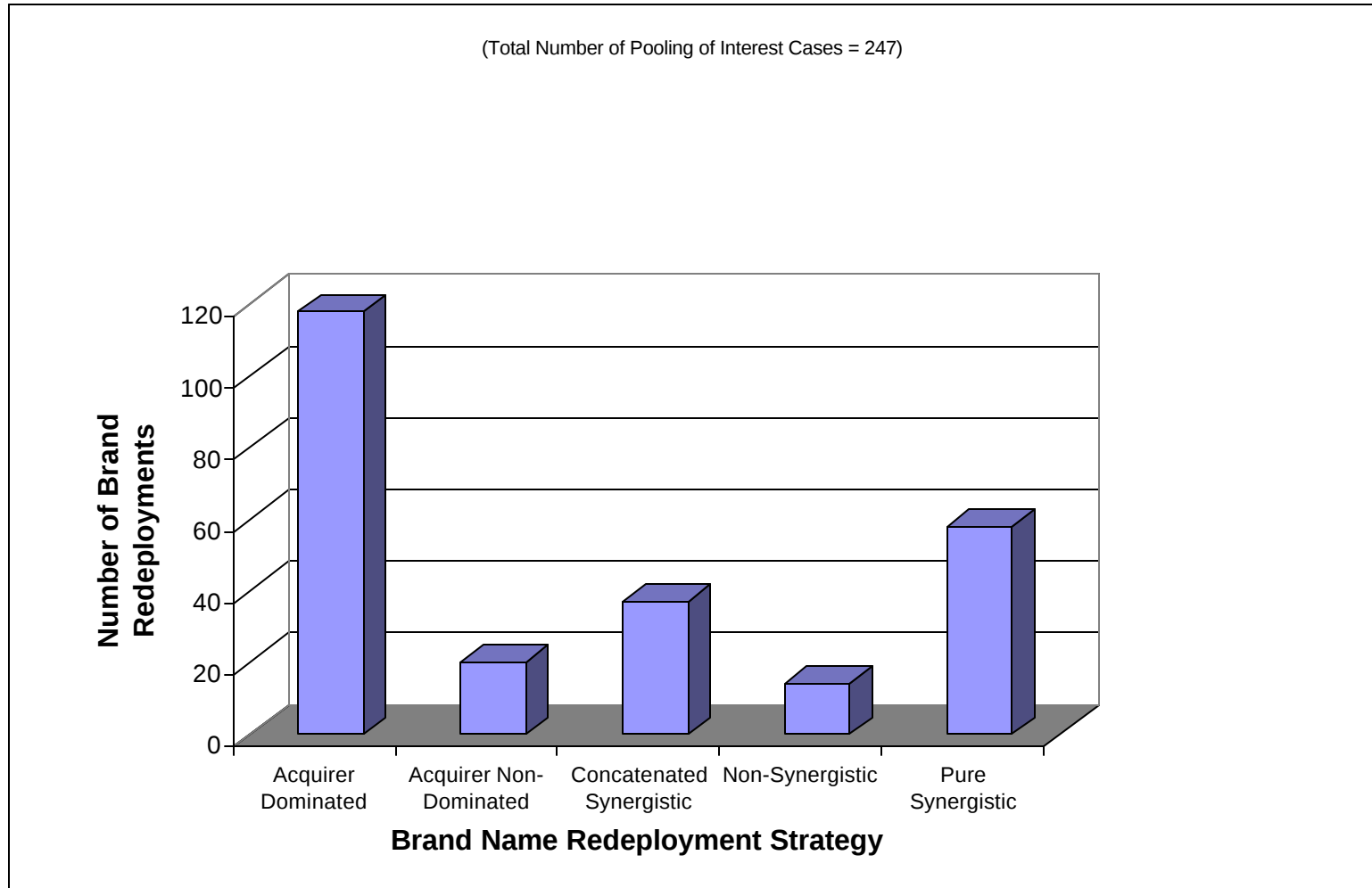


FIGURE 5-5f: POOLING OF INTEREST

ranged from \$100 million to \$78.9 billion in the 656 cases in the dataset. It was found that the mean deal value was significantly ($F\text{-value}=3.175, p<0.05$) higher for the acquirer non-dominated redeployment strategy and the synergistic (concatenated) redeployment strategy. This result is consistent with the theoretical reasoning that the target's relative standing is higher than that of the acquirer in acquirer non-dominated redeployments. It is quite possible that the deal value actually includes a large portion of the value associated with higher intangible assets of the target. Further the acquirer non-dominated redeployments and synergistic redeployments are motivated more by leveraging the target's equity than by the competence destroying effects or the managerial power. This result also provides us with clues that the higher the deal value, the more rational (leveraging of equity) the redeployment decision. However, the results also indicate that there is no significant difference between the premiums paid across the cases for each redeployment strategy. Premiums are calculated using a number of measures including ratio of value to target's sales, profits, book value, market value, and total assets. None of these premium measures yielded any significant differences across the five redeployment strategies. From the empire-building motive of resource redeployment, it would be reasonable to expect higher premiums paid by acquirers' for a deal. However, Black (1989) shows that overpayment and premiums are also associated with optimism of the deal and sometimes the acquirer's interest (i.e. diversification of the firm) might diverge from the stockholder.

Hypothesis Test Results

The results of the univariate hypothesis testing are as presented in Table 5-7 and Figure 5-6. The impact of the relative standing, market overlap, ownership status, organizational form and transactional characteristics are examined here using standard significance tests across redeployment groups. One-way anova conducted on the continuous independent variables while cross tabulation (chi-square) analysis was used for categorical independent variables. The analysis yields support for both Hypothesis 1a and Hypothesis 1b. The results show that the higher the relative standing of the acquirer, the higher the likelihood of acquirer-dominating brand name redeployment, whereas higher the relative standing of the target, the higher the likelihood of acquirer non-dominating brand name redeployment. These results were obtained across almost all measures of relative standing viz. market value (F-value=17.383, $p < 0.01$), total assets (F-value=5.872, $p < 0.05$), sales (F-value=9.137, $p < 0.01$), net income (F-value=2.194, $p = 0.141$) and the overall relative standing index (F-value=12.623, $p < 0.01$). Significant differences between relative standing were found across acquirer dominated brand redeployed versus other cases (F-value=3.264, $p\text{-value} < 0.05$) and similarly, significant differences were found across acquirer non-dominated redeployed cases and others (F-value=6.712, $p\text{-value} < 0.001$).

The cross-tabulated results show that horizontal mergers lead to acquirer dominated brand redeployments ($\chi^2 = 4.173$, $p\text{-value} < 0.05$). Therefore, hypothesis H2a is supported. The analyses of differences between mean vertical relatedness of pure and concatenated synergistic redeployment cases versus others yields non-significant results

TABLE 5-7
HYPOTHESIS TEST SUMMARY RESULTS

Hypothesis		Effect Size (Sample Size)	Significance
Impact of Relative Standing			
H1a	<i>Acquirer-dominated brand name Redeployment Strategy is more likely to be adopted when the relative standing of the acquirer is higher than the target.</i>	0.898 (380)	3.264**
H1b	<i>Non-dominated brand name redeployment strategy is more likely to be adopted when the relative standing of the target is higher than the acquirer.</i>	1.039 (253)	6.712***
Impact of Market Overlap			
H2a	<i>Acquirer dominated brand name redeployment strategy is more likely to be adopted subsequent to a horizontally related M&A.</i>	0.823 (261)	4.173**
H2b	<i>Synergistic (Concatenated or Pure) brand name redeployment Strategy is more likely to be subsequent to a vertically related M&A.</i>	0.336 (31)	1.128 ^{ns}
H2c	<i>Pure synergistic brand name redeployment strategy is more likely to be adopted if the acquirer and target are related in industries other than the primary industry.</i>	0.196 (82)	0.314 ^{ns}
H2d	<i>Pure synergistic brand name redeployment strategy is more likely to be adopted subsequent to a conglomerate M&A.</i>	0.706 (282)	15.978***
Impact of Ownership Status			
H3a	<i>Acquirer dominated brand name redeployment strategy is more likely to be adopted when the acquirer is a public firm and target is a privately-held firm.</i>	0.912 (136)	6.359***
H3b	<i>Non-dominated brand name redeployment strategy is more likely to be adopted when the acquirer is a privately-held firm and the target is a public firm.</i>	0.000 (0)	--
Impact of Acquirer's Diversification			
H4a	<i>Pure synergistic brand name redeployment strategy is more likely to be adopted when the acquirer has a highly diversified business portfolio.</i>	0.711 (531)	4.236** (dichotomous)
H4b	<i>Non-synergistic brand name redeployment strategy is more likely to be adopted when the acquirer has a less diversified business portfolio and the relatedness between the acquirer and target is low.</i>	1.000 (42)	1.267 ^{ns}
Impact of Transactional Characteristics			
H5a	<i>Synergistic (concatenated) brand name redeployment strategy is more likely to be adopted subsequent to a merger of equals.</i>	0.566 (22)	8.186***
H5b	<i>Synergistic (concatenated or pure) brand name redeployment strategy is more likely to be adopted subsequent to a friendly merger.</i>	0.795 (564)	0.702 ^{ns}
H5c	<i>Acquirer dominated brand name redeployment strategy is more likely to be adopted subsequent to a hostile acquisition.</i>	1.231 (94)	3.149**
H5d	<i>Acquirer dominated brand name redeployment strategy is more likely to be adopted subsequent to a stock swap M&A.</i>	1.006 (412)	4.544**
H5e	<i>Synergistic (concatenated) brand name redeployment strategy is more likely to be adopted subsequent to a merger or acquisition involving pooling of interests.</i>	0.201 (247)	2.869**
H5f	<i>Acquirer dominated brand name redeployment strategy is more likely to be adopted subsequent to a divestiture of assets by the target.</i>	1.116 (60)	3.368**
H5g	<i>Non-dominated brand name redeployment strategy is more likely to be adopted subsequent to a reverse takeover.</i>	0.473 (27)	16.547***

** p-value<0.05, *** p value<0.001, ns=not supported

			(Acquirer)- Dominated	Non - Dominated	Concatenated Synergistic	Non-Synergistic	Pure Synergistic		
Acquirer/Target Characteristic	THEORY	INDEPENDENT VARIABLES							
	Resource-based	Relative Standing	Acquirer > Target	0̄					
			Target > Acquirer		0̄				
	Strategy-Conduct Performance	Acquirer's Organizational Form	Acquirer is Diversified					0̄	
			(Acquirer=diversified) + (Low Relatedness)				X		
	Corporate Governance	Ownership Status	(Acquirer - Public) + (Target - Private)	0̄					
			(Target - Public) + (Acquirer - Private)		0̄				
	Relatedness	Competitive Strategy	Market Overlap	Horizontal	0̄				
				Vertical			X		X
				Related/ Complimentarity		0̄	X		
Conglomerate						0̄			
Transactional Characteristics	Signaling Theory / Ease of Redeployment	Transaction Technique	Merger of Equals			0̄			
			Friendly Merger			X		0̄	
			Hostile Acquisition	0̄					
			Stock Swap	0̄					
			Pooling of Interest			0̄			
			Divestiture	0̄					
			Reverse Takeover		0̄				
√ = significant positive impact, X = No significant impact (unlike what hypothesized)									

FIGURE 5-6: UNIVARIATE HYPOTHESES TEST RESULTS

(F-value = 1.128, p-value=0.297). However the mean value of pure and concatenated synergistic cases is much higher (mean vertical relatedness = 15.0446) compared to that of other redeployment cases (mean vertical relatedness = 0.9231). The lack of significance between the groups may probably be attributed to the relatively small sample size since out of 656 cases only 31 cases are vertically related M&As. The categorical analysis of these 31 cases also provides non-significant results between pure and concatenated synergistic redeployment cases versus others ($\chi^2 = 0.783$, p-value=0.375). Therefore hypothesis H2b is not supported. The testing of hypothesis H2c yielded non-significant results. No significant differences (on relatedness values) were found between pure synergistic redeployment versus other cases (F-value=0.314, p-value=0.576). However, upon further investigation, it is found that the higher the relatedness/complimentarity between the acquirer and the target, higher is the likelihood of adopting acquirer non-dominated brand redeployment. Significant difference was found between the relatedness index of acquirer non-dominated redeployment versus other cases (F-value=9.983, p-value<0.001). Further, the results indicate support for hypothesis H2d. The results indicate that there is significant difference on the number of conglomerate mergers and acquisitions between the pure synergistic redeployment cases versus others ($\chi^2 = 15.978$, p-value<0.001).

Results show that hypothesis H3a is also supported, which suggests that the public ownership of the acquirer and private ownership of the target will lead to acquirer dominated redeployment strategy. Significant differences were found between the number of acquirer dominated redeployment cases versus others ($\chi^2 = 6.359$, p-

value<0.001). Hypothesis 3b could not be tested since the dataset did not contain any case where the target is a public company while the acquirer is a private firm.

Hypothesis H4a is analyzed using two measures of acquirer diversification: a) continuous measure that represents the degree of diversification of the acquirer and, b) a categorical measure that indicates a dichotomous representation of whether the acquirer is a diversified firm or not. No significant result was obtained using the continuous measure. However the results using the dichotomous measure indicate that mergers or acquisitions that involve a diversified acquirer have a higher likelihood of adopting a pure synergistic brand redeployment option ($\chi^2 = 4.236$, p-value<0.05). Since the dichotomous measure was found to yield significant results, further model analysis included this categorical measure than the continuous measure of degree of diversification. No significant difference of impact of interaction (between acquirer degree diversification and the acquirer target relatedness) was found across the five strategies (F-value = 1.267, p-value=0.197). Therefore Hypothesis 4b is not supported.

Furthermore, the results also indicate synergistic (concatenated) redeployment strategy is more likely to be adopted with merger of equals ($\chi^2 = 8.186$, p-value<0.001). This indicates that hypothesis H5a is also supported. No significant support was found for hypothesis H5b, which suggests that friendly mergers lead to pure or concatenated brand name redeployments. The lack of support can attributed to a validity issue of the measure. It is ascertained from the business press that the coding of a case as a merger or an acquisition is dependent not on the initial reaction of the target but on how it is eventually categorized by the acquirer. This issue of lack of validity of the measure is later discussed in the limitations section of this report. On the other hand, hypothesis H5c is supported as

the results suggest that hostile acquisitions result in acquirer dominated brand name redeployments ($\chi^2 = 3.149$, $p\text{-value} < 0.05$). Empirical support was also ascertained for hypothesis H5d as the results indicate a significant difference in number of acquirer-dominated cases versus others that involve stock swap transactions ($\chi^2 = 4.544$, $p\text{-value} < 0.05$). The results also provide support for hypothesis H5e indicating that there is significant difference ($\chi^2 = 2.869$, $p\text{-value} < 0.05$) between synergistically redeployed cases versus others across the ones that followed pooling of interest mechanism. As hypothesized in H5f, divestment of target's assets leads to acquirer dominated brand redeployments. This hypothesis is also supported as the data indicates that the number of acquirer dominated cases is significantly higher than other redeployment cases when the target's assets are divested during the M&A transaction ($\chi^2 = 3.368$, $p\text{-value} < 0.05$). As suggested by Hypothesis H5g, acquirer non-dominated brand redeployment strategy is more likely to be adopted subsequent to a reverse takeover; the results indicate significant difference ($\chi^2 = 16.547$, $p\text{-value} < 0.001$) across reverse takeover cases that adopt acquirer non-dominated redeployment versus others.

Overall, the hypothesis test results seem quite consistent with the theoretically argued hypothesis presented in this report. Due to limitations of the data and some missing values, some propositions were not found to be significant. Specifically this study could not incorporate measures of corporate reputation variable and measures of firm size like number of employees. The data available for corporate reputation index was for very few companies (a pair of 97 firms in total). Further one hypothesis incorporating ownership status (Target = public, Acquirer = private) could not be incorporated since no cases with this qualification could be found in the dataset.

Model Results

The model was estimated using the Multinomial Regression module (SPSS 10). Brand name redeployment strategy categorical variable (five categories) was entered as the dependent variable. Independent categorical variables were entered as factors and the independent continuous variables were entered as covariates. The pictographic representation of hypotheses test results is as shown in Figure 5-7. The main and interaction effects model was analyzed using the Likelihood Ratio Test and Model Fitting Information (chi-square and R-square) (Refer Table 5-8). Parameter estimates and odds ratios for each independent variable were also obtained and are as shown in Table 5-9a, 5-9b, 5-9c and 5-9d. The model results show parameter estimates and probability models for 4 categories of the dependent variable (BRNSTR) since the probability of the 5th category (Pure Synergistic Redeployment) can be calculated since;

$$\sum_{i=1}^5 P_i = 1$$

Here, $i = 1$ to 5 (brand name redeployment options)

Overall the model fitting information presented in Table 5-8 shows a good fitting and robust model. The final model shows significant results with a chi-square (Hesmer-Lemshow Goodness of Fit Test) = 136.343. The goodness of fit indices presented in the adjacent table show pseudo R-squares that are all in the acceptable domain as prescribed by Agresti (1990). The Cox and Snell R-square is 0.696, Nagelkerke R-square = 0.737 and McFadden R-square = 0.607. Cox and Snell's R-square is an attempt to imitate the

TABLE 5-8
Multinomial Logistic Model Results

Model Fitting Information				
Model	-2 log likelihood	Chi- Square¹	Degrees of Freedom	p-value
Intercept Only	1269.366	-	-	-
Final Model	1133.022	136.343	56	p<0.000

Goodness of Fit Indices

Index	Pseudo R-square
Cox and Snell	0.696
Nagelkerke	0.737
McFadden	0.607

¹ Hesmer-Lemshow Goodness of Fit Test

TABLE 5-9a
Multinomial Logistic Model Results: Parameter Estimates – Strategy 1
Acquirer Dominated Brand Redeployment [BRSTR= 1]

Variable	Parameter Est. (b)	Standard Error	Wald's Statistic	Odds Ratio [Exp(b)]
Intercept (α)	1.593	2.011	0.628	-
<i>Overall Relative Standing (ORS)</i>	-1.011***	0.700	2.034	0.905
<i>Market Overlap:</i>				
Horizontal (HORIZON)	4.348**	1.352	0.977	1.706
Vertical (VERTICAL)	-0.548	0.501	1.195	0.578
Related (RELATED)	-0.785**	0.172	20.778	0.456
Conglomerate (CONGLOM)	0.735	0.376	3.823	2.085
<i>Ownership Status:</i>				
Acquirer=Pub., Target=Priv. (APTV)	0.470**	0.697	0.454	0.625
Acquirer=Priv., Target=Pub. (AVTP)	-	-	-	-
<i>Acquirer Diversification:</i>				
ADIV	-0.047	0.373	0.016	1.048
(ADIV) x (RELATED)	-0.798	0.254	0.029	2.221
<i>Transactional:</i>				
Merger of Equals (MOE)	-0.989	1.116	0.708	0.391
Friendly Merger (FRNDMERG)	-1.130***	0.825	1.875	3.094
Hostile Acquisition (HOSTACQ)	2.262**	1.615	2.754	1.294
Stock Swap (STOCKSWAP)	0.687**	0.349	3.869	0.503
Reverse Takeover (REVTAKE)	-0.973**	1.149	0.718	0.378
Divestiture (DIVEST)	1.309	0.759	2.974	3.704
Pooling of Interest (POI)	-0.317***	0.316	1.002	0.729

** p<0.05, *** p<0.001

TABLE 5-9b
Multinomial Logistic Model Results: Parameter Estimates – Strategy 2
Acquirer Non-Dominated Brand Redeployment [BRSTR= 2]

Variable	Parameter Est. (b)	Standard Error	Wald's Statistic	Odds Ratio [Exp(b)]
Intercept (α)	4.372	2.336	0.061	-
<i>Overall Relative Standing (ORS)</i>	3.256***	0.958	2.297	1.246
<i>Market Overlap:</i>				
Horizontal (HORIZON)	-0.192	0.545	0.124	0.826
Vertical (VERTICAL)	-14.536**	0.089	9.589	1.785
Related (RELATED)	0.038**	0.208	0.034	1.039
Conglomerate (CONGLOM)	0.321**	0.620	0.268	1.379
<i>Ownership Status:</i>				
Acquirer=Pub., Target=Priv. (APTV)	-1.083	0.961	10271	0.339
Acquirer=Priv., Target=Pub. (AVTP)	-	-	-	-
<i>Acquirer Diversification:</i>				
ADIV	0.057***	0.621	0.008	1.058
(ADIV) x (RELATED)	0.395	0.007	0.216	1.379
<i>Transactional:</i>				
Merger of Equals (MOE)	2.241	1.186	3.569	0.106
Friendly Merger (FRNDMERG)	19.757	0.005	1.874	0.056
Hostile Acquisition (HOSTACQ)	-2.589**	0.256	1.347	0.851
Stock Swap (STOCKSWAP)	-0.773	0.564	1.876	0.462
Reverse Takeover (REVTAKE)	2.802**	1.152	5.915	0.006
Divestiture (DIVEST)	-0.087***	1.146	0.006	1.090
Pooling of Interest (POI)	-0.221***	0.473	0.218	1.247

** p<0.05, *** p<0.001

TABLE 5-9c
Multinomial Logistic Model Results: Parameter Estimates – Strategy 3
Concatenated Synergistic Brand Redeployment [BRSTR= 3]

Variable	Parameter Est. (b)	Standard Error	Wald's Statistic	Odds Ratio [Exp(b)]
Intercept (α)	4.430	2.221	3.979	-
<i>Overall Relative Standing (ORS)</i>	0.054	0.087	0.383	0.947
<i>Market Overlap:</i>				
Horizontal (HORIZON)	-0.456	0.473	0.930	0.634
Vertical (VERTICAL)	0.180**	0.046	0.154	0.368
Related (RELATED)	1.000**	0.212	22.348	0.947
Conglomerate (CONGLOM)	0.439***	0.515	0.727	1.551
<i>Ownership Status:</i>				
Acquirer=Pub., Target=Priv. (APTV)	-0.329	0.933	0.125	0.719
Acquirer=Priv., Target=Pub. (AVTP)	-	-	-	-
<i>Acquirer Diversification:</i>				
ADIV	0.603	0.449	1.802	0.547
(ADIV) x (RELATED)	1.112**	0.003	0.452	3.041
<i>Transactional:</i>				
Merger of Equals (MOE)	2.299**	1.112	4.274	0.100
Friendly Merger (FRNDMERG)	0.542***	1.119	0.235	1.720
Hostile Acquisition (HOSTACQ)	-0.291	0.002	0.714	0.028
Stock Swap (STOCKSWAP)	-1.333	0.515	6.698	0.264
Reverse Takeover (REVTAKE)	-1.989	1.149	2.997	0.137
Divestiture (DIVEST)	-0.008**	0.945	0.000	1.009
Pooling of Interest (POI)	0.190***	0.396	0.229	1.209

** p<0.05, *** p<0.001

TABLE 5-9d
Multinomial Logistic Model Results: Parameter Estimates – Strategy 4
Non Synergistic Brand Redeployment [BRSTR = 4]

Variable	Parameter Est. (b)	Standard Error	Wald's Statistic	Odds Ratio [Exp(b)]
Intercept (α)	-12.753	2.450	27.102	-
<i>Overall Relative Standing (ORS)</i>	0.117	0.165	0.506	0.889
<i>Market Overlap:</i>				
Horizontal (HORIZON)	0.082***	0.617	0.018	1.086
Vertical (VERTICAL)	-0.016**	0.049	0.113	0.984
Related (RELATED)	-18.364**	0.357	26.439	94.473
Conglomerate (CONGLOM)	0.638	0.640	0.994	0.319
<i>Ownership Status:</i>				
Acquirer=Pub., Target=Priv. (APTV)	16.048	2.264	26.436	93.208
Acquirer=Priv., Target=Pub. (AVTP)	-	-	-	-
<i>Acquirer Diversification:</i>				
ADIV	-0.468**	0.545	0.737	0.626
(ADIV) x (RELATED)	18.731	0.045	19.875	0.009
<i>Transactional:</i>				
Merger of Equals (MOE)	-3.107	1.147	7.343	0.044
Friendly Merger (FRNDMERG)	2.152***	1.695	1.612	8.606
Hostile Acquisition (HOSTACQ)	-0.419	0.400	0.386	0.081
Stock Swap (STOCKSWAP)	-1.295**	0.598	4.688	0.278
Reverse Takeover (REVTAKE)	3.022	1.164	6.737	0.048
Divestiture (DIVEST)	1.292	1.661	0.605	0.437
Pooling of Interest (POI)	-0.821***	0.482	2.898	2.271

** p<0.05, *** p<0.001

			(Acquirer)- Dominated	Non- Dominated	Concatenated Synergistic	Non Synergistic	
THEORY			INDEPENDENT VARIABLES				
Acquirer/Target Characteristics	Resource-based	Relative Standing	Acquirer > Target	0̄			
			Target > Acquirer		0̄		
	Strategy-Conduct Performance	Acquirer's Organizational Form	Acquirer is Diversified		0̄		(-)0̄
			(Acquirer=diversified) + (Low Relatedness)			0̄	
	Corporate Governance	Ownership Status	(Acquirer - Public) + (Target - Private)	0̄			
			(Target - Public) + (Acquirer - Private)		0̄		
Relatedness	Competitive Strategy	Market Overlap	Horizontal	0̄			0̄
			Vertical		(-)0̄	0̄	(-)0̄
			Related/ Complimentarity	(-)0̄		0̄	(-)0̄
			Conglomerate		0̄	0̄	
Transactional Characteristics	Signaling Theory / Ease of Redeployment	Transaction Technique	Merger of Equals			0̄	
			Friendly Merger	(-)0̄		0̄	0̄
			Hostile Acquisition	0̄	(-)0̄		
			Stock Swap	0̄			(-)0̄
			Pooling of Interest	(-)0̄	(-)0̄	0̄	(-)0̄
			Divestiture		(-)0̄	(-)0̄	
			Reverse Takeover	0̄	0̄		
√ = significant positive impact, (-)√ = significant negative impact							

√ = significant positive impact, (-)√ = significant negative impact

FIGURE 5-7: MULTIVARIATE MODEL TEST RESULTS

interpretation of multiple R-square based on the likelihood, but its maximum can be (and usually is) less than 1.0. Nagelkerke's R-square is further modification of Cox and Snell's R-square by its maximum in order to achieve a measure that ranges from 0 to 1. The slightly lower R-square values indicates that either 1) few more variables need to be accommodated in the final model which would better explain the variance, and/or 2) the existing variables need further modifications to ensure their reliability and validity. However, since this study is first of its kind, the existing fit indicators of the model are well within their acceptable limits. Future work in this area might refine the model to achieve better model fit.

The estimated parameters provide a predictive model for brand redeployment. These parameter estimates enable predicting the probability of likelihood of each of the four redeployment options given the covariates and factors. The estimation procedure indicates that overall relative standing, horizontal market overlap, complementarity between acquirer and target, acquirer being a public firm, and transactional characteristics such as friendly mergers, hostile acquisitions, stock swap, reverse takeover and pooling of interest have a significant impact on the probability of choice of acquirer dominated brand redeployment strategy. It is also noted that all significant variables have the correct direction in terms of their relationship with the choice of the strategy. Beyond what was hypothesized, it is found that a complimentary market overlap between the acquirer and the target, friendly mergers, and pooling of interest have a significant impact on the probability of this strategic choice. The results are consistent with the intuitive understanding that friendly mergers, complimentary market overlap and pooling of interest transactions deter this strategic choice of acquirer dominated brand

redeployment. All of these factors tend to support a more synergistic type of redeployment strategy.

Similarly, for acquirer non-dominated case parameter estimates, it is found that overall relative standing, vertical, complimentary and conglomerate market overlap, diversified acquirer, and transactional characteristics such as hostile acquisitions, reverse takeover, divestiture of target's assets and pooling of interest have significant impact on the probability of choice of acquirer non-dominated brand redeployment strategy. The results indicate that the pooling of interest transaction and high the vertical relatedness between the acquirer and the target increase the likelihood of choice of acquirer non-dominated brand redeployment strategy. This result can be attributed to the fact that vertical relatedness and pooling of interest transaction method will more likely favor a synergistic type of redeployment than a dominant type. However, consistent with the earlier hypotheses testing it is also found that complimentary and conglomerate type of market overlap increases the likelihood of adoption of this strategy. The positive relationship between conglomerate type of market overlap and acquirer non-dominated strategy can be explained through different motives such as acquirer's intentions of changing focus of operations, organizational restructuring etc. This issue is elaborated in further detail in the concluding chapter of this report.

Further, the results show that the choice of concatenated synergistic brand redeployment strategy is significantly influenced by vertically related, complimentary and conglomerate overlapping transactions and transactions involving merger or equals, friendly mergers, divestiture of target's assets and pooling of interest. Apart from these factors, the interaction between acquirer's diversification and relatedness was also found

to have a significant positive impact on the choice of this strategy. The impact of divestiture of target's assets and the interaction of diversification and relatedness was found to be significant beyond what was hypothesized. The relationship between diversification and relatedness is explained by the fact that high a level of relatedness indicates that there is market overlap across multiple areas of business between acquirer and target. Such a phenomenon suggests that the transaction approaches more of the type of merger of equals, which in itself has a significant positive impact on the choice of this strategy. The support for the positive influence of divestiture of target's assets and the choice of concatenated brand redeployment can be derived from the definition of divestiture of assets. It is likely that the divestiture of target's assets is related to capital assets and/or employees owing to synergistic benefits. Further caution should be exercised in analyzing this result since a very small number of transactions (seven) that involve divestiture actually follow concatenated synergistic redeployments.

Finally, the choice of non-synergistic redeployment is positively influenced by horizontal, vertical and complimentary overlapped transactions and transactions involving diversified acquirer, friendly mergers, stock swap and pooling of interest. All these variables do not correspond to the hypothesized arguments presented earlier. The inconsistent results can be attributed to a number of reasons relating methodological problems such as smaller cell size (number of cases), to more conceptual issues such as non-synergistic redeployments being irrational choices of executives. It is also plausible that the primary reasons for non-synergistic redeployments can be a complete restructuring of the merged firm or change of firm's focus/direction in its future

operations. Owing to these inconsistencies, caution should be exercised in analyzing the results.

Overall the parameter estimates show fairly consistent results as derived from earlier analysis of individual hypothesis. The odds ratios obtained provide an estimate of the change in probability of choice that can be expected with each unit change in that particular independent variable. The results provide empirical evidence that the influence of relative standing, market overlap, ownership status, acquirer's organizational characteristics and the transactional issues have a significant impact on the choice of brand redeployments subsequent to mergers and acquisitions.

Results of Analysis of Consequences: *Exploratory Analysis*

The objective of this analysis is to test for the hypothesis that there is significant change in the firm's performance (across several customer-related and shareholder-related variables) and to identify which of the five brand redeployment categories has the most significant change on these performance variables. The change in the performance of the firm was calculated by comparing the cumulative of the acquirer and the target performance measures (revenue, net income etc.) with that of the final company. The values were averaged over one year period prior to the date of announcement and subsequent to the date of execution. Standardized significance test (ANOVA) is conducted to analyze differences across means of each of the six variables across the five redeployment groups. Comparison of means is done between the post merger (final company) value and the cumulative value of the acquirer and target prior to the merger.

This comparison is performed across each of the six variables and the mean and standard deviations across each category is presented in Table 5-10a, 5-10b, and 5-10c.

Quite contrary to the expectation, the exploratory analysis yielded mixed results. In majority of the cases, there are insignificant differences in change in performance across the five redeployment categories. Cases with significant changes do not yield any consistent understanding. The results indicate that there is significant increase in revenue (28.4%) but a significant decrease in earnings per share (52.1%) subsequent to acquirer dominated redeployment strategy. On the other hand, significant reduction in net income (29.1%) and intangible assets (28%) is noticed subsequent to pure synergistic redeployments. Intangible assets are also lowered subsequent to non-dominated redeployments. The most significant reduction in average stock price is noticed subsequent to concatenated synergistic redeployment and non-synergistic brand redeployments. Inconclusive results are also noticed while comparing the eventual performance across the various redeployment categories. The only significant result is obtained while comparing the revenue of the final companies across the five redeployment strategies. It is noted that the mean revenue of firms that adopt the acquirer dominated redeployment strategy is significantly higher than the mean revenue of firms that follow other options of brand redeployment. While this result indicates that acquirer dominated redeployment strategies might be the best strategies to adopt, however, owing to the previous results in terms of the lowering of market value, net income etc. caution should be exercised while interpreting this result.

Overall results indicate that a merger or an acquisition results in lowering of revenue, net income, market value, intangible assets, average stock price and earnings per

TABLE 5-10a
REDEPLOYMENT CONSEQUENCES: Standardized² Revenue and Net Income

(SAMPLE SIZE: 148 Mergers & Acquisitions)
(Means and Standard Deviations)

Brand Redeployment Strategy	N	Revenue (mil.)				Net Income (mil.)			
		Acquirer	Target	Final	F-value	Acquirer	Target	Final	F-value
Acquirer Dominated	42	658.477 (836.015)	442.915 (671.299)	1414.640 (2019.341))	3.858***	39.424 (90.125)	32.412 (79.152)	64.995 (91.125)	0.283 ^{ns}
Acquirer Non-Dominated	19	428.862 (689.917)	517.836 (713.340)	867.864 (830.943)	0.514 ^{ns}	33.806 (80.878)	39.314 (92.533)	65.251 (104.263)	0.128 ^{ns}
Concatenated Synergistic	28	443.379 (647.473)	481.186 (730.943)	978.794 (1013.365))	1.013 ^{ns}	36.302 (85.426)	34.751 (83.629)	56.280 (94.063)	0.712 ^{ns}
Non Synergistic	24	512.937 (809.618)	456.609 (662.976)	850.878 (799.393)	0.212 ^{ns}	37.593 (90.036)	31.011 (71.577)	55.369 (87.312)	.404 ^{ns}
Pure Synergistic	35	487.446 (750.924)	479.016 (724.423)	991.464 (1117.773))	0.081 ^{ns}	62.123 (117.169)	29.668 (74.579)	65.002 (84.113)	3.263**
<i>F-value</i>	148	2.965**				0.958 ^{ns}			

** p< 0.05, *** p< 0.001, ns = not significant

² Standardized against Firm Size, where Firm size = natural logarithm of total assets of the firm

TABLE 5-10b
REDEPLOYMENT CONSEQUENCES: Standardized³ Intangible Assets and Market Value

(SAMPLE SIZE: 148 Mergers & Acquisitions)
(Means and Standard Deviations)

Brand Redeployment Strategy	N	Intangible Assets (mil.)				Market Value (mil.)			
		Acquirer	Target	Final	F-value	Acquirer	Target	Final	F-value
Acquirer Dominated	42	98.836 (337.957)	68.940 (132.139)	140.474 (446.003)	0.536 ^{ns}	1506.879 (2507.541)	870.279 (2624.594)	1854.867 (3003.404)	0.677 ^{ns}
Acquirer Non-Dominated	19	42.993 (116.404)	65.388 (304.226)	70.241 (216.091)	2.169 ^{**}	880.708 (2036.243)	1049.339 (2934.695)	1582.414 (3109.983)	0.148 ^{ns}
Concatenated Synergistic	28	82.412 (161.462)	82.487 (262.160)	158.474 (469.993)	0.003 ^{ns}	1168.140 (3132.139)	936.170 (2277.947)	1782.942 (3900.471)	0.018 ^{ns}
Non Synergistic	24	63.337 (151.060)	10.544 (399.416)	55.692 (246.821)	1.205 ^{ns}	797.434 (1517.314)	1076.339 (3018.845)	1421.148 (2607.876)	1.588 ^{**}
Pure Synergistic	35	119.025 (377.524)	63.825 (139.336)	131.474 (335.378)	2.696 ^{***}	1172.074 (3357.962)	824.988 (1770.553)	1522.114 (2228.770)	0.948 ^{ns}
<i>F-value</i>	148	1.786 ^{ns}				0.287 ^{ns}			

** p< 0.05, *** p< 0.001, ns = not significant

³ Standardized against Firm Size, where Firm size = natural logarithm of total assets of the firm

TABLE 5-10c
REDEPLOYMENT CONSEQUENCES: Avg. Stock Price and Earnings per Share

(SAMPLE SIZE: 148 Mergers & Acquisitions)
(Means and Standard Deviations)

Brand Redeployment Strategy	N	Average Stock Price				Earnings per Share			
		Acquirer	Target	Final	F-value	Acquirer	Target	Final	F-value
Acquirer Dominated	42	39.264 (50.004)	36.902 (29.740)	62.341 (88.102)	1.039 ^{ns}	1.983 (4.665)	1.255 (1.714)	1.548 (3.018)	2.750 ^{**}
Acquirer Non-Dominated	19	34.131 (28.306)	41.568 (53.844)	70.365 (96.287)	0.259 ^{ns}	1.362 (2.095)	1.702 (3.961)	1.998 (3.209)	1.388 ^{ns}
Concatenated Synergistic	28	39.907 (59.798)	37.277 (29.426)	58.341 (44.099)	3.579 ^{***}	1.591 (3.556)	1.413 (2.928)	2.397 (3.248)	0.906 ^{ns}
Non Synergistic	24	42.952 (48.677)	26.961 (25.221)	57.553 (112.040)	2.966 ^{**}	1.618 (1.728)	1.534 (3.489)	2.895 (3.682)	0.065 ^{ns}
Pure Synergistic	35	37.754 (26.532)	38.467 (47.119)	74.341 (64.007)	0.005 ^{ns}	1.742 (3.881)	1.173 (1.664)	2.004 (3.668)	1.919 ^{ns}
F-value	148	1.285 ^{ns}				0.542 ^{ns}			

** p< 0.05, *** p< 0.001, ns = not significant

share. The only exception to this phenomenon being in few cases where the revenue increased by over 28% when the acquirer dominated redeployment strategy, 5% increase for those who follow concatenated synergistic redeployments and 2% for those firms that adopt the pure synergistic brand redeployment option. Support to this result of diminishing performance subsequent to merger and acquisition activity is provided by a quite a few previous studies (Karpoff and Rankine, 1994; Capron and Hulland, 1999; etc.). Overall the characteristics of the results of this exploratory analysis suggest a wide variety of options that should be pursued to accurately study this phenomenon. The next chapter includes a discussion about this issue.

Conclusion

In this chapter, the hypotheses are tested and the impact of the relevant variables mentioned earlier is analyzed and reported. The key characteristics of the several M&A cases included in the study and the acquirer and target characteristics are elaborated in the descriptive analysis. Subsequently, detailed treatment of variables is performed using the multinomial logistic regression. In the second section of this chapter, the performance-based consequences of brand redeployments are analyzed and discussed. Owing to the importance of the former, more emphasis and rigor is instituted on analyzing the antecedent factors. The next concluding chapter presents the summary of key findings of this research along with the implications, limitations, and an agenda for future work.

CHAPTER VI

CONCLUSIONS

Introduction

The corporate brand name is really the cornerstone of a company's relationship not only with its customers but also its employees. It sets the attitude and tone and is the first step towards establishing a personality for the company, its products and its employees. Changing of corporate identities is an extremely complex and costly process. It may raise hackles and demoralizes the target firm's employees. Despite its high costs, advocates of brand name change claim that benefits derived from the strategy outweigh the associated costs and headaches. For long, executives have treated corporate identity as a vanity issue, tying it to personal esteem by associating themselves with "big" names. As this study intends to indicate, M&A transactions are one of the valuable opportunities for the executives to re-deploy this intangible asset for a variety of reasons. This research intends to empirically examine the factors that firms consider while strategically redeploying their corporate identity consequent to M&A transactions.

The following paragraphs of this chapter are organized as follows: first the summary of the findings of this research is presented. The contributions of this research in terms of academic and practitioner implications are then discussed. Finally, the limitations of this research are elaborated, coupled with an agenda for future research.

Summary of Findings

The results of this empirical analysis provide a good support to the conceptual framework of antecedents of brand redeployment developed earlier in this dissertation. The results indicate that target-acquirer relative standing (financial characteristics), market overlap, transactional elements and procedural characteristics have a significant effect on the redeployment decision.

Specifically, positive support was found for the hypothesis, that the relative standing of the acquirer and the target has an impact on the redeployment decision. The results indicate that the acquirer's brand name will be adopted if its relative standing is higher than that of the target, whereas the target's brand name will be adopted if the target's relative standing is higher than that of the acquirer.

Further as hypothesized, the results also indicate that horizontal mergers or acquisitions lead to acquirer dominance on the redeployment decision. This suggests the dominance of the power motive behind the M&A transactions. No significant support was found for the hypotheses suggesting that vertically related mergers or acquisition lead to pure or concatenated redeployments, and related or complimentary mergers lead to pure synergistic redeployment. Conversely, the results indicate that related or complimentary mergers lead to acquirer non-dominated brand redeployments. This result suggests that the acquirer is buying the target so as to finally leverage the brand equity of the target. This indicates two strategic motives behind the acquiring firm's redeployment decision: a) the acquirer buys the target firm, combines it with its overlapping subsidiary and spins off the newly combined firms as a new firm under the target's brand name, or b) the acquirer buys the target so as to change its primary area of business, and focus

more on the overlapping subsidiary business in future. The latter strategy would involve, acquiring the target firm, combining its overlapping subsidiary, divesting its own primary area of operations and leveraging the target's higher equity to change its focus of operations¹. The results also provide support to the hypothesis that conglomerate mergers and acquisitions lead to pure synergistic brand redeployment thus providing support to the argument that conglomerate mergers and acquisitions rely more on financial gains from the target firms and less on strategic gains that might result from integration of assets.

Significant support is obtained for the hypothesis that suggests that in cases where the acquirer is a publicly-owned company and the target is a private firm, it would lead to a choice of acquirer dominated brand. This result indicates that the redeployment decision of the brand name is influenced by 1) dominance of the shareholders of the acquirer firm, and 2) the ease of transaction during the merger process. Further, it might also provide support to the argument that since the acquirer is a public company, it might have access to more resources and might have higher brand awareness than the target. The converse hypotheses that relates to cases wherein a privately owned (acquirer) company acquires a publicly owned (target) companies could not be tested since no such cases were found in the entire dataset. However, support for the previous hypothesis (wherein acquirer is a public entity and target is a private firm) provides some theoretical argument for this converse hypothesis.

The acquirer's degree of diversification and its impact on the brand redeployment decision yielded mixed results. While it is found that the degree of diversification did not

¹ The current dataset does not have sufficient information to analyze and prove such future objectives/plan of actions by acquiring firm.

have any significant impact on the redeployment decision but the data indicates that mergers and acquisitions that involve a diversified acquirer are more likely to adopt the pure synergistic brand redeployment option. This inconsistency in results can probably be attributed to the issue of the validity of measure of degree of diversification. Varadarajan and Ramanujam (1987) also question the validity issue with this measure. A count measure of the degree of diversification can be incorporated to test this hypothesis. Further, the interaction effect of the degree of diversification and the relative standing between the acquirer and the target showed no significant impact on the choice of brand redeployment options. This interaction effect was analyzed using both continuous and dichotomous diversification measures but no support to the hypothesis could be ascertained. As suggested later in the limitations section, the lack of support for the relatedness measure might be due to the validity issues discussed by Montgomery (1982).

Finally, almost all transactional measures seem to have a significant impact on the choice of the redeployment decision. It is noted that all transactional measures excepting that of friendly mergers provide significant support to their respective hypotheses. The measure of friendly mergers yields inconsistent result owing to the fact that the coding of this variable is post hoc and does not incorporate the initial reaction of the acquirer. This issue is discussed in greater detail in the limitations section.

Multinomial logistic regression was successfully applied to the dataset. The parameter estimates of all the independent variables are obtained for each of the brand name redeployment strategy. The estimated parameters and the model fit suggest the significant impact that the firm-specific characteristics have on the redeployment decision. The model fit, as indicated by the chi-square values and the R-square values, is

acceptable. Odds ratios were also obtained that indicate the change in dependent variable (relative to the reference category) for a unit change in independent variable. An odds ratio of greater than one indicates a higher likelihood of selecting the strategy, while an odds ratio of less than one indicates a lower likelihood of choosing the strategy, relative to the reference category.

Overall, the results of the empirical analysis show consistent results with the theoretical arguments and the conceptual model of the antecedent factors influencing brand redeployment strategy. Thus providing evidence of its validity.

The second part of this research involves the empirical evaluation of the consequences of the brand redeployments. Two approaches toward this evaluation of consequences have been outlined. Due to time and resource limitations the indirect approach was operationalized. This approach considers the change in performance of the firms before and after the transaction as a surrogate measure of the reactions of the stakeholders. Six performance-based measures were analyzed and changes on those variables were compared. As discussed in the previous chapter, the overall results of these comparisons did not yield any conclusive understanding of the concept. The failure to obtain significant results can be attributed to a number of problems. The first, and probably the most notable issue, is that of the confounding of performance measures. As discussed in few previous studies, it is doubtful that the change in performance measures can be directly attributed to the brand redeployments. This difficulty in establishing a causal link is primarily because of the several mediating and moderating variables that influence the firm's strategy and its performance. The second issue explaining the lack of results relates to the operationalization of the measures. The operationalization included

averaging the firm's performance over a 12-month period before the date of announcement and after the date of execution. The choice of this window for averaging is uncertain and needs to be reexamined. Few previous studies, (Koku, 1997; Mortal, 2000 etc.) have used these performance-based measures along with event study analysis and have tried to eliminate few confounding factors from these measures. It is expected that such a method might provide better results.

Discussion and Implications of Research

There is currently considerable interest among both practitioners and academics in understanding and evaluating "brand equity" and its importance in facilitating various business strategies. Tauber (1988) notes that "*Capitalizing on the equity in established brand names has become the guiding strategy of businesses....*" This study is another step forward that highlights the importance of brand and its equity and how it influences the strategies across all levels of an organization.

Strategies exist at multiple levels in an organization - corporate, business, and functional. The interdependencies between these strategies at different levels have received scant attention and hence remain unexplored. Deshpande (1999) and Varadarajan (2001) stress the need for examining multi-level or cross-level problems in strategy. This study contributes to research in marketing strategy by highlighting an example of cross-level strategic interdependencies. This report highlights and examines the interdependency of marketing strategy (brand management) on corporate strategy (merger and acquisition decisions) by developing a framework that examines the

relationship between the firm- and transaction specific factors that influence the brand redeployment strategies of firms.

This project aims to achieve a variety of objectives both from an academic and a practitioner perspective. In its general approach this essay intends to utilize and extend the brand management literature in a new context and, probably, a new direction. Owing to the similarity of this phenomenon to that of brand extensions, this study also draws upon the brand extension literature in a unique setting to provide theoretical arguments of how brand equity is utilized in making corporate strategies. Such a usage of brand extension framework incorporates theoretical perspective of the stakeholder's reactions (attitudes) towards these redeployed brands. It suggests that the perception of the stakeholder's reaction lies behind the managerial motive of brand redeployment. The theoretical insights that the research provided in this regard can also be leveraged to enhance our understanding of product deletion decisions of firms. This research also incorporates a study on the extended choices available to a marketing manager in terms of the brand portfolio management. It recognizes the fact that brand "manipulations" are not just limited to extensions in the marketplace. As the frequencies of mergers and acquisitions increase the corporate executives are provided with the lucrative opportunity of repositioning their firms and products through distinct approaches. Similar to the fact that an unsuccessful brand extension may jeopardize brand equity, or the future value of the brand as a tool to introduce extensions, by weakening the positive associations with the original brand, inaccurate deployment of corporate or product brand subsequent to a merger or an acquisition may also affect the overall performance of the firm.

This study furthers the power-based perspective of M&A transactions. It not only highlights a new and interesting outlook towards the acquisition process and how acquirers engage in “assassination” of target firms but also indicates the effect of manager’s power on the redeployment of assets. High number of acquirer dominated redeployment cases and their significant relationship between horizontal mergers indicate the existence of managerial and market power (and hence lack of synergy) in brand redeployment decisions. This is an indicator of asymmetrical redeployment of resources subsequent to mergers/acquisition for acquiring and target firms. The argument holds that changes linked to the integration process are one-sided, taking primarily within the target firm (Datta, 1993; Hambrick and Canella, 1993; Paulo, 1994; Shanley and Correa, 1992). Empirical evidence shows that target firms frequently conform to the acquirer’s identity, culture, and managerial systems (Buono and Bowditch, 1989; Chatterjee, et.al., 1992). This conformance is primarily due to the acquirer’s power, ego, and arrogance (Jemison and Sitkin, 1986). It is based not only on the acquirer’s self confidence in its own resources, and the acquirer’s willingness to impose its culture, but also on the strong pressures that are commonly placed on the target’s executives to break previous routines (Hambrick and Canella, 1993).

Further, the positive relationship between vertical and complimentary market overlap and synergistic redeployments also highlights and offers evidence of the synergistic motive behind the redeployment decisions. This empirical evidence can be useful for stakeholders to interpret the firm’s objectives and future plans with respect to its integration with the target’s assets. While the transactional issues were also found to have a significant impact on the redeployment decisions, it will be interesting to

understand if there is an alternative motive behind this influence apart from the signaling perspective.

From the methods point of view, this study is one of the few empirical studies in marketing that employ the much useful and powerful multinomial logistic regression. This study provides an example of how such a regression technique can be employed with precision and with a unique dataset. The strengths of such a model are highlighted. This technique has special significance and implications for the marketing literature and specifically for our understanding of discrete choice models. This technique provides us with a much powerful tool than the traditional discriminant analysis.

On the other hand, the study of the consequences of brand redeployments is motivated by both strategic and financial reasons:

Strategic: The rationale behind many name changes is the idea of helping the stakeholders of the firm better comprehend what the company does. Corporate audiences routinely rely on the reputations of firms in making investment decisions, career decisions and product choices (Dowling, 1986). Rigaux-Bricmont (1982) found that the brand name can influence consumers' quality evaluations of a product. While we do understand that there is a positive correlation between the attitude toward the brand and the likelihood of purchase of the product, the abrupt change in the identity of firms and products causes confusion and frustration amongst its stakeholders on how to read the merger and to foresee their future relationship with the firm. Given the potential for distorted information and preconceived beliefs about the two firms, consumers are likely

to get confused and generate mixed emotions subsequent to the announcement of an M&A deal. Consumer advocates argue that as the firms grow in size subsequent to mergers and acquisitions, "little needs of little people are lost amid the big bureaucracy."

The above phenomenon indicates that the eventual choice of the brand during the resource redeployment process of M&A can play a significant role in the success of the redeployed brand. Some argue that a name change reflects changed business strategy of a new or broader product line. Some even argue that the change allows the firm greater flexibility to make future business changes or to expand into new business lines.

Financial: An equally compelling reason for examining the consequences of this redeployment phenomenon is the potential insight to be gained about the company's and brand's financial equity viz. the effect of these brand redeployments on the market share and advertising efficiency of the final brand, and in turn, the overall financial success of the company and brand. Examining the financial implications of brand redeployments affords the potential for insight into the broader domain of measuring brand equity. From the organizational front, managers and investment analysts claim that the name change conveys information about the firm's future performance. Some managers hope to improve the firm's recognition in the investment community, or to affect the firm's operation favorably by providing the firm with a "common identity." It is claimed that such an identity will eventually affect the labor productivity and cash flows.

Academicians have spent years trying to determine the extent to which strategic choice or environmental determinism shape organizational performance. Although some would argue that managers control their firm's destinies (Andrews, 1980), others point to

the primacy of the environmental forces (Hannan and Freeman, 1977). The current view, as supported by Walsh and Seward (1990), is that both forces are operational; the magnitude of the effects is thought to vary by the particular nature of the situation (Hambrick and Finkelstein, 1987; Hrebiniak and Joyce, 1985). However, the view presented in this article isolates and looks at the factors within the firms. The emphasis in this study is primarily to examine a few of the internal forces that drive the corporate name redeployment decision. Certainly, a more holistic picture of the redeployment process would require a complete analysis of the effect of both the manager's control and the environmental forces.

Limitations of the Study and Agenda for Future Research

While the study aims to be rigorous in its analysis, it is quite prudent to discuss the limitations of the method of analysis. This study is bound under certain operational limitations. The following discussion highlights some methodological and conceptual issues related to this research.

The approach adopted in this research has been to incorporate the most reliable and valid measures of constructs. However due to limited information available across the firms and the inherent reliability issues associated with secondary/historical/archival data, there are several limitations in the analysis. First and foremost of the problems associated with the analysis is the unequal number of cases across the five redeployment categories that inhibit the ability to attain detailed insights into each strategy individually. This inconsistency in cell sizes, while on one hand provides us with evidence of the dominance of one type of redeployment activity (from target to acquirer), on the other

hand makes the result difficult to analyze and interpret. Further, the measure of relatedness/complementarity is based on SIC codes and is a simple additive measure used across all overlapping areas of operation between the acquirer and the target. A more comprehensive measure as suggested by Montgomery (1982) can incorporate a weighted mean measure of relatedness/complementarity based on the percentage of revenue associated with each SIC code.

The reliability of the friendly merger and hostile acquisition measure is also limited to some extent owing to the archival nature of the data. Caution should be exercised while analyzing the results of this measure. While this measure was directly extracted from the dataset, it is quite likely that a merger coded as a friendly transaction actually started off as a hostile attempt or the other way round. Owing to the archival nature of the data and data reporting issues, it is quite likely that the original intent or initial reactions of the target are not recorded. Quite frequently, mergers are coded as friendly so as to achieve normalcy and avoid knee-jerk reactions/anxiety at the stock market and within the firms/employees. Further the measure of degree of diversification is weakened by the fact that it does not include the weighted count of the acquirer's businesses but this measure is still considered far stronger than simple counts of businesses that have been employed frequently by many research studies in the past.

From the modeling perspective, it is necessary to identify the limitations of the overall model used. Multinomial logistic regression uses maximum likelihood estimation (MLE) rather than ordinary least squares (OLS) to derive parameters. MLE relies on large-sample asymptotic normality, which means that reliability of estimates decline when there are few cases for each observed combination of X variables. Considering the

empirical analysis and the unequal cell sizes, one needs to be cautious while interpreting the results and about the reliability of the parameters.

I understand that this study and the above mentioned limitations open doors for many interesting and worth investigating ideas. For example, the next logical step from this study should be to identify (and examine) the process of these redeployments and suggest a "how to" kind of framework. However, to ensure integrity of this study around its focal objective of understanding the “strategic choice” than the process, and due to time/resource constraints, such work is proposed as a part of "future work.”

One of the most notable agendas for future work is a rigorous analysis of the consequences of these redeployment decisions from the perspective of various stakeholder groups. As detailed earlier, the importance of these brand redeployments is both from the strategic and financial perspectives. While on one hand, the redeployment decisions are aimed at lower advertising expenses, higher employee morale and even increased customer preference for the firm's products and services, on the other hand, there is ample evidence that goes to show the failure of these brand redeployments in achieving these objectives. From the stakeholders’ perspectives, the reconfiguration of brand portfolio leading to the redeployment of brand names adds to the confusion and frustration of all stakeholders.

So far, no systematic studies have been conducted that have measured whether name changes have an effect - positive or negative on the consumers’ perceptions or attitudes towards the companies or products. Apart from the scholarly interest of extending the theory of brand management, the study of this phenomenon is quite

significant to the managers in terms of better managing the resource redeployments subsequent to a merger or acquisition.

An equally compelling reason for examining the consequences of this redeployment phenomenon is the potential insight that can be gained about the company's and brand's financial equity viz. the effect of these brand redeployments on the market share and advertising efficiency of the final brand, and in turn, the overall financial success of the company and the brand.

This study raises several intriguing challenges as avenues for future research. Previous literature has studied M&A success (or lack thereof) in terms of ROI, EPS, P/E, Cash Flow, Sales Growth, Market Share, Stockholder Gains etc. There has been considerable divergence in the past regarding the issue validity of M&A performance metric. This study might be able to steer us toward a new metric - measuring the success of the M&A and redeployment activity from the consumers' perspectives. Such a measurement is in congruence with the market-oriented theory of the firm.

It is also necessary to highlight some other seemingly less-related issues that affect corporate identity redeployment. For example, whether a company's local or regional image detracts from its new strength in national or international market. Another variable that can be included in the model is that of the industry of operations. It can be argued that the importance of brand name redeployment can be more in industries where branding influences the bottomline of the firms more than it does in others. Other instances might also include firms who have identified their inability to persuade their critical audiences, i.e. there is a gap between reality and public perception. In addition, in cases of failing targets, acquirers may opportunistically keep valuable pieces from the

targets before throwing off the acquired business (*black widow* or *cherry picking* phenomenon). In such cases, circumstances and irrational decision-making might drive resource redeployment. Further, arguments for the motive of redeployment of resources would also include those offered by institutional theory, i.e., acquirers redeploy resources just because others do it and its considered legitimate. However, as indicated earlier in this paper, it is assumed that the acquirer and the target consider the corporate name redeployment decision very consciously and actively. Also, an argument can be made that the reason for corporate name change was contemplated simply because the name of the target or the acquirer "sounded better." Such instances of "semiotics" or "schema (in)congruency", though important, are not included in the analysis and are proposed as a part of future work. Another area worthy of investigation is an understanding of the effect of time on the evaluation of the redeployed brand. This is one of the key questions relevant to the manager undertaking the redeployment task. These are some of the interesting issues to study related to this context.

Conclusion

In this concluding chapter, a brief summary of findings is presented and, subsequently, implications of this research are presented along with its limitation and agenda for future work. This research utilizes a mix of organizational theories (primarily, the resource-based theory) to exemplify the impact of intangible resources, the interaction of the characteristics of the acquirer and the target and their organizational structures on the brand redeployment decisions. The results show that the corporate executives

consider a mix of financial, market and firm factors in considering redeployment decisions subsequent to mergers and acquisitions.

As indicated earlier, this study is a first of its kind that attempts to examine the antecedent factors influencing the choice of brand redeployments subsequent to mergers and acquisitions. In spite of the fact that brand redeployment choices can be influenced by a variety of rational and irrational motives, it is interesting to note that the results of this study have been quite consistent with the rational, theoretical arguments presented as motives behind the redeployment decision. While this research provides a first of its kind framework of analyzing the factors influencing the redeployment decisions, undoubtedly, it is just a stepping-stone towards a highly potential area of research.

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APPENDICES

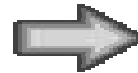
APPENDIX A

Brand Name Redeployments

Straight Name Changes



Original



Current

Name Changes due to Mergers and Acquisitions

Acquirer



Target



Current



APPENDIX B

Strategy 1: **Acquirer-Dominated Redeployments**

Acquirer

Target

Outcome



Strategy 2: Non-Dominated Redeployments

Acquirer

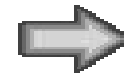
Target

Outcome

NationsBank

+

Bank of America

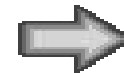


Bank of America

FIRST UNION

+

WACHOVIA

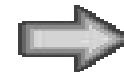


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.COM



EGGHEAD
.COM

Strategy 3: Synergistic (Acq-Dom) Redeployments

Acquirer

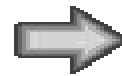
Target

Outcome



+

TIME WARNER



AOL Time Warner

EXXON

+

Mobil[®]



ExxonMobil

Strategy 4: Synergistic (Acq-Non-Dom) Redeployments

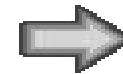
Acquirer

Target

Outcome

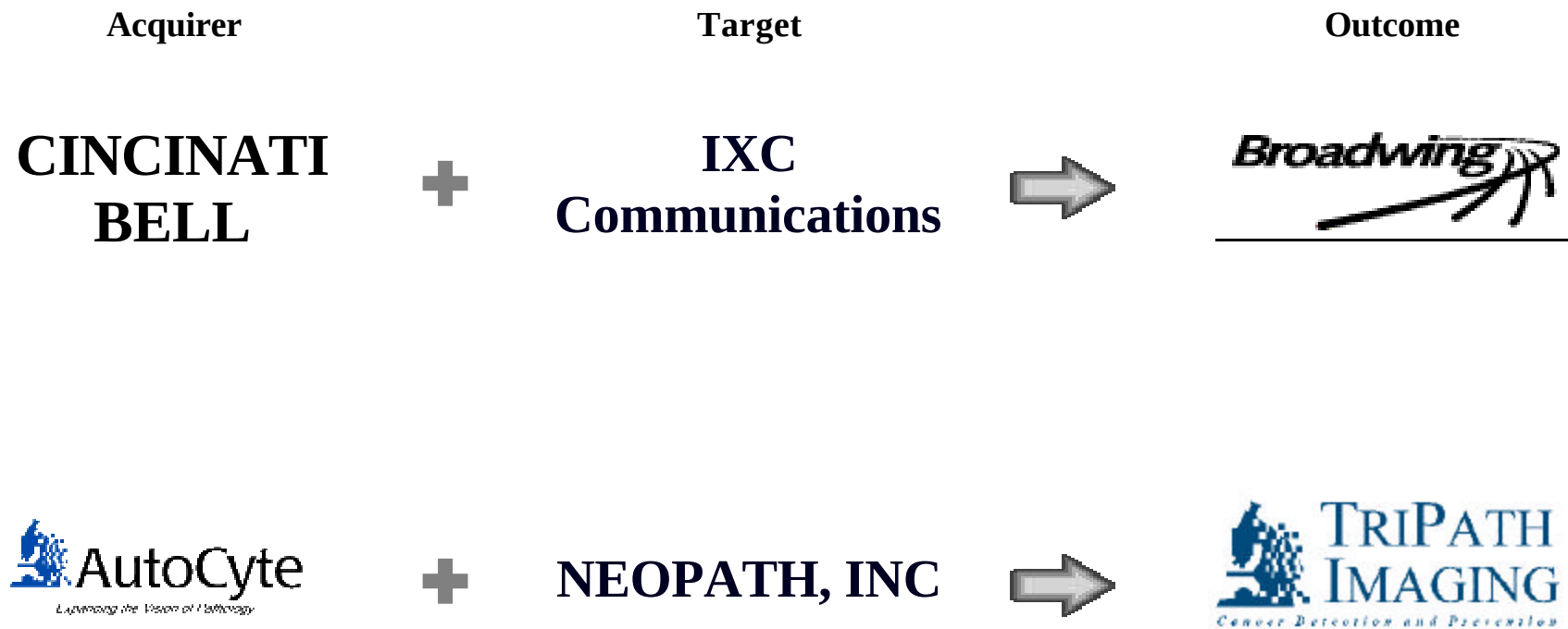


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Premier Farnell plc

Strategy 5: Non - Synergistic Redeployments



Strategy 6: Pure Synergistic Redeployments

Acquirer

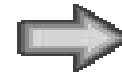
Target

Outcome



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Tropicana



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