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

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ABSTRACT

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

1. Introduction

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

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

2. Literature Review

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

2.1. *Mergers and Acquisitions*

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

2.2. *Merger and Acquisitions and Intangible Resources*

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

2.3. *Intangible Resources*

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

Table 1
Intangible resources in firms

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

Source: Hall(1992), Galbreath(2004)