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AN OVERVIEW OF KEY ISSUES IN MERGERS AND ACQUISITIONS: A CASE OF TRINIDAD AND TOBAGO

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Abstract

The purpose of this paper is to examine the key issues involved in the process of mergers and acquisitions of companies and to explore the experience in a small developing country. The methodological approach adopted is largely qualitative with data collected on mergers and acquisitions from relevant published journals, specialist papers, technical reports with raw statistics, stock exchange information obtained online, and printed media announcements. The findings revealed that the merger and acquisition process is of varying complexity depending on the type of firms involved, the business environment, and the cultural context. In developing countries where stock exchanges are not vibrant, merger activity requires stimulation through special incentives and this situation is particularly applicable to small countries. The value of the paper lies in the fact that very few studies were completed on small developing countries and no recent study exists on Trinidad and Tobago the most developed economy in the Caribbean. The research is limited to secondary sources and no primary data were collected beyond statistical extracts, but the implications for small islands as presented in the case study point to the need to understand the success factors in post-merger integration as the main area of concern.

Keywords: Mergers and Acquisitions, Post-Merger Integration, Due Diligence, Developing Countries, Small Economies, Strategies

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INTRODUCTION

The issue identified in this paper for consideration is the corporate activity involving the merger and acquisition (M&A) of companies whether operating in a local market based in a single country or in the form of cross-border mergers of local and foreign companies. The literature suggested that such M&A activity occurred in waves often linked to the economic cycle and we are currently in the sixth wave of the post 2008 recession. M&A activity is largely a feature of developed economies which was confirmed by Achim (2015) who analyzed 206 articles on M&A for the five-year period 2010 to 2014 and found that the vast majority of studies were of developed economies concluding that studies of developing countries constituted a major gap and a deficiency in the literature. However, more recently such activity has taken root in emerging countries and selected developing countries such as Trinidad and Tobago (TT) which this paper treats as a case study of a small high-income developing country in the Caribbean.

A corporate acquisition is defined as a process by which the assets of a company are transferred to a buyer or new owner, while a merger represents the combining or disposal of the resources of two or more companies following an acquisition. Cavusgil, Knight, and Riesenberger (2008), however, consider mergers as a special type of acquisition in which two firms join to form a new, larger firm. This new entity can bring benefits of: economies of scale; inter-partner learning; reduced costs through elimination of duplication; a broader range of products and services; and greater market power (p. 429). Mergers and acquisitions (M&A) are the amalgamation of two or more firms into a single entity based on acquisition of the assets of the target firm and the main types were identified as: horizontal involving competing firms in the same industry and at the same stage in the process; vertical with firms at different stages of the production chain; and conglomerates where firms in unrelated industries merge (Raff, 2009; Reddy, 2014)). Other types of M&A were referred to as: congeneric involving firms in the same industry but with different customer bases; cash mergers where two firm are combined and shareholders obtain shares in the new company; and triangular mergers which occur when a target company merges with a subsidiary of the acquirer for tax purposes (Reddy, 2014). It was observed that there is a trend towards cross-border mergers and, from an international perspective, M&A have been spurred by increased foreign direct investment, and incentives provided by economic integration of nations which have raised questions about competition policy (Raff, 2009).

Historically, M&A waves are triggered when shocks occur in the business environment such as: deregulation actions; the introduction of new technologies, distribution channels, or substitute products; or increases in commodity prices (Filipovic, Vrankic, and Mihanovic 2014; Hullur and Hyderabad, 2014; Salina 2010). Researchers have tracked six waves dating from the

late 1800s through the early 1900s right up to the present time and the key feature recorded is that M&A frequently fail despite increasing popularity. However, M&A research has focused mainly on impacts on shareholder value, motivation, achievement of synergies, and operational efficiencies; while failure is attributed to corporate culture issues and internal organizational variables with little consideration given to externalities (Filipovic et al.). A critical aspect of M&A activity is that acquisitions may be friendly, in that the parties agree to the transfer of ownership and only the details need to be worked out, or the acquisition may be hostile. In a hostile take-over, the target firm resists the acquisition and very often legal proceedings are instituted. In terms of acquisitions, Reddy (2014) also points to leveraged buyouts where acquisitions are achieved with borrowed funds and bailout takeovers where a sound firm acquires a troubled firm to save it.

This paper makes a significant contribution to the literature on M&A in that it examines the experience of a small developing country where relevant studies are scarce and the latest paper five years old. The paper will also serve as documentation for orienting MBA and other students in business related disciplines to the field of M&A which is relatively unexplored in the case of TT. The paper highlights the issues critical to successful M&A activity and draws on an extensive survey of executives from U.S. based companies which can inform the process in developing countries. This can benefit financial and economic policy makers and officials in institutions such as central banks and stock exchanges in developing countries.

The main purpose for exploring the topic is to advance the idea that firms in small countries should seriously consider mergers as a growth strategy whether based on local joint-ventures or amalgamation with foreign corporations where synergy has been established. The paper concludes that the critical issues in engaging in an M&A process revolves around: conducting a thorough due diligence to establish financial soundness, managerial competence, and cultural fit with the target firm; ensuring a proper post-merger integration plan is in place; and securing full commitment of all personnel through effective communication.

RESEARCH APPROACH

The methodology adopted for this paper was largely qualitative through reviews of published documentation sourced from: major university-cited texts; relevant journals accessed from online data bases; a special integration report from a leading financial firm; and for the case study, reports from financial experts, the stock exchange, and media announcements of M&A activity. The texts utilized were the leading publications identified in the curriculum of major universities in North America and the UK from which the key concepts and issues surrounding the study of M&A were extracted.

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Rationale for Mergers & Acquisitions

The considerations that arise in a prospective M&A depend on the strategic objectives of firms which include: creating a more cost-efficient operation out of the combined companies; expanding a company's geographic reach; extending the company's business into new types of products; gaining rapid access to new technologies, resources, and competitive capabilities; and trying to create a new industry and leading the convergence of industries whose boundaries are being blurred by changing technologies and new market opportunities (Thompson, Strickland, & Gamble, 2007, pp. 168-169). In the case of friendly transactions, as opposed to hostile takeovers, the key strategic questions to be answered cover whether: the combined company makes strategic sense; there are benefits to be derived from the new entity; the respective strengths; the overall cost; scope of investigations of each company; obligations to be met; the financial implications; and deal closure requirements (Reed, Lajoux, & Nesvold, 2007, p. 6).

The objectives for pursuing M&A at the individual country level were attributed to: overcoming legal barriers to entry; greater access to resources; lower labor wage environment; market dominance; and reducing immediate competition (Achim, 2015). However, in this age of globalization, the basic objectives of M&A were seen as achieving a scale to meet global requirements; enhancing entrepreneurial activity; promoting diversification at the product and geographical levels; and facilitating new investments (Kiselakova & Sofrankova, 2015). The successful achievement of the objectives will lead to: creation of synergy which enhances performance; cost efficiencies which improve purchasing power of the firm; development of a competitive edge; creation of a diversified business network to reach markets; and an increase in market strength (Reddy, 2014).

The Successful Merger Process

The M&A process can be separated into 11 distinct stages which include: formulating corporate strategy; developing acquisition strategy; conducting a broad scan of acquisition targets; undertaking a detailed review of acquisition targets; identification of potential targets and carrying out an initial due diligence (DD); examining the financing options and completing the DD; obtaining approval of and announcing the merger decision; undertaking post-merger planning; closing the deal; post-merger integration; and post-merger redesign (Reddy, 2014; Viscio, Harbison, Asin & Vitaro, 2002). Viscio et al. asserted that the odds of a successful merger can be increased by linking effective strategic formulation, pre-merger planning and post-merger integration. Against the background of this process, Pautler (2003) listed the key success factors in M&A arrangements as:

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- The main focus of the firm retained
- Mergers of different-sized firms more successful
- Early planning for the integration of the new physical and human assets
- Fast-paced integration and early pursuit of available cost savings
- Designating the merger integration leader and providing appropriate incentives
- Awareness of cultural differences and avoiding conflicts through tailored communication with employees, customers, and stakeholders
- The talent that resides in the acquired firm, especially technology and human capital, retained
- Customer and sales force attrition minimized**.**

In pursuing M&A actions, Clayton (2010) pointed to the unpredictable nature and high failure rate of M&A and emphasized: participative, reflective, and positive communication; higher level of commitment to change; more incisive DD as the main reason for failure.

The merger process inevitably includes preparation of a strategic plan where it is important to measure potential opportunities fit and rank them by "degree of desirability to a team of senior managers and trusted advisors" (Reed et al., 2007, p. 11). The strategic planning process was elaborated by Deresky (2008) as essentially comprising a SWOT analysis, but Reed et al. suggested that a systems approach was superior because all the elements were included, the key variables were isolated, and workable plans were developed as applications. The value of strategic planning in the merger/acquisition/buyout process was seen as a disciplining force on executives at the decision-making level, and as an aid to divestiture by throwing up candidates for "sell-off or shut-off" (Reed et al. p. 12). In the case of a multi-business company, strategy development covered corporate strategy; business strategy; functional-area strategy within each business; and operating strategies within each business (Thompson et al., 2007).

Financing Mergers and Acquisitions: Considerations of Debt and Equity

The modes of financing M&A include equity through the purchase of shares or stock in a firm, debt incurred via institutional loans subject to capital and interest repayments, and hybrids of the two. The traditional sources of funding involve: asset-based lenders; commercial and community banks; commercial finance companies; insurance companies; investment banks; merchant banks; investment companies; and private investment firms. In developing countries, banks are the main external source of business finance because the financial systems are underdeveloped and Van Auken (2001) suggested that bank finance remains a valid source of

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external funding for firms and can become more effective, if firms obtain a sound understanding of the various types of capital that can be accessed.

The type of financing appropriate to an M&A is specific to the firm's financial condition and variables such as the size of the company, therefore, small businesses are usually funded by personal and family savings, commercial banks, and credit cards. However, large companies tend to utilize instruments such as: syndicated loans; leveraged loans; high yield bonds; mezzanine financing; project finance; equipment financing; restructurings; and securitizations (Reed et al., 2007, pp. 146-147). In the case of small firms, McNally (1995) argued that the "combination of a small firm's know-how, inventive efficiency and flexibility and a larger firm's financial, production, marketing, and distribution resources can provide opportunities for synergies that can contribute to both firms' competitive advantage" (p. 15). Access to appropriate sources of finance is vital to M&A transactions because negotiations can break down if funding is not assured within reasonable time.

Apart from becoming familiar with the different types of financial institutions that can provide M&A funding, executives must gain an appreciation of the different types of financing instruments available which include: crossover funds; hedge funds; fund of funds; leasing; pledges; private equity; mezzanine finance; real estate trusts; small business investment companies; and venture capital funds (Reed et al, 2007, p. 146). The determination of the structure in debt financing of a M&A deal is a decision of allocating the income and assets of the acquired company to lenders in a way which: maximizes the amount loaned at the lowest interest rate; supports the cash flow position in the event that high-interest-rate mezzanine debt is required; provides for adequate working capital; permits separate leveraging of assets geared towards specialized lenders; allows prepayments without penalty if revenue is sufficient and nonpayment of subordinated debt if income is insufficient; and avoids or resolves conflicts between lenders (Reed et al., 2007, pp. 156-157).

The firm's debt financing structure is closely related to its overall capital structure, and the critical steps in determining the appropriate capital structure are: estimate the interest rate the firm will pay; estimate the cost of equity; estimate the weighted average cost of capital; estimate the free cash flows and their present value; and deduct the value of the debt to find shareholders' wealth (Ehrhardt and Brigham, 2009, pp. 494-495). Financing the capital structure of a firm in M&A transactions often involve multiple lenders with layers of debt arranged in the following levels of seniority: senior revolving debt secured by a first lien on current assets and fixed assets, liens on intangibles, and a pledge of stock; senior term debt secured by a first lien on fixed assets, a first or second lien on current assets, and liens on intangibles and company stock; senior subordinated debt or mezzanine debt unsecured or secured by junior liens in the

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relevant asset (junk bonds); sale leasebacks covering office equipment and real estate; and seller's subordinated note or warrant secured or unsecured (Reed et al., 2007).

In general senior debt is provided by banks and comprises part term-loan used to finance the purchase price, and part revolving-loan to provide working capital. Warrants are rights to acquire common stock at a specific price and future date and have the advantage of not making the seller a common stock holder during the immediate post acquisition period. Junk bonds are medium-term to long-term obligations of the targeted company which are subordinated to senior debt, unsecured, and bear high interest rates. Junk bonds are riskier than senior debt and receive a lower grade investment rating but are considered high-yield securities. Junk bonds provide mezzanine financing for acquisitions, fill the gap between senior secured debt and the seller's take-back financing or the buyer's equity financing.

The Due Diligence Process

In any M&A, the buyer undertakes a DD process to minimize risk by anticipating and protecting itself from future financial, operational, and legal problems. Thus the process involves an investigation into the relevant past, current, and future aspects of the business to be acquired. The literature stressed that the DD process should review specific aspects of the business such as: financial statements; management and operations; legal compliance; and relevant documents and transactions. The review of financial statements covers the balance sheet to confirm that the assets, liabilities and equity shown are accurate, and the income statement which establishes the financial health of the company. The management and operations review examines the quality of the personnel who are guiding the fortunes of the company and the efficiency with which the operations are conducted. The legal compliance review checks for potential future legal problems deriving from past actions and practices. The documents and transactions review examines the main reports, documents, contracts, agreements, and financial and other transactions which govern the operations of the company (Reed et al., pp. 381-382). The DD process also allows for the identification of any material liabilities or areas of exposure in the company that might impact its value (Anthony, 2009).

The literature is clear that no DD investigation can be fool proof by identifying all the potential acquisition risks, and the level of DD depends on the specific companies involved. However, DD is more complex with public than private companies, and particularly so with large, diversified, global companies as compared with small, single-product domestic firms. Moreover, the thoroughness of the DD process depends on the type of transaction in that stock purchases involve deeper DD than a traditional asset purchase. DD thoroughness is further affected by the status of the firm in the community including: years in business; whether audited

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by a leading accounting firm; extent of executive turnover; long-term customer retention and other related stability indicators. At a minimum, buyers must conduct enough DD to establish the solvency of the company being acquired because buyers have to rely on the information the seller is prepared to disclose in terms of representations and warranties (Reed et al., p. 388). In the context of conducting a thorough DD, it was noted that acquirers should heed certain warning signs or red flags which include: financial red flags such as resignation of auditors, change in accounting methods, sales of stock by insiders, and unusual ratios; operational red flags including very high or very low turnover and inadequate reporting of non-financial programs; liability/compliance which covers potential exposure to litigation; and transactional which are conflicts between tax and accounting goals (Reed et al., p. 392).

Sherman and Welch (2009) argued that detailed DD is a necessary prerequisite to a well planned acquisition and can reveal information on the target company and the cost and risks associated with the transaction. The science of DD is in the preparation of comprehensive and customized checklists of the specific questions to be presented to the seller, in maintaining a methodical system for organizing and analyzing the documents and data provided by the seller, and in quantitatively assessing the risks raised by those problems discovered in the process (Sherman and Welch, 2009). An actual DD checklist comprises: corporate documents; financial statements; technical reports on engineering, market studies, and products; key intangibles such as patents and licenses; key intangibles including mortgages, real estate titles and other assets; contracts particularly covering employees, leases, loans, shareholders, warranties, and pension and profit plans; insurance policies; management financial information; on-going and potential litigation matters; outside information such as market and product studies; lien searches; and creditor checks (Reed et al., 2007, pp. 418-428).

Post-Merger Integration and the Corporate Culture Challenge

Weiner and Hill (2008) emphasized that M&A constitutes a major strategy for improving innovation, profitability, market share, and stock prices. In this regard, Kaur (2014) indicated that studies of merger performance demonstrated that mergers have a positive impact on the post-merger performance of companies and a direct relationship exists between pre-merger announcements on returns, and post-merger operating performance (p. 915). It is widely accepted among practitioners of M&A that the integration process post-merger is fraught with difficulty because this is the stage at which the deal is most vulnerable and to which the main failures are attributed. Integration of two companies requires integrating: cultures; vision, policy, ethics, and mission statements; key resources, processes, and responsibilities; and special

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resources such as human and financial resources, brand identities, plant, equipment, inventories, and real estate.

Apart from issues of culture and resources, integration of the following operating aspects is critical: organizational and management structures; arrangements for sharing space, goals, standards, and services; processes for product or service design, production and supply; internal financial controls; and key responsibilities (Reed et al., 2007, pp. 660-689). In an example of the health care industry, the difficulty of post-merger integration was echoed and the following guidelines were suggested: plan for the immediate post- closing period; blending cultures is central to the success of the merger organization; high-level organizational and operations redesign are necessary; and operational integration must take place on multiple levels (Zuckerman, 2011, p. 40).

While most firms' efforts at integration are directed at attaining financial or strategic objectives, it should be noted that an acquisition based on a financial objective, such as increased income, rarely involves integration of the resources, operations, or technology of the acquired company. What is referred to as a financial culture is aimed at adding value through the imposition of superior top-down management strategies implemented over a short timeframe and, according to Hartzell (2010); strategic buyers are emerging as the strongest party in deals.

A distillation of the research on M&A demonstrated that the factors responsible for successful post-merger activity are: strategic motivation leading to network efficiencies and synergies; clear relation to core business; economic pricing; prudent cash- or debt-based financing; and efficient integration planning. The post-merger plan should include goals of the new company; the support framework for integration of resources, systems, and responsibilities; and an integration timetable. The latest research on organizational integration was produced by Deloitte (2015) which detailed the top seven integration success factors as: executive leadership support (16.3%); across the board management involvement (14.6%); project plan which optimizes all resources (13.8%); integration team fully dedicated (12.6%); employee communication transparent (10.2%); achievement of synergy targets; and cultural fit addressed (p. 19).

The concept of integrating different cultures after a merger continues to be a source of debate because culture can shape attitudes and mental processes, behavior and performance, functions and execution, enforcement norms, structures, symbols, and organizational stories and traditions. It is commonly believed that cultural clashes are the main cause of post-merger problems, but the evidence from the literature is that, while culture problems cause pain and reduced performance, they rarely cause financial failure. Hence, the main challenge in mergers

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is to affect a successful balance of the two cultures. Vazirani (2013) argued that "the key to post merger success is the ability to align culture, structure, processes and strategy to the operating environment" and HR is critical to this process (p. 82).

Post-merger integration research over the past 15 years has shown that many M&A did not yield the desired value as most surveys point to a success rate of around 30%. The evidence is that success is not based on a preoccupation with the financial, legal, technical, and procedural aspects alone, but a focus on the cultural aspects. Experience had shown that the integration agenda with respect to people and culture requires two distinct areas of focus: managing the initial emotional response, the state of mind of the acquired personnel by making them feel welcome, valued, and certain about their future; and aligning the mind-sets of the personnel in both organizations. The basic strategic options for successful cultural integration were identified as: leverage the benefits of the acquired organization's culture to build a new "best of both" cultures; impose the acquirer culture so that one culture dominates; and keep the two cultures separate (Jackson & Spence, 2004, p. 97).

Mergers and Acquisitions in Developing Countries

Case of Trinidad and Tobago in the Caribbean

M&A activity is viewed as relevant mainly to developed countries because there are many competing firms in a wide range of industries and a large volume of transactions in the financial system of such countries. As a result the vast majority of studies were of developed economies as confirmed by Achim (2015) who analyzed 206 articles on M&A for the five-year period 2010 to 2014 and found that studies of developing countries constituted a major gap. Further, the research focus was on cross-border issues to the detriment of domestic merger activity, the banking industry mainly, and assessments of the role of intermediaries such as accountants, auditors, and financial advisors (Achim, 2015, p. 130). In the case of India a leading emerging country, Bhatia (2012) noted that the country was a highly favored emerging market for inbound M&A deals supported by a liberalized foreign direct investment policy. The rapid growth of M&A activity in India was also studied by Hullur and Hyderabad (2014) who indicated that research on M&A activity was based mainly on merger trends, reasons for mergers, and sectoral trends, and their research found that M&A activity tended to be for restructuring purposes to streamline business activities and to ensure the maintenance of competitive advantage.

Formal research on M&A activity in TT has been restricted to a few special reports (Salina, 2010; Rambarran and Elbourne, 2006; Khan 2001; Farrell, n.d.) and little or no current literature exists, but information on activity is obtained from the media announcements of new merger deals. In the period 1980 to 2009, M&A deals amounted to 75 with 52 % representing

acquisitions by foreign companies of local firms involved in telecommunications, manufacturing, petrochemicals, and banking (Salina, 2010). A clear case was made for measures to stimulate financial market development in the Caribbean, especially increasing firm listings on the local stock exchanges, if M&A activity is to grow and benefits realized.

Rambarran and Elbourne (2006) studied the M&A situation among the Caribbean countries and found that the main concerns were: increase in market and monopoly power; lack of regulations regarding cross-border acquisitions and takeover bids; effects on shareholder returns; and aligning value with costs of acquisition. The authors agreed that M&A is a valuable strategy for establishing competitive advantage through growth but point to the difficulties of post-merger integration and achievement of anticipated synergies. Significant M&A activity is concentrated in the financial and banking sector in TT, and Khan (2001) looked at the cases of three merged local banks and as well as a local bank and a Canadian bank. It was concluded that the merger of the three local banks contributed positively to the stability of the financial system because a stronger entity was created but, on the negative side, state-control of the bank raised issue of probity and lack of transparency which persist to the current period. The merger of the larger local bank with a smaller Canadian bank was positive to the extent that a much larger entity was created which allowed the merged bank to expand successfully to other markets in the Caribbean.

Farrell (n.d.) focused on intercorporate linkages in the context of M&A and documented the relevant areas for policy agreement as: creation of large firms capable of competing on an international level; uneven development among the small states of the Caribbean; issues of joint-ventures, franchising, and contract manufacturing as contributors to small firm growth; promotion of regional investment to build on the regional capital market in bonds and portfolio investments; promotion of large scale regional enterprises and sourcing of regional capital; competition policy; and cross-border operations. In respect of competition policy, anti-competition legislation (Fair Trading Act 2006) was introduced in TT which prohibits all anti-competitive mergers, anti-competitive agreements, and monopolies, but up to 2013 the law was not fully in place (Hamel-Smith, 2013).

M&A activity is at a relatively low level in TT because of its small stock exchange with 37 listings (Table 1) and consequent low volume of trades which can be attributed to the dominance of family controlled businesses which opt for mergers as a last resort. As a consequence, the menu of financing instruments are limited so that M&A transactions and business financing, in general, are sourced from merchant banks, insurance companies, and investment banks which use the instruments of syndicated loans, equipment financing, and project finance. The venture capital industry was established in 1994 under special incentive

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legislation which has proven deficient so that the level of activity is low. Based on this experience and in recognition of the need for a relevant equity instrument, a case was made for a community venture fund model as more appropriate to the scale of potential investments (Allahar, 2014).

Table 1: Equity Security Listings - TT Stock Exchange

Sector	No. of Listed Companies
Banking	6
Conglomerates	3
Property	1
Manufacturing I/II	10
Trading	3
Non-Bank Finance	7
Non-Sector (Media & Investment Funds	7
All Sectors	**37**

Source: The Trinidad & Tobago Stock Exchange, 2015

The application of the concept of merging cultures was demonstrated in the acquisition in May 2011 of Air Jamaica by the TT owned Caribbean Airlines. The closure of the largest aviation merger in the Caribbean occurred mere days before the deadline, the initial commitment for which was made on 30 April 2010. Berkeley (2011) anticipates problems with the merger because the people issues did not get the attention deserved. He further argued that strong divisive social and cultural gaps exist between the country bases, TT and Jamaica, which will stand in the way of effective integration. Berkeley concluded that "believing that physical and mechanical integration of pilot pools or of maintenance functions is sufficient for mindset integration is to bury one's head in the sand" (p. 13). However, the continuing experience up to 2015, shows that the merged entity has survived, but as with many small airlines depends on state support.

Recent examples of M&A activity in TT included the acquisition of British Gas (BG) by Royal Dutch Shell which was significant in a low price environment and which the Wall Street Journal expects to fuel a new wave of deals in the energy sector (ECTT, 2014). Merger activity is not always welcomed by all stakeholders as evidenced by the Caribbean Telecommunications Union's objection to the Cable and Wireless US$ 3 billion acquisition of Columbus International which created the largest broadband provider in the Caribbean (Best, 2014). Also, the acquisition activity of TT firms in Barbados was criticized by a senior governmental official who claimed that the M&A thrust had not worked well for Barbados despite some success stories (Best, 2012). The examples cited indicate that skepticism of M&A lingers

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within the business environment of TT and the Caribbean which emphasizes the need for even more incisive integration planning than in more advanced jurisdictions.

Towards this end, developing countries such as TT can learn from the experiences of company executives who went through the process and established the top success factors in achieving integration as: faster process (14.6%); phased integration (13.8%); improved employee communication (13.6%); rigorous selection of integration team (11.1%); larger budget (10.9%); sound change management program; and superior customer communication strategy (Deloitte, 2015, p. 27).

Of particular importance to developing countries is the availability of foreign exchange (FE) which is the life blood of such countries, especially the small countries of the Caribbean. M&A transactions become particularly relevant when they involve cross-border transactions because an assured flow of FE can be an impediment to acquisition deals. Several developing countries still maintain a regime of FE controls under which corporations seeking to transact business with foreign companies are required to apply for the funds, usually U.S. dollars. FE laws can either restrict access to funds or partially limit the quantum of funds to be repatriated. A vital consideration in doing business in foreign countries is the risks involved which Deresky (2008) grouped under political and economic risks the latter including the foreign exchange risk. This latter risk is very relevant to M&A transactions because it can lead to economic and accounting risks.

In the face of these risks, companies in advanced countries have options of hedging risks through forward contracts, futures contracts, currency options, currency swaps, and shifting production and/or fulfillment to countries where currencies are weaker (Reed et al., 2007, pp. 922-923; Cavusgil et al., 2008, pp. 597-598). Most of these options are not available to firms in developing countries because of an underdeveloped financial market, and, as in the case of TT, FE is sourced directly from banks which has led to a mismatch between the demand for and supply of FE because most of the FE earned in the economy is derived from the hydrocarbon sector which is subject to the vagaries of the commodity market.

CONCLUSION

It is clear from the literature that embarking on an acquisition process without having a sound strategic plan in place is a recipe for failure. The M&A case history emphasized the need for a 'fit chart' to guide the analysis of the key elements of fitness including: top and middle management; staff skills; the client; physical resources; operations; vertical integration; technology fit; and overall synergy. The financing of M&A transactions can be complex which dictates that persons engaging in M&A deals need to appreciate the sources of financing and

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different instruments in order to determine the most appropriate type of financing for the particular acquisition.

A critical conclusion from the review of issues in this paper is the practice of DD which demands an increasingly creative and strategic approach, not just a mechanical methodology (Sherman & Welch, 2009). In this era of greater accountability and transparency, DD typically will be more expansive and probe more deeply than ever before. In relation to closing a deal, Sharp and English (2008) suggested that the DD process should not be left solely to the buyer because a seller also needs to ensure effective DD which puts the responsibility for a detailed DD process on the shoulders of both parties to the M&A deal.

This case study emphasizes the need for companies to be vigilant in managing their debt obligations and to move early to restructure such debt while there is room for negotiations with creditors so as not to be in a disadvantageous position. In pursuing international M&A activities, it is essential to understand the foreign exchange regimes under which the target companies operate because international business introduces a company to foreign exchange risks for which risk management strategies have to be devised.

The literature on post-merger integration in M&A's is clear that this is the most difficult area of the process and poor integration planning and execution is responsible for the vast majority of failed mergers. The lesson is that the merger team must pay specific attention to the integration stage and not view closing as the success indicator. In fact, Hartzell (2010) suggested that a successful M&A deal is dependent upon the following actions: conduct of a readiness assessment; constituting the right team to manage the M&A process; leveraging technology to facilitate thorough due diligence and accelerate time-to-market; and initiating early planning for the post-merger integration phase (p. 47). The overall conclusion is that companies that succeed in M&A deals utilize a detailed integration strategy and plan which is managed by a full-time integration team. This team ensures that due attention is paid to the formulation of a strategic plan which ensures strategic fit, and observing an integration planning process in which the dominant organization does not impose its organizational systems, processes, and culture.

In terms of lessons learnt, the results of the survey of 803 U.S. based executives on their post-merger integration experience is instructive for developing countries which specify the following actions: verify soundness of financial data; ensure the scope of synergy targets are achievable; establish the validity of the integration plan which must include HR factors; ensure the corporate structure provides for clear decision making; ensure the critical process are in harmony; and create a dynamic management team with internal skills and external expertise if required (Deloitte, 2015, p. 13). In developing countries, the entire M&A process requires

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deeper understanding of the details of the arrangements if the lesson of a faster process as the major success factor in the post-merger experience reported by Deloitte (2015) is the be absorbed. The example of the CAL/Air Jamaica merger which took one year, emphasized this point and highlighted the need for an experienced negotiating team for achieving a rapid closing of the M&A deal. The paper points to the need for future empirical study of the process of M&A in the Caribbean and assessments of performance of the merged firms.

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