Review of Literature

Under this study the researcher reviewed research papers for the purpose of providing an insight into the work related to merger and acquisitions. After going through the available relevant literature on mergers and acquisitions, it has come to be known that most of the work done highlighted the impact of mergers and acquisitions on different aspects of the companies. A firm can achieve growth both internally and externally. Internal growth can be achieved by expanding its operations or by establishing new units and external growth may be in the form of mergers and acquisitions.

Sinha Pankaj and Gupta Sushant (2011) studied a pre and post analysis of firms and concluded that it had positive effects on their profitability. After a period of few years of mergers and acquisitions, it came to the point that companies may have been able to leverage the synergies arising out of the mergers and acquisitions that have not been able to manage their liquidity. Study showed the comparison of pre and post analysis of the firm. It also indicated the positive effects on the basis of some financial parameters like earnings before interest and tax.

Goel K. A. and Joshi Vijay (2011) in their paper gave an overview on Indian Banking industry and highlight the changes that occurred in the banking sector post liberalization. The need for mergers and acquisitions in India has been examined under this study. It also gave the idea of changes that occurred after mergers and acquisitions in the banking sector in terms of financial, human resource and legal aspects. It also described the benefits which came out through mergers and acquisitions and examine that mergers and acquisitions is a strategic tool for expanding their horizon and companies like the ICICI Bank has used merger as their expansion strategy in rural market to improve customer space and market share.
Kuriakose Sony and Girishkumar G. S. (2010) in their paper assessed the strategic and financial similarities of merged banks and relevant financial variables of respective banks were considered to assess their relatedness.

Aharon David (2010) analysed the stock market, bubble effect on merger and acquisition followed by the reduction of pre-bubble and subsequent, the bursting of bubble seems to have led to further consciousness by the investors and provide evidence which suggest that during the euphoric bubble period investors take more risk. Merger of banks through consolidation is the significant course of change that took place in the Indian banking sector.

Anand Manoj and Singh Jagandeep (2008) studied the impact of merger of five banks in the Indian banking sector. These mergers were the Times bank merged with the HDFC Bank, the bank of Madhurai with the ICICI Bank, the ICICI Ltd. with the ICICI Bank, the Global Trust bank merged with the Oriental Bank of Commerce and the Bank of Punjab merged with the Centurian Bank.

Mantravadi Pramod and Reddy A. Vidyadhar (2007) evaluated that the impact of merger on the operating performance of acquiring firms in different industries by using pre and post financial ratio to examine the effect of merger on firms.

According to Ivancevich, Schweiger and Power (1987), the aspects of communication should be expected to focus on employees’ concern like lay-offs, changes in work rules, compensation and pension, etc.

Ivancevich, Schweiger and Power (1987), studied the merger stress process, stages of the merger process and the sources of stress created and choosing guidelines and interventions to encourage
more effective management of merger stress. They suggested some measures to effectively manage merger stress, like prevention, to reduce the actual stress-inducing merger events, secondly, re-appraisal of employee which refers to changing initial cognitive appraisal of a situation and at last effective stress management and professional help which studies those employees that are already stressed.

Cartwright and Cooper (1990) studied current wave of merger activity and assessed the contribution of psychology to understand mergers and acquisitions in addressing the essence of the activity. They found the positive relationship in combination of people and the fusion of organizational cultures.

Cartwright and Cooper (1993) reported on a recent study of a sample of 157 middle managers involved in the merger of 2 UK building societies. Post-merger measures of mental health suggested merger to be a stressful life event, even when there is a high degree of cultural compatibility between the partnering organizations.

Appelbaum, Gandell, Yortis, Proper and Jobin (2000) examined the multiple organizational factors which directly affect a merger as well as a merger process. They address the issue of communication and its importance throughout the merger and acquisition process. Further, they studied the issue of stress which is an outcome of mergers and acquisitions within uncertain environment and reported high-level of stress. Moreover, they evolved five major sections such as communications, corporate culture, change, stress, managing strategy. These were subdivided into three subsections – pre-merger, during the merger and post-merger.

Schuler and Jackson (2001) proposed a three-staged model of mergers and acquisitions that systematically identified several human resources issues and activities. Numerous examples were offered to illustrate the issues and activities in each of the three stages. The article concluded
with a description of the roll and importance of the HR Department and leader has its presence in Business Environment, in order to get competitive advantage.

Bryson (2003) reviewed the literature around managing HRM risk in a merger. He found that poor merger results are often attributed to HRM and organizational problems.

Paul (2003) studied the merger of Bank of Madhura with ICICI Bank. The researcher evaluated the valuation of the swap ratio, the announcement of the swap ratio, share price fluctuations of the bank before the merger decision announcement and the impact of the merger decision on the share crisis. It was concluded that synergies generated by the merger would increase financial capability, branch network, customer base and better technology. However, managing human resources and rural branches may be a challenge given the differing work cultures in the two organizations.

Salama, Holland and Vinten (2003) explored the challenges and opportunities in the integration process, studied the factors responsible for the success of cross-border acquisitions within related industries. They found in the case study that successful co-operation between the firms resulted from the learning process developed by the partners.

Zollo and Singh (2004) studied the knowledge-based view of corporate acquisitions and tested the post-acquisition consequences on performance of integration decisions and capability-building mechanism. They used a sample of 228 acquisitions in the US Banking industry and found that knowledge, codification strongly and positively influences acquisition performance, while experience accumulation does not.
George and Hegde (2004) reported a case for the delicate aspect of employees’ attitude, their satisfaction and motivation, which are positioned as pre-requisites for customer satisfaction, which is again necessary for the competitive sustenance of the organization.

Cartwright and Schoenverg assessed three primary streams of enquiry within the strategic and behavioural literature. They studied the issues of strategic-fit, organizational-fit and the acquisition process itself.

Sarawati (2007) studied the merger of Global Trust Bank and Oriental Bank of Commerce. It was found by the author that this merger paved the way to several things in the transition period and pre-merger strategy. It visualized the need for the diverse cultures to arrive at an understanding and to work hand in hand.

Murthy (2007) studied the case of 5 bank mergers in India viz. Punjab National Bank and New Bank of India, ICICI Bank and Bank of Madhura, ICICI Ltd. and ICICI Bank, Global Trust Bank and Oriental Bank of Commerce and Centurian Bank with Bank of Punjab. It was concluded by the author that consolidation is necessary due to stronger financial and operational structure, higher resources, huge customer base, technological advantage and penetration in rural market.

Ellis, Reus and Lamont (2009) explored the independent and interactive effects of procedural justice and informational justice on post-deal value creation in large related acquisitions. Their results showed that informational justice and procedural justice affect different components of value creation.

Cascio (2010) discussed the lessons from HR professionals from the merger of health insurer Bupa Australia with the Medical Benefits Fund Group, the second largest health insurer in
Australia. It was opined that Bupa Australia is the only Australian health insurer to have kept premium increases below the industry average for many years. Here, merger lessons for Banking industry is that transferrer’s bank employees must be given some stimuli to boost their morale and they should be prevented from various stressers.