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Dark Side of Globalization: Corporate Pitfall in Cross-National Mergers and Acquisitions

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### Abstract

*This study explores the challenges and complexities of cross-national mergers and acquisitions. The study made use of qualitative data that was gathered from employees of companies that have recently undergone M&A in the UAE and the UK in 2024. The findings have shown that the key motivations for M&A are diversification, market consolidation, and expansion. However, with these benefits, M&A brings the challenges of cultural misalignment, integration failures, loss of trust of stakeholders, and overvaluation of the targeted companies. Moreover, the study has also found that the negative effects are more prominent in the hospitality sector, where there are more chances of employee resistance, reduced customer loyalty, increased operational costs, and communication breakdowns. Finally, the study has recommended strategies like conducting thorough due diligence, increasing two-way communication, and fostering a strong organizational culture. To recapitulate, M&A does offer opportunities for growth and success but these come with risks and challenges.*

**Keywords:** Globalization, Cross-National mergers and acquisitions, United Kingdom, United Arab Emirates, Diversification, Integration Failures, Negative Effects of M&A

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### Title

## The Dark Side of Globalization: Corporate Pitfall in Cross-National Mergers and Acquisitions

### Abstract

*This study explores the challenges and complexities of cross-national mergers and acquisitions. The study made use of qualitative data that was gathered from employees of companies that have recently undergone M&A in the UAE and the UK in 2024. The findings have shown that the key motivations for M&A are diversification, market consolidation, and expansion. However, with these benefits, M&A brings the challenges of cultural misalignment, integration failures, loss of trust of stakeholders, and overvaluation of the targeted companies. Moreover, the study has also found that the negative effects are more prominent in the hospitality sector, where there are more chances of employee resistance, reduced customer loyalty, increased operational costs, and communication breakdowns. Finally, the study has recommended strategies like conducting thorough due diligence, increasing two-way communication, and fostering a strong organizational culture. To recapitulate, M&A does offer opportunities for growth and success but these come with risks and challenges.*

**Keywords:** [Globalization](#), [Cross-National Mergers and Acquisitions](#), [United Kingdom](#), [United Arab Emirates](#), [Diversification](#), [Integration Failures](#), [Negative Effects of M&A](#)

### Contents

- [Introduction](#)
- [Literature Review](#)
- [Methodology](#)
- [Results and Discussion:](#)
- [Gender](#)
- [Employees' Experience](#)
- [Level of Management](#)
- [Merger/Acquiring Firm](#)
- [Motives for M&A](#)
- [Challenges to M&A](#)
- [Potential Negative Impacts of M&A](#)
- [Avoiding the negative impacts of M&A](#)
- [Negative impacts of M&A in Hospitality Sector](#)
- [Job Nature](#)
- [Turnover Ratio](#)
- [Company's Management](#)
- [The Decision of M&A](#)
- [Employees' Satisfaction](#)
- [Conclusion](#)
- [References](#)

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### Introduction

Mergers and acquisitions (M&A) are the master approach for financial managers, who seek to increase their market positioning and corporate growth. The concept of mergers and acquisitions

started in the 19<sup>th</sup> century and its framework was proposed by Wiley in 1897. He has explained the approach that can be used for combining the two firms and making them a single entity. A mergers involve two firms that collaborate to form a single entity, while an acquisition involves one firm taking



over another. These two techniques have been used in the market to increase the market reach, gain competitive advantage, and synergies, and create a new segment altogether (Feldman, E. R., & Hernandez, E., [2021](#)).

Mergers bring the benefits of synergies, increased growth, and market capitalizations, however, they also bring the challenges of increase that are often overlooked by both firms. The majority of firms often go for mergers and acquisitions because they think that their combined value will exceed the value of their operations (Kode, G. V. M. et al., [2003](#)). Synergies not only bring the benefits of growth but also help in getting the benefits of diversification as well, especially in the case of cyclic businesses, where economic recessions decrease the cash flows of the companies (Andrade, G., & Stafford, E., [2002](#)). Moreover, acquiring firms get tax benefits when they merge with a firm that is already at a loss. However, the landscape of globalization is increasing and it is further complicating the process of M&A.

It is difficult for companies to retain their competitiveness in the globalized world. Consequently, they have to go for mergers and acquisitions with different challenges. Companies have to face the challenge of the communication gap that occurs due to the different corporate objectives and cultures of the firms (Schweiger, D. M., & Denisi, A. S., [2013](#)). It ultimately leads to employee turnover, conflicts, and dissatisfaction. The pandemic of COVID-19 has increased the critical examination of mergers and acquisitions as it has reduced the profitability of the companies (Kooli, C., & Lock Son, M., [2021](#)).

This study aims to explore the potential pitfalls that are associated with cross-national M&A. The focus of the study is on identifying the challenges and barriers that companies in the UAE and the UK have to face. The study has used the majority of the firms from the hospitality industry because cultural shifts that occur in mergers and acquisitions affect the employees' morale, satisfaction, and loyalty as well. By addressing all of these issues, the study also provides recommendations that can help mitigate these risks and upsurge the effectiveness of companies after M&A.

The study has the novelty in many ways. Firstly, literature is available that documents the benefits of M&A, however, limited studies have been done on its pitfalls. This study aims to fill this gap and intends to provide valuable insight to the managers and shareholders for making informed decisions after considering the pros and cons of mergers and acquisitions in a globalized world. Secondly, the

findings provide practical implications for the companies that are seeking mergers and acquisitions in UAE and UK in today's convoluted landscape. Thirdly, the existing literature has made use of a quantitative approach only. They have used the financial ratios to check the impact of M&A on the profitability of the firm. However, this study has made use of a qualitative approach to contribute to the literature on finance.

## Literature Review

A merger can be defined as the combination of two different businesses that merge to achieve some specific objectives (Yang, Y., [2024](#)). Literature is available on M&A both in developed and developing nations. For instance, scholars have found the positive impact of M&A on Japanese companies (Kruse, Park, and Suzuki, [2006](#)). Then, similar studies have been done in Greece and the impact of M&A has been checked for manufacturing companies and found positive results (Pazarskis et al., [2006](#)). Ramaswamy and Waegelein ([2003](#)) have checked the impact of M&A on production companies in Hong Kong. Similarly, Tang ([2015](#)) has done a study in the banking sector of the Philippines, and Dutescu and Stanila (2013) have done a study in the industrial sector of Romania. Gomez-Trujillo, & Gonzalez-Perez ([2023](#)) have checked the impact of M&A on the financial health of companies in the USA by taking the data from 1996-2017. The majority of the literature on M&A has made use of financial ratios that include the gross profit margin, returns on investment, returns on equity, Tobin Q, and growth rate in the market.

Healy, Palepu, and Ruback ([1992](#)) have studied both the negative and positive effects of M&A on corporate performance and found that it has the potential to affect all stakeholders (Katuu, 2016). Exploring the negative impacts of M&A is difficult and always problematic for the company's executives. Scholars have also found that the wealth of shareholders cannot be enhanced with abnormal earnings as happened in M&A (Cartwright & Cooper, [2013](#)). They believe that it normally upsurges right after the M&A (Long, [2014](#)), while Pan, A., Liu, W., & Wang, X. ([2019](#)) argue that performance does increase after that but it increased for the acquiring firm only. Then, Jallow, M. S., Masazing, M., & Basit, A. ([2017](#)) found that M&A is a way to give a push to startup firms that have to suffer the loss during the initial years of operations.

Osuma, G.O et al., ([2021](#)) have checked the performance of companies in the United Kingdom before and after the M&A by using the ratios of return on assets, equity, shareholder's earnings, and net

profit margin. Then, Zhang, W. et al. (2019) used the Partial least square regression to study the performance of Chinese companies. They have found that mergers have positively affected the performance of companies. Mishra (2019) investigated the impact of M&A on the financial performance of Indian companies at the start of the reforms of 1991. By using the panel data and GMM method, he has found that mergers and acquisitions don't always result in increased performance of companies because of the multidirectional relationship that exists among the firms. He has also found that market conditions of the company, international trade, and investments also can reduce the effectiveness of M&A.

Different theories explain the mergers and acquisitions. The most related to it is synergy which is a kind of reaction that occurs when two or more factors combine to increase their performance (André, Ben-Amar, & Saadi, 2012). One type of synergy is financial synergy which brings reduced capital cost, and then comes the operational synergy, which results in decreased cost of production and operations. On the other hand, the last one is a collusive strategy that relates to prices. Firms make use of all of these synergies to increase their performance (Abuh & Echukwu, 2020). Synergy theory can explain the reason for M&A by the firms. Alexandritis et al., (2012) have found that the majority of the companies join together to get the benefits of synergies. Researchers have found that companies go for mergers to get the benefit of financial synergies through which they can improve the financial condition of their companies. Secondly, mergers and acquisitions help to increase the operational performance of the companies by reducing their overall operations cost (Ashfaq et al., 2014).

Similarly, scholars have found the impact of activist investors on the enactment of M&A. They have found that activist investors bring more returns for the acquiring firm as compared to those without it. This confirms that activist shareholders align the interest of managers with the interest of their shareholders and it reduces the negative impacts of M&A. To recapitulate, M&A has its own merits and demerits (Swidler, Trinh, & Yost, 2019). This study aims to find the negative impact of mergers and acquisitions of firms located in the UAE and the United Kingdom.

## Methodology

The aim of the study is to look at the dark side of globalization through the lens of pitfalls of mergers and acquisitions for UK and UAE firms. To achieve this objective, the study has used the qualitative approach as it allows for an in-depth analysis. The sample size for this study is 20 firms only that have undergone M&A recently.

The study has used the questionnaire for data collection and it has been distributed electronically among UAE and UK firms. The implied consent has been obtained from all the participants and their anonymity and confidentiality have been maintained through this process. The first part of the questionnaire states the objective of the study. The first section of the questionnaire is about the general information about the participants. The second section addresses the question of why companies go for M&A and what challenges they face in the process. Then, they were asked about the potential negative impacts of M&A. Then, the negative impacts have been asked in the hospitality sector of the UK and UAE. Finally, the last section addresses the overall satisfaction level of employees, their turnover ratios, and the challenges that they face.

Moreover, the study has used the inductive method to find the negative impacts of M&A because Ketokivi and Mantere (2010) have argued that inductive reasoning is a better approach for qualitative analysis as it is a bottom-up approach. Literature has shown that the minimum sample size for doing the qualitative analysis is up to 12 (Guest, Bunce, & Johnson, 2005). This study has taken 21 participants from six different companies in the UAE and UK that have undergone mergers & acquisitions. Then, the study saw the differences and similarities in the responses of the respondents and found patterns in them. This technique has extensively been used for doing qualitative analysis in literature (Miles & Huberman, 1994; Rayan & Bernard., 2003).

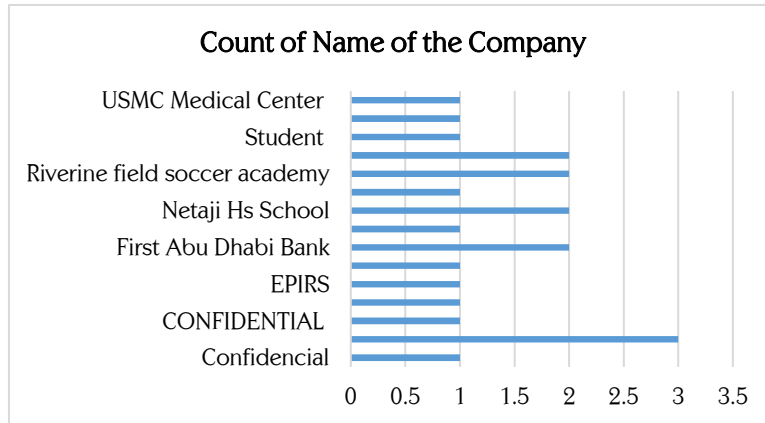
## Results and Discussion:

### Company Name

The study has collected data from employees of the UAE and the UK. Figure 1. Shows the result of the first question of the study that counts the names of the companies that have been used as samples for this study.

**Figure 1**

Count of company name



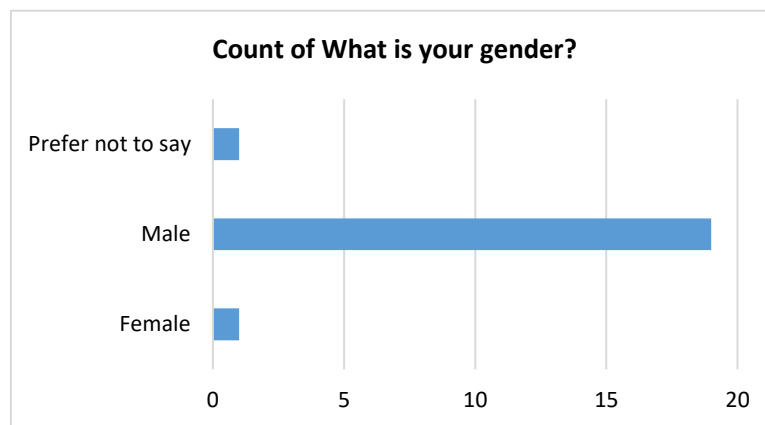
**Gender**

The next question is about the gender of employees. The findings show that the majority of the participants

(19) were males, while one participant was female, and one preferred not to say anything about it. Figure 2 shows the result of the count of the gender of the participants.

**Figure 2**

Count of Gender



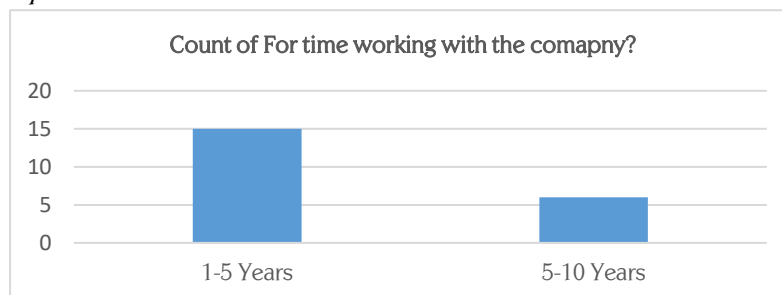
**Employees' Experience**

The third question is about the experience of employees. The findings have shown that around 71.5% of employees have been working with their companies for less than 5 years, while only a fraction of 28.6% of respondents have been working for more

than five years. Employees who have more than five years of experience are the true assets of the company and they can provide the accurate information about the company. The study has excluded the responses of those participants, whose experience is less than a year. Figure 3 shows the experience of employees.

**Figure 3**

Count of Employee's Experience



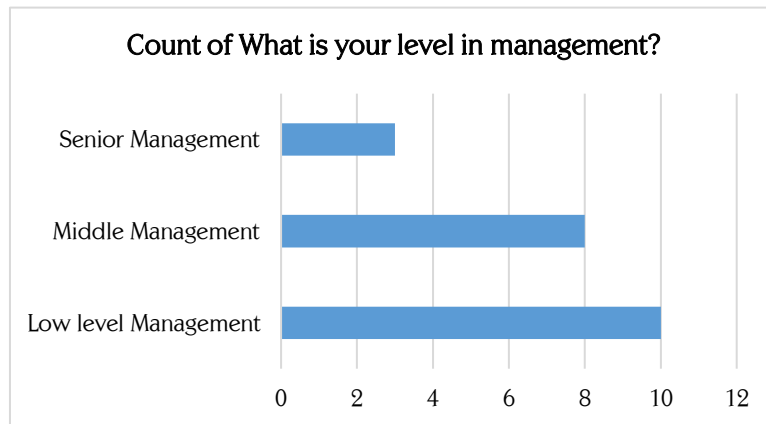
### Level of Management

The fourth question is about their level of management in their respective firms. The findings revealed that the majority of employees 48% are from the lower level of management, while 38% are the middle managers, and only 14% are among the top

management. These top managers are the key executives of the companies, who have more experience with these firms. Moreover, the study has excluded the responses of those respondents, who are from the non-managerial staff as these people have no role in decision-making. Figure 4 shows the results of the management level of companies.

**Figure 4**

*Count of Management Level*



### Corporate Action

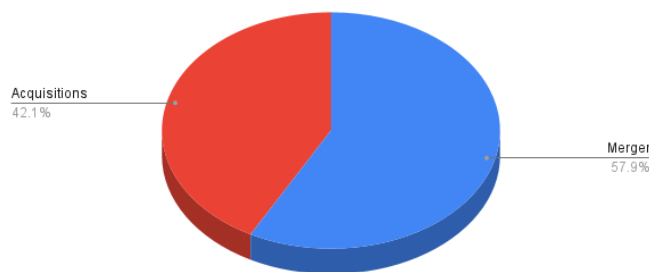
The fifth question is about the corporate action of the firms. The respondent have been asked about the corporate actions that have taken place with their previous companies. The study has excluded the responses of those respondents, who do not know

anything about the corporate actions of their firms. The findings have shown that the majority of firms (58%) have undergone mergers, while 42% of firms have acquired another firm to get the benefits of M&A. This shows that companies prefer mergers more as compared to acquisitions in the UAE and UK. Figure 5 shows the reposed of corporate actions of firms.

**Figure 5**

*Corporate Action*

What was the nature of the corporate action?



### Merger/Acquiring Firm

The sixth question is about which company they have worked for and the timings of their joining. Whether they joined it before or after M&A and with which firm they are working currently. The findings have shown

that the majority of the employees (78%) are working with their firm before M&A and they are working with the acquiring firms mostly. Secondly, only 17% of employees are working with acquired firms and 22% have joined the company recently. These employees cannot provide data about the corporate actions but



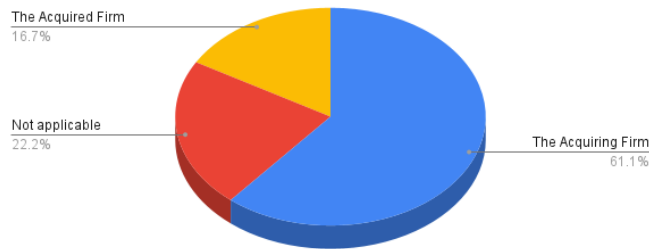
they can still explain the challenges and negative impact of M&A. Therefore, the study has included

their responses for analysis. Figure 6 shows the results of these questions graphically.

**Figure 6**

*Merging/acquiring firm*

If you have joined the company before the merger or acquisition, which company did you work for?



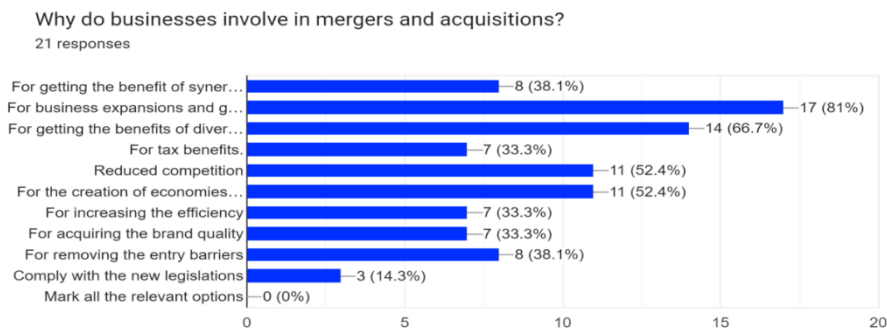
**Motives for M&A**

The next question addresses the possible motive for mergers and it is one of the major objectives of this study. The findings have shown that the majority of the M&A (81%) is for expansion of the growth of the companies in UAE and UK. Then, around 67% of

employees report that diversification is the second major reason for M&A. The reduction in competition and getting economies of scale are the third important motives of M&A and 52% of employees have report that. Lastly, synergies, tax benefits, and compilations with the legislation are the fourth, fifth, and sixth major motives of M&A in the UK and UAE.

**Figure 7**

*Motives of M&A*

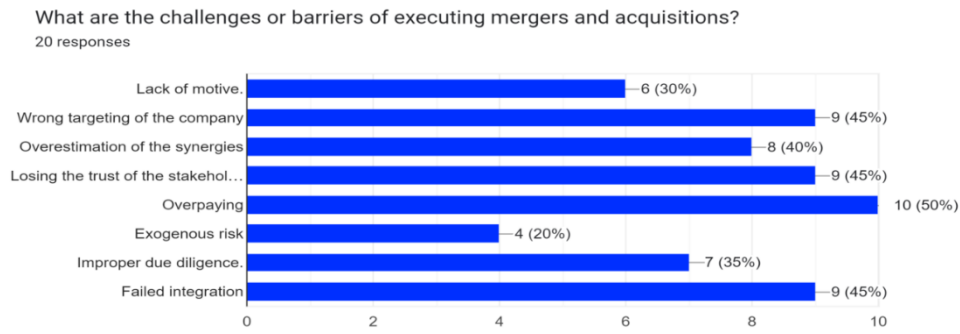


**Challenges to M&A**

The eighth question is about the challenges in the execution of M&A. The findings have shown that the majority of the employees (50%) report that one of the major challenge the company face is overpaying because companies have to pay a higher amount of money to acquire the firms and increase their share in

the market. The other challenges are wrong targeting, loss of trust among shareholders, and wrong integrations. Findings have also shown that overestimation of synergies, lack of motives, and exogenous risk are the other important challenges that firms have to face and 40%, 35%, and 20% of employees have reported that respectively. Figure 8 shows the responses of employees graphically.

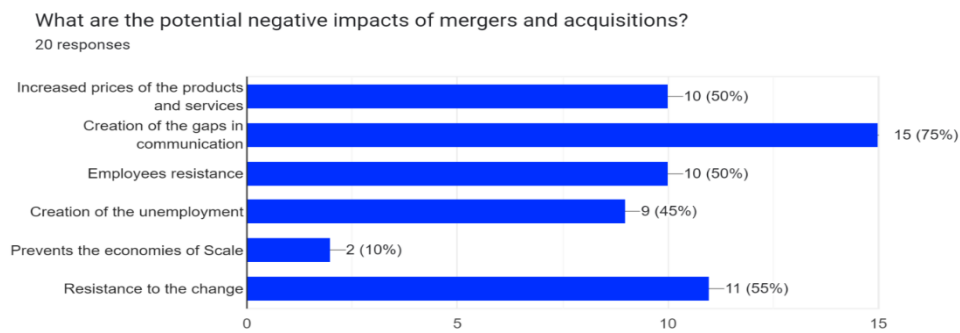
**Figure 8**  
*Challenges to M&A*



**Potential Negative Impacts of M&A**

The ninth question relates to the potential negative impact of M&A. As per findings, 75% of employees report that M&A results in a communication gap between employers and employees. Then, 55 & 50% of people have reported that employees show resistance to change and increased prices of goods are the other major negative impacts of it. Then, loss of economies of scales is also a negative impact of M&A, and 10% of employees have reported that. Figure 9 shows the responses of the employees graphically.

**Figure 9**  
*Potential Negative Impacts of M&A*

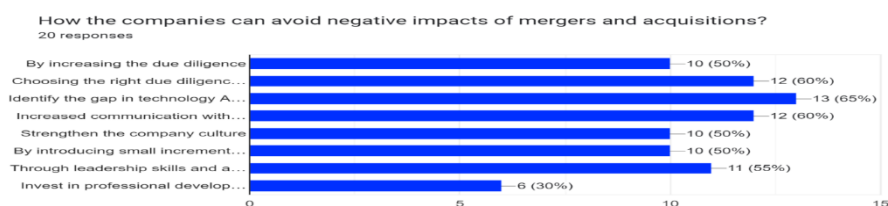


**Avoiding the negative impacts of M&A**

The tenth question addresses the strategies for overcoming the demerits of M&A and findings show that 65% of employees feel that the challenges can be addressed by finding the technological gaps. Then 60% of employees believe that due diligence and effective communication at the workplace can help in

addressing these issues. Moreover, 55 & 50% of employees are also of the view that the presence of leadership skills and strategies can overcome the challenges of M&A. On the contrary, only 30% of the employees are of the view that training and development of employees can help in overcoming its demerits and negative impacts.

**Figure 10**  
*How to avoid the negative impact of M&A*



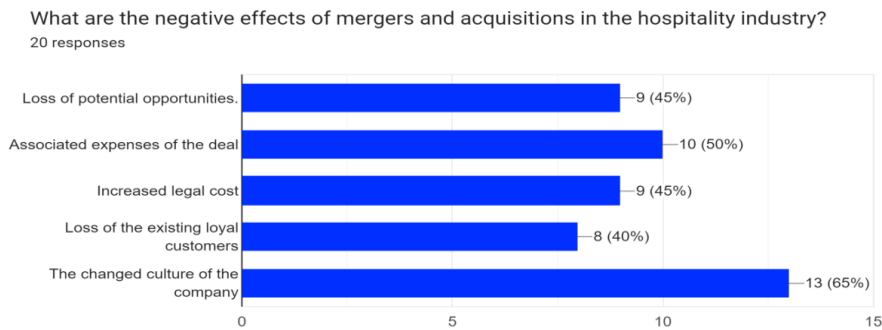
### Negative impacts of M&A in Hospitality Sector

This question addresses the negative impacts of M&A in hospitality sectors and findings reveal that the majority of employees 65% have reported that changed culture is the major negative impact of it because employees didn't feel comfortable in the

new workplace settings. Then, 50, 45, & 40% of employees are of the view that associated expenses of M&A deals, loss of potential opportunities and existing customers are the other negative impacts of M&A respectively for the firms operating in UAE and UK.

Figure 11

Negative impacts of M&A in Hospitality Sector



### Job Nature

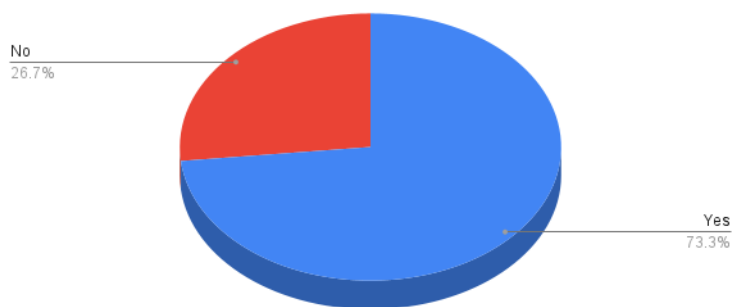
This question addresses the overall satisfaction level of employees after the mergers and acquisitions. The results report that the majority 73% of employees have

found their job more challenging after M&A, while 26% haven't faced any difficulty after that. This means the employee's satisfaction level decreased after the M&A due to the challenges that are associated with it.

Figure 12

Job Nature

Do you find your job more challenging now?



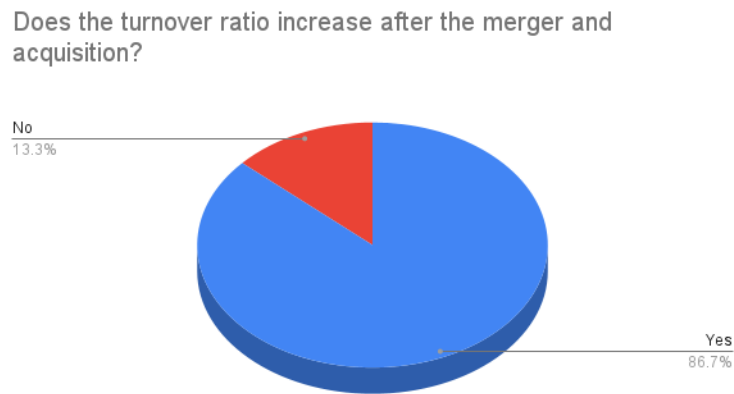
### Turnover Ratio

The thirteenth question is about employees' turnover and findings show that the majority of employees 87% have reported that it has increased after mergers and acquisitions. On the other hand, 13% of employees

report that this ratio has declined after it. Turnover ratio has increased after M&A because of the negative effects and challenges of culture misalignment that has to be bear by the management in managing their employees. Figure 11 shows the turnover ratio of employees after M&A.

**Figure 13**

*Turnover Ratio*



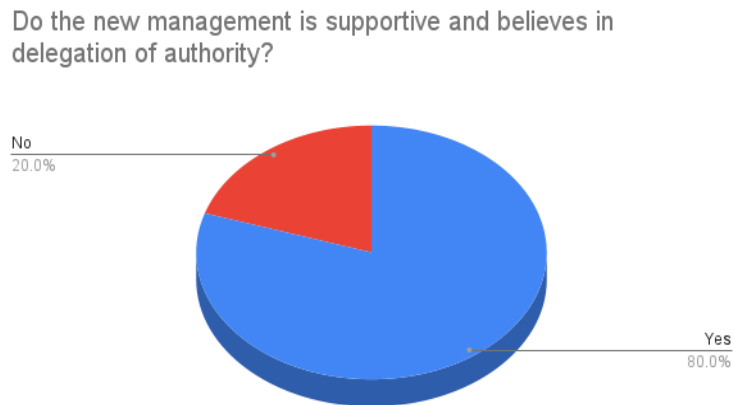
**Company’s Management**

The fourteenth question was about management's attitude and the delegation of authority inside the company. Employees have been asked whether the new management after M&A is supportive and believes in delegating authority. The findings report that the majority of employees (80%) that

management is supportive and delegates the authority to decide for the company. On the other hand, 20% of employees report that management has having centralized form of decision-making and does not believe in their employees by delegating authority. Figure 14 shows the attitude of the management towards its employees.

**Figure 14**

*Company’s Management*



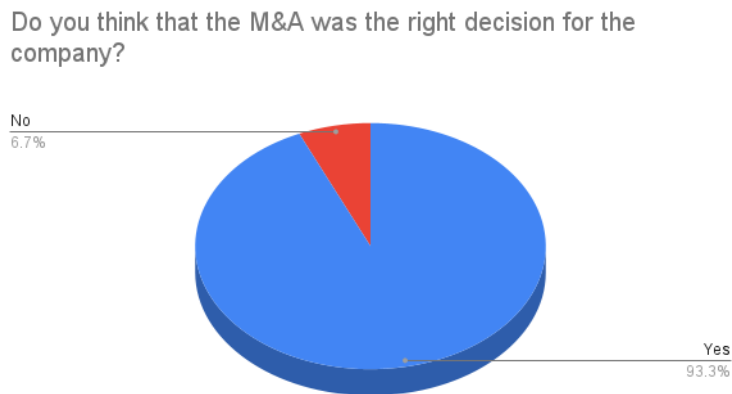
**The Decision of M&A**

The next question is about the perspective of employees regarding the company’s decision to M&A. The findings have shown that the majority of the employees 93% perceive that it was the right decision,

while 7% of employees believe it was not the right option and the company should look at the alternative options before opting for this one. Figure 15 shows the perspective of employees regarding the management's decision to M&A.

Figure 15

Decision of M&A



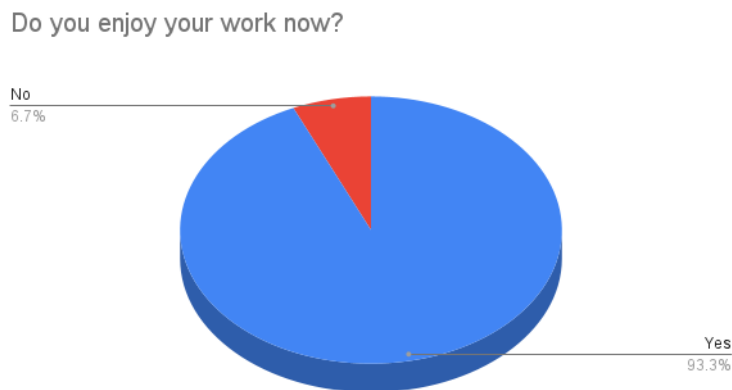
### Employees' Satisfaction

The last question is about the satisfaction of employees and findings show that the majority of the employees 93% are satisfied with their work, while

only 7% are not satisfied. These employees are not liking the environment of the company after mergers and acquisitions. Figure 16 shows the response of employees' satisfaction graphically.

Figure 16

Employees' Satisfaction



### Conclusion

To recapitulate, investigating the dark side of globalization through the lens of cross-national M&A has brought different challenges and difficulties experienced by the companies recently gone through this and resulted in their decreased performance. Mergers and acquisitions are smart strategies for diversification, increasing market control, and expansion but these benefits come with certain challenges. Companies have to bear the challenges of overvaluation, integration failures, and cultural misalignment.

The findings of this study have shown that the majority of companies go for mergers and acquisitions due to their desire for growth and increasing market share. These findings are consistent with the studies of (Candra, A., et al., 2021). The findings also show that diversification, synergies, and tax benefits are the second, third, and fourth major reasons for mergers and acquisitions for the firms. However, the associated pitfall is that these companies have to face resistance from their employees and communication breakdown and that has badly affected their financial performance. These findings are consistent with the studies of (Xing, Liu, Tarba, & Cooper, 2016). The second major challenge

is the wrong targeting that has been done by the company and it results in the loss of stakeholder's trust. Lastly, the M&A also results in a loss of economies of scale because employees' work doesn't get integrated properly due to the lack of communication and leadership. These findings are consistent with the studies of Feroz et al., [2005](#); Bergamin, S. & Braun, M., [2017](#)). The focus of this study was the hospitality sector and findings show that this sector has to face unique challenges during the process of mergers and acquisitions (Quek, [2011](#)). This is due to the cultural changes in the behavior of their loyal customer and that ultimately affect the operations of the companies in UAE and the UK (Li, Y. and Singal, M., [2021](#)).

Based on the findings of the study, it is recommended that companies should adopt proactive strategies through effective communication, diligence, and training, and introduce small incremental changes instead of large structural

changes. Aguilera and Dencker ([2004](#)) have found in their study that proper communication in the company helps it in achieving its target. Moreover, firms should invest in training and development because it would give direction to them. These findings are consistent with the studies of (Weber, Rachman-Moore, & Tarba, [2011](#); EmdadulHaque, M., [2021](#)). By using all these strategies, companies would be able to mitigate the negative impact of M&A and increase the likelihood of getting the benefits of synergies that were their main objectives.

The study underscores the need for shareholders and managers of the firm to approach the M&A with a balanced approach, which means they need to look at the merits and its associated risks as well. With the evolution of globalization, the understanding of these dynamics is important for all corporations that want to stay competitive in the dynamic workplace for the maximization of the wealth of their shareholders.

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