“Critical Factors behind Mergers and Acquisitions in the
EU healthcare logistic market”

A dissertation submitted in partial fulfilment of the requirements of Masters of Business Administration in Finance at Dublin Business School and Liverpool John Moore’s University.

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Declaration

I hereby certify that this dissertation contains original research work and is entirely based on my own work and effort. All material and results that are not original to this work have been fully cited and referenced in accordance with academic rules and ethical conduct.

I also declare that this work has not been submitted in part or in whole to any other institution for assessment or for award of any other degree.

Date: 18th August, 2014

Simona Madeddu
# Table of Contents

List of Abbreviations ........................................................................................................... VI  
List of Figures ...................................................................................................................... VII  
List of Tables ........................................................................................................................ VIII  
Acknowledgements ............................................................................................................ IX  
Abstract ............................................................................................................................... X  
Chapter 1. Introduction ....................................................................................................... 1  
  1.1 Merger and Acquisition ............................................................................................... 1  
  1.2 M&A and Healthcare industry .................................................................................... 3  
  1.3 Research questions and objectives ............................................................................ 4  
  1.4 Research scope and limitations .................................................................................. 6  
  1.5 Suitability of the researcher ....................................................................................... 7  
  1.6 Dissertation Approach ............................................................................................... 8  
  1.7 Thesis Outline ............................................................................................................ 8  
Chapter 2. Literature Review ............................................................................................. 10  
  2.1 Merger and Acquisition ............................................................................................. 10  
    2.1.1 Definition of M&A ............................................................................................... 10  
    2.1.2 Classification of M&As ..................................................................................... 12  
    2.1.3 Are M&As a successful strategy? ...................................................................... 13  
  2.2 M&A Motivations ........................................................................................................ 16  
  2.3 Supply chain management in the healthcare industry ............................................. 22  
  2.4 Freight and logistics M&A targeting healthcare industry supply chain issues .......... 25  
  2.5 Conclusion .................................................................................................................. 27  
Chapter 3. Methodology ................................................................................................... 29  
  3.1 Introduction ................................................................................................................ 29
5.1 Introduction ................................................................................................................74
5.2 RQ1. M&A and Growth Strategy .............................................................................75
5.3 RQ2. M&A value .......................................................................................................77
5.4 RQ3. The uniqueness of the healthcare industry .....................................................79
5.5 RQ4. A business opportunity ..................................................................................80
5.6 Further Research .......................................................................................................80

Chapter 6. Reflection on learning and skills development ...........................................83
6.1 Introduction ..............................................................................................................83
6.2 Theory of Learning..................................................................................................84
   6.2.1 The learning cycle .........................................................................................84
   6.2.2 Learning Styles ............................................................................................84
   6.2.3 Reflective Process ..........................................................................................87
6.3 Reflection on MBA program ....................................................................................87
   6.3.1 Challenges, Competences, and Skills ............................................................87
   6.3.2 Reflection on soft skills ................................................................................89
6.4 Future application ....................................................................................................91
6.5 Conclusion ................................................................................................................92

Bibliography ...................................................................................................................93

Appendices .......................................................................................................................103
   Appendix A. List of Questions. ..................................................................................103
   Appendix B. Email communication exchange with participants. .............................105
   Appendix C. Sources of secondary data used for triangulation .................................106
   Appendix D. Research Project Cost Evaluation .......................................................107
# List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>3PL</td>
<td>Third Party Logistics</td>
</tr>
<tr>
<td>CAQDAS</td>
<td>Computer Assisted Qualitative Data Analysis Software</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>DC</td>
<td>Distribution Centre</td>
</tr>
<tr>
<td>DBS</td>
<td>Dublin Business School</td>
</tr>
<tr>
<td>ELT</td>
<td>Experiential Learning Theory</td>
</tr>
<tr>
<td>EMEA</td>
<td>Europe, Middle East and Africa</td>
</tr>
<tr>
<td>EPS</td>
<td>Earnings Per Share</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>GDP</td>
<td>Good Distribution Practice</td>
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<tr>
<td>LSQ</td>
<td>Learning Style Questionnaire</td>
</tr>
<tr>
<td>MBA</td>
<td>Master of Business Administration</td>
</tr>
<tr>
<td>M&amp;A</td>
<td>Merger and Acquisition</td>
</tr>
<tr>
<td>MSc</td>
<td>Master of Science</td>
</tr>
<tr>
<td>NHS</td>
<td>National Health System</td>
</tr>
<tr>
<td>PMI</td>
<td>Post-Merger Integration</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>VP</td>
<td>Vice President</td>
</tr>
</tbody>
</table>
List of Figures

Figure 1.1. M&A Activity: Number & Value of Announced Transactions (IMAA, 2014) ....2

Figure 1.2. Analysis of M&As failure by consulting firms and research studies. .........................3

Figure 2.1. M&A success across different industries (Herd & McManus, 2012) ..................16

Figure 2.2. CFO's expectations on M&As (Deloitte, 2013). ..............................................17

Figure 2.3. The six M&A waves (Cools, et al., 2007). ..........................................................18

Figure 2.4. Supply Chain in the healthcare industry (Beeny, 2008). .................................24

Figure 2.5. M&A success factors (Herd & McManus, 2012) .............................................27

Figure 3.1. The Research Onion (Saunders, et al., 2009). .....................................................30

Figure 3.2. Secondary data sources (Saunders, et al., 2009) ...............................................36

Figure 3.3. Research design summary. ..................................................................................39

Figure 6.1. Learning cycle and learning styles (Kolb, 1984) (Honey & Mumford, 1992) ....85

Figure 6.2. Gibbs’ model of reflection..................................................................................87
List of Tables

Table 2.1. Historical M&A waves. ............................................................................................................. 18

Table 2.2. Theories of merger motives (Adapted from (Trautwein, 1990)). ................................. 20

Table 2.3. Motivation types and payoffs (Angwin, 2007). ................................................................. 21

Table 3.1. Interviews' details.................................................................................................................... 38

Table 4.1. M&As motivations (Gupta, 2012). ......................................................................................... 55
I would like to thank my supervisor Mr. Gary Bernie for the throughout the dissertation process.

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Abstract

In the current dynamic business scenario, all organisations face the challenge of strategic development. The pressure to increase profits pushes firms to find the best way to grow and remain competitive. Of the two main strategic paths, organic and inorganic, the latter has become increasingly popular. M&A, in particular, is a type of inorganic growth strategy that appeals to many executives because of its immediate benefits. However, the validity of M&A as a profitable strategy and its capability to create value are heavily debated in the academic community as research shows clearly that many M&A deals end up in catastrophe. The objective of this study is to identify what are the main drivers that lead managers to engage in risky M&A activity despite the hard evidence and whether M&A is able to create value or not. The study, through in-depth interviews to relevant executives, focuses on the analysis of a case-study concerning the logistic industry and the growing business relationship with the healthcare industry. The increasing complexity of the latter has created new needs and new business opportunities, fostering intense M&A activity. The study examines what opportunities and challenges, present and future, characterise this sector and how this interplay will grow further. As an exploratory study, this thesis aims to provide a contribution to build knowledge in a grey and highly debated area and shed some light on the M&A paradox, offering significant insights from inside the industry. The study shows that risks are assessed carefully before choosing the strategy and much depends on the circumstances. Interestingly, financial profit is not the main driver, and operational synergy assumes a leading role as main motivation. Further research is suggested into a business area that is only destined to grow and attract more interest as the technological and medical progress will advance.
Chapter 1. Introduction

1.1 Merger and Acquisition

The modern fast-evolving business environment, driven by rapid technological development and incipient market globalization, forces companies to face new challenges and respond quickly to change. The necessity to be competitive and increase presence on international markets pushes them to constantly look for new profitable ways to grow. Two main path of growth can be identified in business management according to the strategy pursued: organic (or internal), or inorganic (or external). While the former approach is usually resource and time consuming, the latter represents a faster form of expansion and provides significant edge over the competitors. In a fast-paced environment, organic growth is often inadequate to develop the required skills and competencies quickly enough. Consequently, the recourse to inorganic external growth, with merger and acquisition (M&A) being a primary example, has increased significantly (Schmid, et al., 2012). Over the last decades M&A activity has
become quite popular among companies desiring to expand and generate more revenue (Grave, et al., 2012), (IMAA, 2014).

![Announced Mergers & Acquisitions: Worldwide, 1985-2013](image)

**Figure 1.1.** M&A Activity: Number & Value of Announced Transactions (IMAA, 2014).

Although the growing recourse to M&A may seem to validate its choice as a profitable strategy, academic research has clearly highlighted the paradox that lies behind it, showing that from 50% to 75% of M&As actually destroy rather than enhance the value for the acquirer's shareholders, with studies reporting that as much as 70% to 90% of M&As actually fail (Fig.1.2) (Christensen, et al., 2011) (Singh, 2007). On the other hand, it is also reported that many top performing companies show all the same an acquisitive attitude (Langford & Brown, 2004). In this context, and since most M&As seem to end in disappointment, the present research intends to provide an accurate evaluation of the factors that still lead companies and corporation to pursue this risky strategy and prefer it over other safer methods, despite the overall general experience.
1.2 M&A and Healthcare industry

This work focuses on examining a specific case study regarding the ABC Ltd acquisition of logistic companies specialised in distribution of healthcare products, and analysing the strategy that leads the company to increase its presence in new emerging markets.

M&As have been implemented as a major growth strategy for over a century, usually following a wave pattern essentially bound to two primary factors: the presence of new sources of finance and a significant discontinuity in the business environment, mainly due to emerging technological innovations, growing markets, or changes in legislation (Langford & Brown, 2004) (Faulkner, et al., 2012). The increasing complexity of the healthcare industry, from drug delivery to medical devices, is introducing advanced technological innovations that are generating sophisticated supply chain needs. Consequently, logistic companies have to develop new state-of-the-art solutions to meet new demands. This sector is destined to grow considerably, and increasing interest will be devoted to it. As a result, understanding the key

Figure 1.2. Analysis of M&As failure by consulting firms and research studies (Straub, 2007).
factors behind the strategy will help develop a consistent knowledge in a subject of rising importance, contributing to fill a void that is currently present in literature. In this respect, the topic of the current research work has an actual and timely value, as it fills a knowledge gap regarding the interplay between the logistic and the healthcare industries, an interaction expected to grow significantly as the technological innovations progress further.

1.3 Research questions and objectives

The current research dissertation intends to shed some light on the controversial choice of M&A as a growth strategy, with particular focus on the interaction between logistic and healthcare industry. In order to clarify further the scope of the thesis, here are a set of research questions and objectives that the author aims to address in this work.

– *What are the key drivers leading F&L companies to choose M&A as a method of strategic growth?*

M&A represents a risky strategy and many transactions end up in being a failure. However, it can also be profitable. Several key drivers can be identified, including:

- **Financial key drivers:**
  - availability of cash ready to be invested;
  - increase of return of investment to shareholders;
  - cost efficiency;

- **Regulatory key drivers:**
  - Deregulations in emerging markets facilitating M&A deal completion;

- **Environment drivers:**
  - Opportunities to consolidate the fragmented M&A markets;
  - Enter new market areas or new product;
  - Market competitiveness;
Chapter 1. Introduction

- Strategic drivers:
  - filling gap of competencies and portfolio technologies;
  - acquiring level of expertise and efficiency not reachable via internal development;
  - pick winners early before competitors;

- Ambition drivers:
  - ambition of company and/or management to grow bigger.

The question aims therefore to:

a. Highlight the preferred drivers.
b. Investigate the reasons behind this choice.
c. Determine what variables are considered when selecting this strategy.
d. Understand what determines M&A success or failure. Are the common failure reasons taken into consideration?

- Do M&As always add shareholder value?

M&As are also driven by the attempt to increase short-term shareholder value. The question therefore aims to:

a. Understand if M&As always increase shareholder value.
b. Determine what long-term prospectus of the organization can benefit from M&A activity.

- Why is healthcare industry unique?

Due to the increasing complexity of the healthcare industry, new issues are constantly arising concerning the management of products and services. However, new issues generate new opportunities for companies willing to risk and able to excel in challenging sectors. The question aims to:

a. Highlight the constant technological development and the continuous evolvement of the regulatory conditions in healthcare industry.
b. Determine what solutions can be developed in order to help the industry thrive.
Chapter 1. Introduction

– How does it represent a great business opportunity for the logistic industry in Europe?

The logistic industry is finding new sources of revenues by interacting with the healthcare industry. This question aims to

a. Determine what opportunities exist.
b. Understand what possible scenarios can be foreseen.

1.4 Research scope and limitations

The present study aims to understand and identify what criteria and key factors lead corporations to pursue M&A as a strategy of growth as opposed to organic growth, focusing on the interplay between logistic and healthcare industry in the European market through the analysis of a model case-study.

The outcome of this study will provide relevant knowledge that can be of use to different type of recipients. First of all, it can be applied as reference by ABC company itself, or by other companies as a guidance, to evaluate further future acquisitions. Thus, the results will be of interest to decision-making executives as well as M&A consultants, employees, and students interested in the topic.

The study presents also a few limitations. First, the number of participants limits the amount of information. M&As are conducted at high level and only high-profile managers are knowledgeable enough and able to provide relevant information. However, it is not easy to find the right executives or arrange meetings and questions sessions because of their limited time availability.

Secondly, the value of the data depends strongly on the willingness of the respondent to share knowledge, provide clear answers, and deeply address the topic in its wholeness.
Thirdly, the qualitative approach and the chosen data collection tool, i.e. interviews, have inherent limitation that can pose some difficulties. For instance, they tend to require considerable time both during the interview process itself and at a later stage, when preparing the data for analysis. Phone or Skype interviews need to be transcribed in a written form before being analysed. Email interviews, on the other hand, skip this step but they could present some unclear passages that require clarification, meaning that the interviewee has to be contacted again to further explain the issue, adding more time to the process.

### 1.5 Suitability of the researcher

The author has been working within the freight and logistics (F&L) industry for a few years, covering different roles and responsibilities. She has therefore a considerable knowledge of the industry dynamics, company culture and organisation from within, which makes her able to tailor the research more appropriately and approach comfortably knowledgeable participants. The author has been attending an MBA in Finance with the aim to build deep expertise of the subject and make use of this for her professional growth. She has a solid knowledge of the M&A topic as a result of classes and courses attended during the MBA. To this, she adds a considerable personal and professional interest that makes her suitable to perform efficiently the proposed research project. Besides, this experience will provide her with valuable knowledge and additional expertise, facilitating her professional development towards the long-term career goal of becoming a financial manager.
1.6 Dissertation Approach

In order to acquire meaningful knowledge on the subject, the researcher has initially collected and examined a consistent amount of information on M&A strategy, including M&A theory and examples witnessing M&A success or failure. This process involved accessing a wide range of secondary sources of data, comprising specialized journal articles, books, library material, as well as videos and material available online. Successively, the focus turned to the healthcare industry, the increase of complexity, and the need of innovative solutions concerning the partnership with the logistic industry. The analysis of secondary data and literature review enabled the author to identify gaps and current issues, leading to develop the research topic, questions, and objectives. The collection of primary data to address the research questions was carried out by means of interviews with managers able to provide relevant information. The primary data was then transcribed, categorised, and analysed according to the most suitable techniques for analysis of qualitative data. The findings were finally thoroughly examined and interpreted to draw appropriate considerations and conclusions.

1.7 Thesis Outline

Chapter 1 – Introduction

provides an overall introduction of the thesis subject and of the problem background problem, including additional sections for research questions, objectives, etc.

Chapter 2 – Literature Review

provides a critical review of the current literature discussing current knowledge and gaps. The chapter is divided in three sections focusing on:
Chapter 1. Introduction

1. M&A.
2. Supply Chain management in the healthcare industry.
3. Freight and logistics M&As targeting healthcare industry supply chain issues.

Chapter 3 – Methodology

describes the research methodology and the rationale followed by the researcher to design the research process and address the research questions.

Chapter 4 – Data finding, analysis, and discussion

reports the primary and secondary data findings, along with a thorough analysis and discussion of the results in the light of the current academic knowledge.

Chapter 5 – Conclusions

provides the conclusions drawn by the researcher and the outlining implications of the research, including future possible work.

Chapter 6 – Reflection on learning and skills development

discusses the skills acquired during the MBA programme, providing a self-reflection about the overall experience and the impact on future career.
Chapter 2. Literature Review

2.1 Merger and Acquisition

2.1.1 Definition of M&A

In the current competitive business environment, companies need to constantly pursue growth in order to achieve their financial targets and be profitable. It is possible to identify two main methods of growth generally adopted: organic and inorganic. The organic growth, also known as internal, refers to a type of strategy where companies make use of their own internal resources to increase revenues: for instance, developing new products in existing markets or investing to develop higher expertise in relation to new products. Organic growth is often quite expensive in terms of resources and time. It can take years to develop specific skills, organize an extensive network, or gather expertise in unknown markets, and the choice of building internal expertise can therefore be inefficient and competitively detrimental. Conversely, inorganic growth, also known as external, can be faster and provide more
Chapter 2. Literature Review

effectiveness in terms of gathering the necessary expertise. M&As are an established and widely adopted type of inorganic growth and have represented a crucial strategic tool of corporate restructuring since the late 19th century, providing access to new markets and creating substantial shareholder value. Although the two terms, merger and acquisition, are often used interchangeably and the distinction between the two has become significantly blurred, M&As imply different strategies and are therefore two different concepts. According to DePamphilis:

"An acquisition occurs, when one company takes a controlling ownership interest in another firm, a legal subsidiary of another firm, or selected assets of another firm such as a manufacturing facility. An acquisition may involve the purchase of another firm’s assets or stock, with the acquired firm continuing to exist as a legally owned subsidiary of the acquirer." (DePamphilis, 2014).

whereas:

"A merger is a combination of two or more firms in which all but one legally cease to exist, and the combined organisation continues under the original name of the surviving firm." (DePamphilis, 2014).

Gaughan adds a further distinction between “merger” and “consolidation”, clarifying that:

“ A merger is a combination of two corporations in which only one corporation survives and the merged corporation go out of existence. [...] A merger differs from a consolidation which is a business combination whereby two or more companies join to form an entirely new company. [...] One way to look at the differences between a merger and a consolidation is that with a merger, A + B = A, where company B is merged into company A. In a consolidation, A + B = C, where C is an entirely new company.” (Gaughan, 2011).

Sherman underlines the following distinction:
“A merger typically refers to two companies joining together as peers to become one. An acquisition has typically one company, the buyer, that purchases the assets or shares of another, the seller [...].” (Sherman, 2011).

Sometimes, more circumstantial definitions are embraced, mostly to elucidate the legal differences existing between juridical entities emanating from the M&A transaction. However, the distinction between the two terms has become very blurred in the common use, and a definite difference between the two can only be identified on a case by case basis, depending on the level at which the transaction is examined, i.e., legal, financial, organisational etc. Although the impact of the deal can be significantly different depending on the type of transaction, i.e., merger or acquisition, on a broader level the distinction can be considered not as important, since the final result is always the integration of two, or more, formerly independent companies under a single ownership and the same management. For this reason, merger and acquisition are often used as synonyms indicating the combination of previously independent businesses. Depending on the perspective on M&As, other criteria for classification are advanced in literature. These perspectives are discussed in the next chapter in relation to M&A performance and theory. For sake of clarity, in this dissertation the term M&A is not assigned to a specific type of deal but more generally will refer to a situation where one or both companies face a change of ownership or a managerial restructuring.

2.1.2 Classification of M&As

M&As are usually categorised as horizontal, vertical, and conglomerate (or diagonal) (Moeller & Brady, 2007). A horizontal M&A results from the combination of two direct competitors of the same value, often operating in the same business sector, e.g., the merger of Exxon and Mobil in 1998, Daimler-Benz and Chrysler in 1998, or Pfizer and Wyeth in 2009. This type of activities are strictly regulated as the increased market power of the new entity
can create an anticompetitive environment. Conversely, vertical M&As involve the combination of companies in a buyer-seller relationship—such as car manufacturing companies buying tyre suppliers—to optimize supply and add value. A notorious example of vertical merger is that that took place in 2000 between AOL and Time Warner. The latter was in fact a supplier of content to consumers while AOL distributed the same content via internet. The last type of M&A, the conglomerate M&A, occurs when two companies are neither competitors nor in a buyer-seller relationship, and often belong to different industries. Through a conglomerate M&A, they try to follow a diversification strategy and expand the product range (Gaughan, 2011). Philip Morris buying General Foods in 1985 and Kraft in 1988, Procter & Gamble merging with Gillette in 2005, and Facebook acquiring WhatsApp in 2014 are all examples of conglomerate merger. As they promote a dangerous concentration of economic power and undermine the business competition, they are often not seen very favourably (Felton, 1971).

M&A deals can also be classified as “friendly takeovers”, if the management of both companies agree to the transaction, or else as a “hostile takeover”, when the target firm is not seeking a merger or the management contests the process. Peculiarly, the latter type of approach is becoming a popular strategy to take advantage of companies in times of crises (Sakoui & Gelles, 2012). In addition, M&A deals can also be distinguished as complementary or supplementary: complementary M&As help compensate for some weaknesses of the acquiring firm while supplementary deals reinforce an existing strength of the acquiring firm (Moeller & Brady, 2007).

2.1.3 Are M&As a successful strategy?

M&As do not always end up in creating value but actually often in destroying it, leading to catastrophic results (Economist, 2013). Economists’ opinions are very discordant in relation
to the real benefits that M&As bring to economy. M&As can, in fact, bring advantages to shareholders of both companies but, concurrently, damage the market by creating a deleterious monopoly. Similarly, increased effectiveness can lead to deliver cheaper products but also to shut down certain plants causing unplanned layoffs.

From a strategic point of view, it is well known that external growth strategies and M&As are extremely risky processes (Sher, 2012). Academic research shows that half to three quarters of M&A deals fail, destroying value for the acquirers' shareholders more than increasing their financial return (Sudarsanam, 2003) (Langford & Brown, 2004).

Certainly, there are successful examples of well-managed M&As but, given the high risk and widely established negative experience, it is still unclear why M&As are often chosen as a strategic method of growth (Steger & Kummer, 2008) (Deloitte, 2013). The reasons of failure have been extensively investigated in literature and can range from pre-deal misjudges, e.g. choosing the wrong company, to post-merger organisational mistakes, e.g., failing to integrate key organisational assets (resources, policies, processes etc.) (Uhlaner & West, 2008) (Christensen, et al., 2011). Several studies identify variables as strategy, culture, management style, technology, etc., as critical for the success of the transaction (Kandžija, et al., 2014). Ultimately, academic research shows rather inconclusive results on the real effects of M&As and their impact on acquiring and acquired firms. The extensive amount of work done on this subject reveals plainly major inconsistencies across the board, highlighting how the success of M&As is strictly related to planning and modality of execution, as well as external conditions, e.g., economy, financial situation, industry, size etc. Some studies report positive post-merger financial performance (Ramaswamy & Waegelein, 2003), while some others only show negligible positive impact (Choi & Harmatuck, 2006) or, even worse, negative outcome (King, et al., 2004). M&As can be advantageous and their impact can be observed from different perspectives, since every transaction affects a wide range of
Chapter 2. Literature Review

stakeholders: managers, suppliers, customers etc. Transactions can have a positive impact on some stakeholders and negative on others. Similarly, they can concurrently have a positive impact on some aspects but negative on others. For instance, an international comparison made by Gugler et al. reported that, on average, mergers show significant profit increases, but also tend to reduce the sales of the merging firms. Equally, the same pattern is observed across countries and across industries (Gugler, et al., 2003). Furthermore, there is lack of agreement on whether the type of industry is a critical factor in the outcome of an M&A transaction (Fig. 2.2). Some studies show that the banking sector has experienced a negative decline after M&As (Kling, 2006), and so has the railroad industry (Sun & Tang, 2000). On the other hand, construction industry seems to have been positively affected, registering an improvement in overall performance (Choi & Harmatuck, 2006). Research shows contrasting post-merger performance also in relation to cross-border transactions—cause of poor performance for some studies (André, et al., 2004)—versus domestic transactions, with some other research work finding no significant difference (Gugler, et al., 2003). Further considerations have been done about the impact of the firm size on the success of the M&A process without reaching a definitive conclusion. Kusewitt reports that the relative size is statistically relevant, proposing that excessively small and large acquisitions should be avoided (Kusewitt, 1985). However, Ramaswami and Wagelein found negative association between post-merger performance and relative target size, with acquisitions of smaller firms producing better performance than acquisitions of larger firms (Ramaswamy & Waegelein, 2003). Also according to Mantravadi and Reddy:

“The analysis of pre- and post-merger operating performance ratios for the acquiring firms in the sample seems to indicate that relative size does make some difference to the post-merger operating performance of acquiring firm.”

(Mantravadi & Reddy, 2007).
External factors, such as macroeconomic conditions, can have an impact on post-merger performance: Tse and Soufani reported a direct connection between the wealth effects of the transactions and the prevailing macroeconomic conditions (Tse & Soufani, 2001). Conversely, Choi and Russell reported no significant relationship between acquisition timing and performance (Choi & Russell, 2004).

### 2.2 M&A Motivations

Companies can engage in M&A activities for a whole lot of different reasons. Efficiency gains are a common incentive as companies aim to create profit from the synergetic effects of the transaction (Ross, et al., 2012). M&As can also be strategically motivated by the attempt to reduce competition (Gregoriou & Renneboog, 2007), or driven by the desire to expand quickly to new markets or geographical areas. Alternatively, companies may want to diversify their portfolio and move into different lines of business (Trautwein, 1990).
Historically, M&As tend to occur in waves with periods of high intense activity followed by times when the number of transactions declines significantly. Waves are stimulated by external events and differentiate from each other as they show creative new ways to consolidate companies (DePamphilis, 2014). Six discrete wave periods have been identified and are shown in Table 1.

According to Langford and Brown, M&As:

"tend to peak in waves when two catalysts are present: a major discontinuity in the business environment (caused, for example, by new technologies, new or rapidly
growing markets or regulatory change) and the emergence of a new source of finance." (Langford & Brown, 2004).

Table 2.1. Historical M&A waves.

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Key drivers</th>
<th>M&amp;A type</th>
<th>Key Transactions</th>
<th>Reason for end of the wave</th>
</tr>
</thead>
<tbody>
<tr>
<td>1897-1904</td>
<td>Drive for efficiency, Technological change</td>
<td>Horizontal</td>
<td>US Steel General Electrics</td>
<td>1904 Stock market crash</td>
</tr>
<tr>
<td>1919-1929</td>
<td>Post WWI boom</td>
<td>Vertical</td>
<td>Oligopolies Auto industry (Ford, Fiat)</td>
<td>1929 Stock market crash Great Depression</td>
</tr>
<tr>
<td>1955-1969</td>
<td>Rising stock market Sustained economic boom</td>
<td>Diversified conglomerate mergers</td>
<td>ITT, LTV, Teledyne, Textron, Litton Industries</td>
<td>Escalating purchase prices Excessive leverage</td>
</tr>
<tr>
<td>1993-2000</td>
<td>Internet revolution Globalisation</td>
<td>Cross border Mega merger</td>
<td>AOL – Time Warner Exxon – Mobil</td>
<td>Internet bubble burst Recession</td>
</tr>
</tbody>
</table>

Figure 2.3. The six M&A waves (Cools, et al., 2007).
However, external inputs are not sufficient to trigger M&As and the availability of internal financial sources is crucial to complete the process. Behind the choice of embarking in M&A transactions, there is not only the ambition to grow, but also the desire, or the need, to do it quickly. In fact, M&As enable companies to obtain solid capabilities in a short amount of time: accelerating market entry can result in outrunning direct competitors and therefore establishing a crucial leadership. Sometimes, M&A is a necessity more than a choice, as the barriers for internal growth are too high to overcome (e.g., legal impediments or lack of capital). Indeed, the reasons that motivate companies to embrace an M&A transaction can be many, albeit they all have a common target: increasing the value of the company (Goedhart, et al., 2010).

2.2.1.1 Theory of M&A

Understanding the concepts that drive companies to embark on M&A transactions and structuring them into a coherent theoretical framework is a subject of great interest in the academic community. In order to find a solution to the paradox between high rate failure and high transaction rate, researchers have focused attention upon two issues, i.e., the accuracy of performance assessments and the misguidance of managers in their motivations. The former is addressed, as also seen before, by using different methods of analysis and refining performance measures. The latter aims to understand why managers seem to act against the maximisation of value.

Classical approaches assume that M&As are based on rational motivations: there can be financial, economics, and strategic drivers, but they all fall within the realm of rational choices. In his widely accepted theoretical framework, Trautwein further extends the concept to non-rational choices, where M&As result from external imposition (Table 2.2).
Chapter 2. Literature Review

It must be noted that most of the research on M&A motivations focuses on the assumption that companies only engage in M&A when there is an increase of economic value for acquiring shareholders. As reported by Angwin:

“It is assumed that any manager engaging in an M&A which may provide neutral or negative returns is transacting an illegitimate deal and so is a ‘bad’ manager. This simplistic logic denies the possibility that managerial actions could be in the best interests of the firm and yet may not result in improved firm value from that particular transaction.” (Angwin, 2007)

<table>
<thead>
<tr>
<th>Merger as rational choice</th>
<th>Merger as process outcome</th>
<th>Merger as macroeconomic phenomenon</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merger benefits bidder’s shareholders</td>
<td>Efficiency Theory</td>
<td>Efficiency Theory</td>
</tr>
<tr>
<td>Net gains through synergies</td>
<td>Monopoly Theory</td>
<td>Monopoly Theory</td>
</tr>
<tr>
<td>Wealth transfers from customers</td>
<td>Raider Theory</td>
<td>Raider Theory</td>
</tr>
<tr>
<td>Wealth transfers from target’s shareholders</td>
<td>Valuation Theory</td>
<td>Valuation Theory</td>
</tr>
<tr>
<td>Net gains through private information</td>
<td>Empire-building Theory</td>
<td>Empire-building Theory</td>
</tr>
<tr>
<td>Merger benefits managers</td>
<td>Process Theory</td>
<td>Process Theory</td>
</tr>
<tr>
<td>Empire-building Theory</td>
<td>Disturbance Theory</td>
<td>Disturbance Theory</td>
</tr>
</tbody>
</table>

Table 2.2. Theories of merger motives (Adapted from (Trautwein, 1990)).

<table>
<thead>
<tr>
<th>Efficiency Theory</th>
<th>Achieving financial, operational, and managerial synergies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monopoly Theory</td>
<td>Achieving market power</td>
</tr>
<tr>
<td>Raider Theory</td>
<td></td>
</tr>
<tr>
<td>Valuation Theory</td>
<td>Bidder’s managers have unique information about possible advantages of the merger</td>
</tr>
<tr>
<td>Empire-building Theory</td>
<td>Maximising managers’ utilities</td>
</tr>
<tr>
<td>Process Theory</td>
<td>Governed by external influences, e.g., organisational routines, political power etc.</td>
</tr>
<tr>
<td>Disturbance Theory</td>
<td>Caused by economic disturbances</td>
</tr>
</tbody>
</table>

There are other reasons for managers to choose M&A, other than the immediate financial return. For instance, the deal could help them avoid a worse scenario for the company, e.g.,
external takeover or demise. Angwin advances a broad set of motivations and proposes a four-category classification:

“(1) the ‘exploitation’ of the target through synergies to increase acquirer value with a high degree of certainty; (2) ‘exploration’ – acquiring in new areas for potential value and future opportunities with low certainty of improving returns to the acquirer; (3) ‘stasis’ – attempting to preserve the acquirer’s competitive situation through fossilising or closing down the acquired firm (few if any direct benefits are extracted from the acquisition itself); (4) ‘survival’ – attempting to prevent the acquirer’s demise through acquisition – the acquisition may result in the acquirer losing value, but this maybe better than not acquiring at all.” (Angwin, 2007)

Table 2.3. Motivation types and payoffs (Angwin, 2007).

<table>
<thead>
<tr>
<th>Motivation Categories</th>
<th>Motivations</th>
<th>Payoffs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploitation</td>
<td>Classical motivations</td>
<td>Maximise shareholder return</td>
</tr>
<tr>
<td></td>
<td>Building critical mass</td>
<td>Aggregate deals to achieve critical size for credibility and final payoff (i.e. IPO, listing)</td>
</tr>
<tr>
<td>Exploration</td>
<td>Sequential</td>
<td>Assembling a long-term industry-market position for long-term payoff</td>
</tr>
<tr>
<td></td>
<td>Learning</td>
<td>Small deal(s) to build understanding for later potential large investment (and payoff)</td>
</tr>
<tr>
<td></td>
<td>Reinvigoration</td>
<td>Find new potential markets/products/technologies/ideas for future growth</td>
</tr>
<tr>
<td></td>
<td>Influence</td>
<td>Indirect control of other assets for potential benefits</td>
</tr>
<tr>
<td>Stasis</td>
<td>Political favour</td>
<td>Future indeterminate benefits</td>
</tr>
<tr>
<td></td>
<td>Innovation stifling</td>
<td>Prevent deterioration of competitive situation</td>
</tr>
<tr>
<td></td>
<td>Damage competitors</td>
<td>Prevent competitors from presenting a threat in the future</td>
</tr>
<tr>
<td></td>
<td>Customer/Supplier driven</td>
<td>Engage in M&amp;A to preserve/maintain relationships</td>
</tr>
<tr>
<td>Survival</td>
<td>Self-protection</td>
<td>Size as a defence against predations</td>
</tr>
<tr>
<td></td>
<td>Regeneration</td>
<td>M&amp;A as passage to more promising industry/area</td>
</tr>
<tr>
<td></td>
<td>Political/Institutional</td>
<td>Cope with imposed M&amp;A as least worst outcome</td>
</tr>
<tr>
<td></td>
<td>CSR</td>
<td>M&amp;A in anticipation of potentially fundamental changes in the way business must be conducted</td>
</tr>
</tbody>
</table>
2.3 Supply chain management in the healthcare industry.

The increasing complexity of the healthcare industry is posing significant challenges for the management of the entire supply chain, from the initial manufacturing step to the delivery to the final customer.

The introduction of cheaper generic drugs has posed a severe threat for the pharmaceutical industry as their diffusion has undermined the sale of patent-protected drugs. The resulting margin shrinkage has forced companies to diversify the portfolio by putting pressure on R&D departments to design advanced and more complex drugs. Thus, new drugs are now very sensitive to environmental conditions and require intensive care at every step of the production chain, including storage, transportation, distribution etc. In particular, the entry of temperature-sensitive drugs in the market has required a substantial improvement in temperature control and a concrete development of new supply strategies to face the new challenges (Brown, 2014) (Andel, 2013). In addition, the rise of new global markets demands new transport solutions as drugs have to travel for long distances, and often long times, before reaching their destination. In this context, lacking the necessary network and strategic organisation, as well as the technological expertise to monitor the environment conditions in which drugs are transported, can compromise the quality of the products, with the risk to break quality standards, damage the image of the company, and potentially breach local regulations (Ebel, et al., 2013).

From a regulatory point of view, new drugs have fostered more stringent government legislations and larger global markets have brought additional implications. For instance, the necessity to comply with ever-changing cross-border checks or deal regularly with complicated local laws has become an inevitable issue. The difficulty to deal with countless
security, safety, and environmental regulations has created a complicated work environment for local companies that are not able to find in-house expertise and are forced to outsource. In this respect, bigger freight management companies have spotted a significant source of revenue and been able to fill a gap, providing expertise and service where and when it is required (UPS, 2013). According to Kyra Sweda, director of business development for Raider Integrated Logistics:

"We know regulations and compliance will continue to change. What we do not know is how healthcare companies will deal with the change and how it will ultimately affect their supply chains" (Brown, 2014).

Additionally, the healthcare industry also deals with the production and management of medical devices. Similarly to medicines, devices require timely delivery, urgent transportation capabilities, and clear tracking, as well as regulatory compliance. Products have to be shipped through various climatic zones and the mode of transportation as well as the number of drop-off points become critical in the design of the pharmaceutical supply chain. Medicines that require strict storage conditions have to be distributed ensuring that the quality of the product is not affected by external factors. Currently, there is not validated shipping method able to preserve drugs in all environmental conditions (Lucas, et al., 2004) (Hogerzeil, et al., 1992). Innovative solutions need to be investigated to improve the delivery of life-saving products. Dealing with drugs and healthcare products entails a social responsibility. By improving the supply chain management, pharmaceutical and medical devices companies become able to provide easy and affordable access to products that can save the life of people (Komrska, 2013).

Another emerging challenge for the healthcare industry is represented by the increase of counterfeit products, both for drugs and devices (Deisingh, 2004) (Pfizer, 2007). Countries with high and fast potential growth for pharmaceutical markets are often associated to a high
risk of counterfeit (Glass, 2014). In this respect the realisation of an enhanced tracking system and improved supply chain visibility is a necessary response to preserve those markets and allows companies to enter them safely. Furthermore, counterfeits represent a threat for the health of the patients and as such the improvement of supply chain processes is
critical for the safety of the people. For instance, patients in some African countries and India can now verify the authenticity of medication with a text-message based anti-counterfeit platform which sensibly improves their safety (Ebel, et al., 2013).

Healthcare companies are now under pressure to reach more customers than ever while trying to maintain high efficiency standards and reducing costs. Cost reduction is a critical issue and possibly the hardest challenge for the healthcare industry. The healthcare supply chain is in fact a major factor in healthcare costs (Bradley, 2000). According to a McKinsey report, current supply chain expenses amount to about 25% ($230 billion) of the total pharma costs and over 40% ($122 billion) of medical devices costs (Ebel, et al., 2013). Even minor improvement could generate a significant financial impact, with billions of dollars that could be reinvested in other areas, e.g., R&D, to develop other products.

2.4 Freight and logistics M&A targeting healthcare industry supply chain issues

The intense struggle to achieve aggressive goals and improve margins in a low-growth climate has somehow changed the strategic approach to growth. The pressure to generate profits has made organic growth an unrewarding strategy for F&L companies, at least in the short term, due to the amount of time that is required to build up the necessary competences and network. Delaying market entry means losing revenue and leaving the field to more aggressive competitors. In this context, out of the three main inorganic strategic growth methods (joint ventures, strategic alliances, and M&A), M&As seem the most suitable choice as it guarantees fast acquisition of the necessary skills and infrastructures. Besides, availability of cash ready to be invested, increasing deregulations in emerging markets that facilitate deals completion, rising opportunities to consolidate the fragmented M&A markets,
are relevant factors that make M&A a suitable strategy (Dier, et al., 2012).

F&L companies have shown intense M&A activity over the last 10-15 years to pursue their growth agendas. Inorganic growth options and M&A have become critical to achieve financial targets. Following a period of decline during the global financial crisis, the last few years have seen a steady increase in the number of deals, in line with the newly improved global economy (Schmid, et al., 2012) (Berman, 2014). Freight carriers, including major players such as UPS, Fedex, and DHL, are increasingly looking for adequate specialist providers to approach end-to-end supply chain solutions by filling gaps in current supply chain coverage. In 2011, DHL acquired Eurodifarm, Italy’s market specialist in the temperature controlled outbound logistics distribution of pharmaceutical, diagnostic products and medical devices, strengthening its position in the pharma-logistic market (DHL, 2011). Similarly, within a strategy aimed to expand its presence in the European market, UPS acquired in 2013 the Hungarian firm Cemelog, and UK based Polar Speed one year later. Both companies are strong providers of healthcare logistic solutions (UPS, 2013), (UPS, 2014). Another major player, Fedex, responded acquiring Cardinal Health with the intent to expand healthcare shipment services (TrefisTeam, 2013).
2.5 Conclusion

Studies on M&A profitability show that M&A transactions can pay back but must be approached with caution by executives as they may generate high disappointment and catastrophic damage to the business (Bruner, 2001) (Hillier, et al., 2010) (Ferrer, et al., 2013). This inconsistency and lack of conclusive results regarding M&A as a strategy of successful growth marks a grey area that is continuously open to extra debate and further research.

<table>
<thead>
<tr>
<th>Create value</th>
<th>Manage top 5-10 critical decisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Move beyond integration to focus on customer value and retention in order to realize value.</td>
<td>Focus on decisions that drive value; because there are hundreds of decisions, the sheer magnitude of change will require a comprehensive risk management approach.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Set clear aspirations</th>
<th>Take action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish clear baselines and set internal stretch targets; manage market expectations around achieving synergies.</td>
<td>Take advantage of unprecedented opportunity for change: mergers create increased momentum for bold transformational change, but there is a limited window of 18-24 months to achieve synergies.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ensure frequent communication</th>
<th>Address culture issues early</th>
</tr>
</thead>
<tbody>
<tr>
<td>Launch a comprehensive and consistent communications strategy immediately.</td>
<td>Identify desired state dimensions and actively manage employee transition using a transparent and quick appointment process; avoid slow decision making.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Avoid gluttony</th>
<th>Implement strong governance and tight process controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieve 80 percent planning certainty and quickly move to 100 percent implementation.</td>
<td>Create a single, strong PMO for integration; manage pace, interdependencies, common processes and releases to avoid overload.</td>
</tr>
</tbody>
</table>

**Figure 2.5. M&A success factors (Herd & McManus, 2012)**

There is not shared opinion on whether M&As are worth the risks of permanently destroying value, as experience suggests, although the rewards can be significant. Managers have to be careful and take into consideration a wide spectrum of relevant information in order to make an informed and rational decision. Too many variables can affect the success of the transactions, nevertheless executives are still attracted by M&As. It is within this paradox that this study wants to offer a contribution and help understand the reasons why managers still make M&A deals on such a big scale, in both number and value terms, even though so many are expected to fail. By investigating a model case-study and analysing how companies
approach growth strategy and assess the risks, as well as examining what type of drivers push the management to pursue this route, this thesis provides significantly relevant knowledge on a subject that, due to its controversial nature, currently lacks clarity and agreement. Therefore, the reported results fill a sort of consensus gap, and actively contribute to understand this debated subject, gathering more information and ultimately providing an additional perspective to understand the process behind fundamental business strategies. Given the novelty of the subject and the speed of technological development, a gap in literature is also present in relation to the analysis of the connection between logistic and healthcare industry. As this business relationship, due to the reasons mentioned above, is destined to grow steadily, the present work intends to analyse how logistic companies are approaching the subject, but more specifically what future developments are expected, and what type of business opportunities and financial return can be identified by management and executives.
Chapter 3. Methodology

3.1 Introduction

This chapter provides a rationale of the research philosophy and methods that the author has used to collect and analyse the data. The primary objective of the present dissertation is to carry out an exploratory study aiming to investigate the reasons leading companies to choose M&A as strategy of growth. The work examines a model case-study related to M&A activity between logistic companies working with the healthcare sector. As previously mentioned, the increasing complexity of the healthcare industry is creating new issues for the supply management chain, putting pressure on logistic companies to find suitable solutions. The thesis aims to examine the extent to which M&A is a unique and valid strategy for the logistic and healthcare European market.
Chapter 3. Methodology

In order to address the research objectives, the methodology has been designed following the so-called “research onion”, a metaphorical construct shown in Fig. 3.1 and proposed by Saunders et al. to guide the researcher through the different stages of the research process (Saunders, et al., 2009).

![Figure 3.1. The Research Onion (Saunders, et al., 2009).](image)

The Onion lays out the various methodological choices needed to carry out the research project. By peeling away the layers of the Onion, the researcher gradually builds a complete strategy and develops a set of techniques based on philosophical approach and practical considerations. There are six stages represented by:

- research philosophies
- research approaches
- research strategies
- research choices
- research time horizons
- research data collection techniques and procedures
Chapter 3. Methodology

3.2 Research Philosophy

Research philosophy constitutes the first layer of the onion and reflects the way in which researchers see the world, their assumptions, and the considerations that underpin their attitude and what constitutes acceptable knowledge. Four main research philosophies can be identified: positivism, realism, interpretivism, and pragmatism. There is not a philosophy better than the others, but each of them may suit and be the best choice for a particular case.

**Positivism** is a critical and objective method very common in the natural sciences. This position assumes that the world exists externally and only a rigorous observation of its general laws can bring knowledge.

**Realism** focuses on the existence of an external reality that is entirely independent from the human consciousness. Realism is really close to the stances of positivism.

**Interpretivism**, conversely to realism and positivism, focuses on understanding humans as “social actors” and on the comprehension of the world from their point of view. For interpretivists, there are multiple realities and there are many truths of a single fact.

**Pragmatism** dismisses as irrelevant concepts like truth and reality, recognising that every approach has limitations but also that they can all fruitfully be used complementarily.

For the present thesis, the author has adopted an interpretivist approach as it is the most suitable to obtain contextual depth and meaning in analysing complex business dynamics. Investigating the key drivers behind the choice of M&A as growth strategy involves a comprehension of the logics that lead management to adopt set strategies and requires therefore the interpretation of what lies behind complex processes created by the interplay of humans as social actors (Saunders, et al., 2009). Applying the interpretivist approach, the author has provided a subjective interpretation of the events so to provide meaningful explanations. It is worth noting that the knowledge that the author possesses of the logistics
industry, might provide an advantage in that she will be able to empathize with the managers and understand more clearly their perspectives on the subject.

3.3 Research Approach

The next layer of the research onion focuses on the research approach. There are mainly two kinds of research approaches: deductive and inductive. The deductive approach is often associated with a positivist philosophy. Starting from a pre-determined theory, it deduces and tests hypotheses by rigorously analysing the data collected, and opens to a revision of the initial theory according to the findings. It is the dominant approach in natural sciences, where scientific rigour and generalization are necessary. Conversely, the inductive approach is usually associated to interpretivism and provides an alternative more flexible method, particularly suitable for the social sciences, where the need of generalisation is minimal. Instead of formulating hypotheses based on known theories, inductive research develops directly theories as a result of the analysis of the data. It does also emphasize the understanding of the research context in which the studied events take place, and therefore small samples are usually preferred for inductive research.

In this work, the author follows an inductive research approach as it is the most suitable. An inductive reasoning, as opposed to a deductive one, moves from specific observations to broader generalisations. This study aims to analyse the factors behind the corporate choice of specific growth strategies and determines what drivers lead to prefer inorganic (M&A) or organic growth. It aims therefore to reach an understanding of the reasons why something is happening, more than describing what is happening: accordingly, an inductive approach is evidently more appropriate (Saunders, et al., 2009). The author cannot provide hypotheses based on established theories (which is the starting point of a deductive approach), but she is
focused on building observations and eventually developing general valid hypotheses from them. As a consequence, inductive research is the correct approach: the main objective is expanding the knowledge on a subject rather than proving or disproving predetermined hypotheses.

### 3.4 Research Strategy

The third layer concerns the choice of a research strategy. This is a crucial stage, as the correct strategy will enable to address the research questions and meet the objectives. The choice is guided by the philosophical grounds established in the previous layers, but it is also dictated by practical consideration, e.g., the specific research objectives, the amount of time and resources available, etc. There are seven main strategies and each of them can serve the scope of conducting an exploratory—i.e., seeking new insights—, explanatory—i.e., aiming to explain relationships between variables—, and descriptive—i.e., depicting events or situations— research.

*Experiment* strategies fit better with natural sciences and the study of causal relationships, and therefore they tend to be adopted when a “how?” or “why?” question has to be answered. *Surveys* are often associated to deductive approaches and fit well the purposes of quantitative exploratory research.

*Case Studies* are adopted when the understanding of the context is considered important, as they enable to investigate a specific phenomenon in relation to its real context. Through them, answers to “what?”, “why?”, and “how?” questions can be found, and consequently can be used both in exploratory and explanatory research.

*Action research* focuses strongly on the practical effect of the research outcome and its ability to change existing conditions.
Chapter 3. Methodology

Grounded theory combines inductive and deductive approaches focusing on the acquisition of data without considering a pre-existing theoretical framework in order to generate new theory out of the findings.

Ethnography is a very time consuming strategy based on the immersion of the researcher in the social world under investigation with the purpose to describe it the same way the research subjects would describe it.

Archival research uses administrative records and documents as a main source of data and is therefore a popular choice in historical research.

For the specific study carried out in this thesis, following the philosophy and inductive approach, the author has adopted a "case study" strategy as it is the most suitable to address the scope of the research. The case study allows collecting data from a specific setting and examining them to draw broader conclusions in order to construct a theory. This strategy fits well the purpose of this work as it has the ability to provide a rich understanding of the context of the research and of the complex issues related to M&A. It also has the capacity to generate answers to "why?", "what?" and "how?" questions which fit the exploratory approach of the present study.

3.5 Research Choice

The fourth layer of the onion concerns the choice of a method to collect the data for both quantitative —i.e., mostly numerical— and qualitative—i.e., non-numerical— research. A mono method is based on a single data collection technique along with the corresponding data analysis procedure. For instance, a single qualitative data collection technique is paired with a qualitative data analysis procedure. Conversely, multiple methods employ more than one data collection technique and data analysis procedure to address the research questions.
Depending on the conformity or contrast between the type of data collection method and the type of data analysis technique, multiple methods can further split into multi-method and mixed-methods (Saunders, et al., 2009). The author has chosen to adopt a "mono-method", i.e., a method where a single data collection technique is used along with the relative data analysis procedure. More specifically, the qualitative data collection was carried out through semi-structured non-standardized interviews. In fact, they represent a suitable choice for exploratory case studies and for all those situations where the researcher wants the interviewees to explain and elaborate his or her answers in order to investigate the "what", "how", and "why". They provide a deeper understanding of the meaning that the interviewees give to events, consistently with the interpretivist philosophy mentioned above.

### 3.6 Time Horizon

The time horizon refers to the timeframe of the research project. It can vary between cross-sectional and longitudinal. Cross-sectional studies focus on examining specific phenomena at specific moments in time, offering a picture enclosed within a definite temporal context. In contrast, longitudinal studies require the observation of people and events for long time and therefore are quite time-consuming and hardly adoptable when research has significant time constraints. Due to the nature of the topic and to inherent time constraints on completion of the thesis, the time horizon of the present project is cross-sectional as it examines a particular phenomenon at a particular time, i.e., it represents a "snapshot".
3.7 Data Collection

3.7.1 Secondary Data Collection

Secondary data are data collected by someone other than the researcher and therefore are not collected with the researcher’s objective and purpose in mind. Similarly to primary data, they can be accessed through published material or online sources. Secondary data should be examined before the primary research is conducted, as they are meant to help the researcher develop a good comprehension of the current knowledge on the subject (Saunders, et al., 2009). As shown in Fig. 3.2, there are multiple sources of data and they include academic articles, books, surveys, reports, videos etc.

For this research, the author has mainly used: academic articles, books, industry reports, media accounts, and video recordings available online.

Figure 3.2. Secondary data sources (Saunders, et al., 2009).
3.7.2 Primary Data Collection

The core of the onion guides the researcher through the choice of appropriate data collection tools. Once again, several techniques satisfy different needs. While surveys may be more appropriate for quantitative research, interviews are a more suitable approach for qualitative research. In turn, different types of interview—e.g., structured vs. unstructured, standardised vs. non-standardised—address different goals. Because of the interpretivist philosophy and inductive strategy, the author identified qualitative research as the most indicated for this work. In particular, the author has judged the interview method as the most suitable tool to collect primary data since they, consistently with an exploratory approach, deliver a rich insight on the topic, allowing building generic conclusion and proposing a theory. While structured interviews are usually associated with quantitative research, semi-structured and unstructured (also known as in-depth) interviews are often associated to qualitative research. The author chose to use semi-structured interviews since they give the necessary freedom to fully explore the research themes and tailor the process according to the context and events. Besides, the conversational approach makes them appropriate to retrieve meaningful information and unveil the interviewees’ attitudes, experiences and standpoints on the topic. Qualitative open-ended questions also give the interviewed the chance to clarify and therefore provide a more detailed version of the events, achieving a level of complexity and understanding like no other methods. For all these reasons, this choice has been considered appropriate by the author.

Based on the study of the literature presented in Chapter 2 and the author’s knowledge of the logistic industry, a set of open-ended questions was composed and posed to the experts in order to investigate the topics of interest and address the research objectives. The questions followed a pattern going from general to more specific issues, although the order sometimes varied according to the answers provided and the conversation flow. At times, the author
interrupted the pre-established order, asking probing questions or closed questions to clarify unclear concepts and/or further explore a particular theme. The interviews were conducted one-on-one by phone within the first two weeks of July.

The choice of the interviewees was functional to the topic and the research objectives of the thesis. The author decided to interview a pool of high-profile corporate strategy managers selected based on their expertise and their roles within the company. In their career, they have been involved in key transactions and were considerably knowledgeable in relation to corporate strategy and M&A growth. This sampling is meaningful as all the interviewees were able to offer their key perspectives on M&A strategies as well as sharing their own knowledge behind the transactions. Requests for an interview were initially made through an internal sponsor by email, explaining the purpose of the research and asking for availability. Interviews were conducted by phone, as the interviewees are not based in the same location as the author. Details are provided in Table 3.1.

**Table 3.1. Interviews' details.**

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Role</th>
<th>Experience (years)</th>
<th>Duration (min)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviewee 1</td>
<td>Director</td>
<td>25</td>
<td>42.21</td>
</tr>
<tr>
<td>Interviewee 2</td>
<td>VP Healthcare EMEA</td>
<td>15</td>
<td>29.51</td>
</tr>
<tr>
<td>Interviewee 3</td>
<td>Europe Region Healthcare Marketing Director</td>
<td>21</td>
<td>35.41</td>
</tr>
</tbody>
</table>
Chapter 3. Methodology

3.7.3 Data analysis

Qualitative data consist of words and observations, and demand a notably different approach from quantitative data. Analysis and interpretation are required, and they come forward as a consequence of a systematic approach to order and understand the data. Unlike quantitative analysis, there are no clearly agreed procedures for analysing qualitative data and they can differ in terms of basic epistemological assumptions about the nature of the enquiry as well as the main focus and aims of the analytical process (Ritchie & Lewis, 2003).

As it was mentioned in the previous sections, the data will be analysed following an inductive approach, meaning that no predetermined framework is used and the structure of analysis will
Chapter 3. Methodology

derive from the data themselves. More specifically, a method known as *thematic content analysis* will be adopted as this, being mainly concerned with capturing the sense and the substantive meanings in the data, is deemed as the most suitable for this study (Pope, et al., 2006) (Burnard, et al., 2008). Although often confused because of their similarity in quantitative data analysis, *thematic analysis* and *content analysis* are actually quite different concepts (Marks & Yardley, 2004). Content analysis is a partially quantitative method that focuses on establishing categories and determining their frequency of occurrence in the analysed text. Relying on frequency outcomes only, however, can undermine the analysis by removing meaning from the context. This is the main criticism that researchers adopting this method have to face. Distinctively, thematic analysis allows the researcher to combine the analysis of the frequency of codes with the analysis of their meaning in context (Marks & Yardley, 2004). The terms “code” and “theme” (or “coding category”) refer to specific patterns found in the data and can often be used interchangeably. The process of themes identification is usually referred to as “coding” and involves categorising data by analysing the text and labelling parts of it according to categories where they seem to fall into.

Additionally, *inductive* and *deductive* coding can be distinguished. While in deductive coding themes are drawn from theoretical concepts that the researcher uses for the study, themes in inductive coding are developed from raw data. As mentioned in section 3.3, the author has adopted an inductive approach throughout the whole work and therefore the thematic analysis followed an inductive coding process where categories were deduced from raw data.

The first formal step in the preparation of the documentation has been the verbatim transcription of the interviews into written text for ease of analysis. Subsequently, in order to extrapolate meaningful concepts, the contents were analysed in a multi-step process. In the first stage, short statements and notes were used to sum up the key themes emerging from the interviews (open coding), identifying categories and discarding off-topic material. Following
the initial low-level coding, the author reduced the number of categories by crossing off duplicates and grouping similar classes in order to enhance the coherence of the analysis. Initially, the author worked on the material by manually writing notes, summaries, and memos in order to become very familiar with the data and navigate through the first emerging ideas. From then on, with the help of a CAQDAS software (NVivo), she proceeded to the coding process and identification of categories and patterns.

In the third stage, the categorised themes emerged from the interviews were further refined by organising them into a tree structure where parent categories would comprehend similar themes. The initial categories were thus integrated into conceptual categories through a process of *splitting and splicing*, as defined by Dey (Dey, 1993). With all the data coded, the themes extracted, and the categories refined, the analysis could begin. This is the most exciting and demanding part for the researcher since, as Miles and Huberman have highlighted:

> "Just naming and classifying what is out there is usually not enough. We need to understand the patterns, the recurrences, the whys (Miles & Huberman, 1994)."

After that patterns and themes are noted, the analysis aims to extract from the data a plausible story that can be related to the literature review, confirming or contradicting current knowledge. Here, the author tested the research questions in the light of the results, verifying if new insights were developed and new knowledge created. Patterns and relationships started become clearer in the mind of the author: the interpretation of the data led to identify a rationale behind them and formulate explanations to answer the research questions.

In has to be noted that the interpretivist approach provides a subjective account of the research findings with the unique insights of the author and as such, cannot be used straightforwardly to represent the social world, since different researchers will offer different interpretations of the data.
3.8 Population and Sample

3.8.1 Population and sample frame

This thesis reports an exploratory study of the M&A practices and motivations concerning the Healthcare logistics industry in Europe. Consequently, the target population is represented by logistic companies (and their management) that, based on the European market, have interests in carrying out M&A activities in relation to the acquisition of skills and competences to improve the healthcare supply chain. For the purposes of this research work, the author refers to large and small logistic firms that have recognised a source of revenue in the collaboration with the healthcare industry and want to develop specific competences to increase their market shares. As appropriate for qualitative research, sample data chosen from the sample frame were not used to provide statistical inference, so much as to generalise to theory. The criteria behind the choice of the appropriate sample will be explained in the next section.

3.8.2 Sampling Technique

The sampling process is often necessarily limited by different factors including time, money resources, and convenience to access and collect the information. In the present case, surveying the entire population by reaching a large number of logistic companies and ensuring full collaboration from busy high profile managers, with whom there was not personal acquaintance, would have been impracticable and certainly not feasible within the timeframe of the research. This is not necessarily a limitation, and can actually be a benefit according to some research studies, as collecting data from fewer cases means that more detailed data can be collected (Saunders, et al., 2009).
More specifically, the author chose to adopt a non-probability (or non-random) purposive (or judgmental) sampling technique for different reasons. First, probability (or random) samples are more appropriate for those cases where strong claims of statistical significance are sought after and therefore there is need to make inferences from a sample about a population in order to correctly address the research questions. Usually, they are more appropriate for quantitative data and require reasonably large samples as the presence of outliers can significantly alter the statistical analyses. For the present study, the sample cannot be chosen statistically at random and, as it often happens in business research, this type of sampling technique would not be suitable to answer the research questions. In this case, it is not important to have a sample that statistically represents the population, as the author is interested in gaining detailed explanations from a limited number of participants and perform an in-depth analysis of a specific case study. Consequently, the author decided to select a non-probability technique to provide meaningful insights and address the questions. Somehow, the intimate qualitative nature of the work objectives and of the research strategy dictates the choice of non-probability sample. In non-probability sampling the choice of the sample size is fairly arbitrary as what counts in this scenario is the logic relationship between the sampling technique and the focus of the research rather than the size of the population. “How many” is not the issue; what counts is reaching a detailed understanding of the phenomenon and learning enough to describe it. A sample is big enough when enough useful information can be gathered (Marshall, 1996).

The selection of a suitable sampling technique depends on factors such as the research objectives, financial and time resources, etc. After consideration, the author chose a purposive sampling technique, as this provides the freedom to select representative and credible samples. This technique is the most indicated for small samples (typical of case study research) and has given the author the opportunity to select cases that are particularly
informative and functional to the research objectives. The chosen interviewees suit the objectives as they all come from different departments and have broad experience in corporate strategy and M&A activities, which makes them able to provide the relevant qualitative information. The details of the selected participants are summarized in Table 3.1.

3.9 Ethical Issues

The research process imposes a certain number of ethical implications in relation to the decorum of the researcher and the rights of the people participating to the study. Two main ethical approaches can be identified: deontology and teleology. The former postulates that the scope of the research can never justify an unethical use of the research itself; conversely, the latter argues that the scope justifies the means and the benefits of the results will have to be weighed against the costs to act unethically. Throughout this study, the author has embraced a deontological view and considered thoroughly all the ethical implications of her research at every stage of the process.

During the first phase, mainly in relation to the formulation of the research topic and choice of the research strategy, the right of the organisation and people impacted by the study to have a quality research has been addressed. The author carefully selected the theme of the study taking into consideration her professional interest and career development, as well as the DBS requirements. She then addressed the right to voluntary consent of the interviewees; with the help of a sponsor, she fully informed them of the scope of the research and of the type of information that would be expected from them. During the data collection, their privacy was a priority so to prevent causing any harm or putting unwanted pressure on them. They were informed of their rights to withdraw their consent, stop the interview or decline a particular question if they felt it was intruding their privacy or it went beyond the scope of the
research topic. It must be noted that the interview-based research is naturally more inclined to generate ethical issues with respect to other techniques. As a result, the formulation of questions was carefully tailored to prevent any possible intrusion in the privacy of the interviewee. Besides, the author ensured the anonymity of the interviewees and therefore there is not, in the whole thesis, direct mention of either their names, current companies or else that might lead to discover their identity. They will be called Interviewee 1 to 3, respectively. The anonymity, as well as complying with the ethical behaviour and the rights of the participants, provides also the benefit to increase the objectivity of their responses. The data were fully recorded accurately and objectively, and the author ensured they were treated with the highest confidentiality. Neither a subjective choice of the information gathered was carried out, nor were any data fabricated ex-novo.

3.10 Limitations to the Research

One of the most common accusations against case studies is the presumption that they lack scientific value, as generalization to a population is not possible. However, the aim of an idiographic research is to provide rich description and theoretical generalisation instead of testing hypothesis and making statistical generalisations. The major disadvantage and limitation would therefore be the impossibility to generalise statistically. That is not an issue as the perspective of a case study, and therefore of this research, is to contribute with new insights and help build new theoretical frameworks (Campbell, 1975) (Weber, 2012).

3.10.1 Practical Issues

There are some practical limitations worth highlighting. First, the qualitative approach and the selected data collection tool, i.e., interviews, have inherent limitation that can pose some
difficulties. For instance, although they are the best tool to examine complex issues and suit the objectives of this research, they tend to require considerable time both during the interview process itself and at a later stage, when preparing the data for analysis, somehow limiting the number of participants. Besides, as the participants are high profile managers with busy schedules, securing their participation and commitment required some skills. For instance, although gathering the necessary information was the priority, the author ensured that the question list was reasonably concise and allowed to address thoroughly all the topics in the shortest amount of time possible. This was done in order to prevent to be dismissed quickly with short counterproductive answers. Furthermore, as it happens in business qualitative research, the value of the data collected depends on the availability of the respondents to share their knowledge, provide clear answers, and deeply address the topic in its wholeness. The author tried to create a comfortable environment for the interviewees so that they could feel free to share their knowledge and provide valuable information.

### 3.10.2 Personal biases

Every research work is subject to bias to some extent. As the present research work follows an interpretivist philosophy and a qualitative approach, the results stem from personal conclusions and interpretations of the author, and as such might carry a biased vision. The bias might be manifest at different stages. First, the formulation of the question can be biased by the researcher’s own view. The questions were revised a few times, with the help of external feedback, to make sure they were as unbiased as possible.

The choice of the interviewees can also be subjected to bias but, as explained in a previous section, the rationale behind that selection is functional to the research objectives.

The interpretation of data may also suffer from biasing, leading to conclusions that somehow confirm the author’s beliefs. This is a concrete possibility in interpretive research.
In addition, being in close connection with the company on which the research is carried out, the author is well aware of the company culture and organisation and therefore has a point of view that can be significantly different from that of an external observer. However, this has not necessarily been a threat for the objectivity of the work, as a deeper knowledge of the internal dynamics has actually led to a more in-depth and comprehensive study.
Chapter 4. Data findings, analysis, and discussion

4.1 Introduction

This chapter will outline the research findings and key themes emerging from primary and secondary data, and report the observations and analysis of the author. In academic literature, there are two main approaches to presenting the findings of qualitative research (Burnard, et al., 2008) (Burnard, 2004) (Denzin & Lincoln, 1998). The first one is based on simply reporting key findings under each main topic, possibly including verbatim quotes to illustrate them, followed by a linking separate discussion chapter where findings are examined and compared with existing research. The second approach similarly reports findings and discussion, but differs from the first one in that the discussion and analysis are included into the findings chapter (Burnard, 2004) (Burnard, et al., 2008). Owing to the nature of the
subject and the research questions, the author feels that the second approach better suits the
scope of this study and the goal to present the results in a logically structured and clear form
that can be easily understood. To offer a broad perspective of the results and their
contribution to current knowledge, the analysis of the findings and the author’s conclusions
are linked directly to the work of other researchers and existing literature, as extensively
presented in Chapter 2.

Notably, the findings have been examined in the light of the categories and themes that
emerged during the interview process and originated from the answers, opinions, and
perspectives of the respondents. An extended discussion on commonly accepted best
practices to analyse qualitative data, along with a detailed explanation of the method of
thematic analysis utilised by the author to extract meaning from the same data, has been
provided in Chapter 3, section 3.7.3 Data Analysis.

Finally, it is worth reminding that the current research is based on an interpretivist philosophy
and follows an inductive approach. It therefore carries an in-depth investigation of the
complex subjects of M&A and growth strategy, aiming to provide a theoretical generalisation
of the key motives underlying the M&A activity in corporate finance, with particular
attention to the healthcare logistics industry in Europe. There is no intent to generalise across
a population, rather to provide a plausible understanding from the respondents’ perspective,
in order to achieve meaningful and significant insights of the phenomena under evaluation.
4.2 Primary Data Analysis

4.2.1 Overview

The major source of information and documentation for the current research is provided by the contents of the conversations that the author held with a number of qualified and knowledgeable executives who agreed to participate to the project. The interviews were conducted with three experienced high-profile managers of ABC ltd. Their combined experience achieves over 60 years of expertise in corporate management and healthcare logistics. They were carefully selected on the basis of their wide-ranging background in different departments and heterogeneous expertise that provide them with a broader outlook on the topic. Thus, their diverse standpoints provide additional value to their responses and enrich the in-depth investigation carried out by the present work. The participants were asked a range of questions concerning the motivating drivers of M&A, their benefits, and their risks. They were also questioned on the present and future status of the healthcare logistics sector, as well as the potential evolution of this growing business partnership.

As explained in greater detail in Chapter 3, the data have been prepared and analysed according to established techniques of qualitative data analysis. To facilitate the comprehension and significance of the results, they will be presented in close connection to the objectives of the research.

4.2.2 M&A as a strategy of growth

The first research question aims to determine what M&A represents in corporate strategy and what drivers are crucial to justify its choice when compared to other approaches.
4.2.2.1 M&A motives

The analysis of the answers provided by the three interviewees clearly highlights how one of the main drivers behind the choice to penetrate the healthcare market has been the lack of presence. In other words, the desire of filling the gap (i.e., filling strategic gaps in geographic, product, and end-market company portfolio) pushed the company to pursue this venture. The detailed analysis of the relationship between logistics and healthcare industries will be reported in the next sections, but it is important noting that the market absence has a direct influence on the penetration strategy selected by companies. The respondents unanimously agree on the fact that ABC is a late comer in this game, suggesting that the need to establish itself quickly in those markets was pressing and likely to influence the decisions of the management. Strictly speaking, the lack of presence in a growing and profitable market has somehow dictated the choice, although not exclusive, of M&A as growth strategy. From this point of view then, it can be inferred that the key driver has mainly been environmental.

Being a very late comer has forced the management to adopt a strategy that allows the company to have immediate presence and, therefore, catch up with direct rivals quickly. The competitors are ahead and organic growth would not be able to bring the pace that is needed to reach them:

“It’s very much driven by the fact that we are late at the table” (Int.2)
Chapter 4. Data findings, analysis, and discussion

“for us to establish ourselves as quickly as possible, to become a credible player, acquisitions in key markets, in key countries, with specific competencies, has been identified as the right way forward” (Int.1)

One of the main advantages of embracing M&A strategy is, in fact, the ability to fill the gap quickly by acquiring immediately all the capabilities that the company is currently missing.

“M&A strategy, in general, brings you the quick growth, the quick step ahead.” (Int.2)

Most significantly, M&A does not only delivers a swifter entry in an unknown market but also invaluable skills and expertise that would take a long time to develop organically; time that often is not available when entering competitive markets with significant delay. Interviewee 1 and 2 noted that:

“the effectiveness in the inorganic growth is really that you are buying skills and competencies, you are buying existing revenue streams, you are basically speeding up things to establish yourself in that part of the business. It is usually a lot quicker, that way, than if you grow it organically.” (Int.1)

“I think with acquisitions, you can also acquire new cultures, new local networks, and people who have decades of experience which it would not be if you would grow organically.” (Int.2)

The management therefore identified the necessity to own skills and expertise that, at that stage, were not part of the company background, at least in those geographies, and to acquire such expertise through the incorporation of external elements in the interest of filling the gap with the main competitors. Seemingly, the incorporation of external elements creates also problems, but they will be examined in the next section.
In short, merging or acquiring external companies gives immediate practical roots, such as infrastructures (warehouses, transportation, etc.) that allow to establish an immediate footprint but, more importantly, enables to incorporate those components that really make the difference: talent and expertise. As Interviewer 1 highlights, it does not matter how much expertise you have if you are missing the specific skills and competences:

“Even if ABC has a lot of people in Europe with a lot of expertise around small parcels, and freight, and so on, we actually have fairly limited amount of people who do really understand the healthcare business. Acquiring that expertise and that competencies is clearly one of the key drivers behind this” (Int.1).

Alternatively, another interesting approach can be observed considering the drivers from a different angle, namely, the risk involved in the transaction. As seen above, M&A is a quick way to enter the market and acquire new skills, and sometimes it is somehow dictated by environmental market conditions, but what are the risks? Before embarking on M&A negotiations, companies need to perform advanced diligence investigation and figure out whether the investment is worth it or not. In this scenario, the driver behind the strategy choice is more related to the risks involved in it than anything else. As Interviewee 3 clarifies:

“I think we probably rated the risk of trying to grow from the bottom up in new markets, that local presence, probably higher than we did the financial risk”. (Int.3)

Therefore, assuming that the specific market, for environmental and external reasons, provides the opportunity to choose the strategy, speed ceases to be a relevant factor: if there is enough time to develop the expertise internally, there is not added value in bringing it from outside. It is in this scenario that the choice of starting M&A activities can be simply driven
by risk assessments and by the fact that, while a rapid financial investment looks safe and worthwhile, the risk of failure adopting an organic growth strategy is just too high.

A literature review of the M&A theory and motivations has been extensively reported in Chapter 2. There is a set of theories aiming to explain the motivations that lead managers to prefer M&A. According to Trautwein, M&As can broadly be categorised as a rational choice, a process outcome, or a macroeconomic phenomenon (Trautwein, 1990). Schematically, they can be grouped in M&A transactions that create interest for shareholders or managers (M&A as rational choice) and transactions that see M&A as a process outcome, or caused by external disturbance. The analysis of the data acquired in relation to the case of ABC ltd indicates that the main drivers have been essentially the desire to grow and establish a footprint as quickly as possible, and the benefit to acquire skills from the outside which are currently missing in the company, at least in relation to the specific markets and geographic areas where the entry is planned. In this context, the merger aims to fill a gap through the combination of different functional strengths. In other words, the company is trying to pursue a jointly synergetic effect or, as it is popularly known, the “2 + 2 = 5” effect. More specifically, the results show that ABC wants to achieve a so-called operational synergy, in agreement with the findings of Wu et al. (Wu & Cheng, 2006). Synergetic effects can be classified according to different categories, the three main ones being financial, operational, and managerial (Trautwein, 1990) (Megginson & Smart, 2008). By acquiring companies with an established distribution network and possibly brand name recognition, ABC incorporates new strengths and uses them to increase sales of its products and services. As a result, the sharing of complementary resources to generate significant growth in previously unknown markets leads to a type of synergy that can be categorized as operational. Alternatively, according to Gupta, it can also be defined as a manufacturing synergy, as it involves
combining the core competencies of two companies in different areas of technology and distribution (Gupta, 2012).

It is important noting that operational synergies can affect margins and growth and, through them, the value of the firms involved in the merger or acquisition. As it stands, financial and managerial synergies do not find validation in the data collected. If we welcome the schematic classification provided by Gupta, ABC configures itself as a strategic buyer more than a financial or organisational buyer (Gupta, 2012). ABC engages in M&As to gain market presence through synergetic effects, aiming therefore to realise a specific strategy, more than achieve immediate financial results. Within the widely accepted theoretical framework suggested by Trautwein, these observations adhere to a typical scenario described by the so-called “Efficiency Theory”, that sees M&A transactions as a rational choice to benefit the shareholders through synergy with another company (Trautwein, 1990). More specifically, the participants highlight that, aside from the increase of expertise in temperature sensitive shipment, cold chain, etc., the introduction of external knowledge affects other departments, such as sales, solutions, marketing, etc. This confirms that the synergetic effect realises itself as operational synergy, while other types of synergy, e.g., financial and managerial, seem to be in the background.

**Table 4.1. M&As motivations** (Gupta, 2012).

<table>
<thead>
<tr>
<th>Strategic Motives</th>
<th>Financial Motives</th>
<th>Organisational Motives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>Reducing costs</td>
<td>Entrepreneur’s personal compulsions</td>
</tr>
<tr>
<td>Scale of operations</td>
<td>Tax benefits</td>
<td>Retention of management talents</td>
</tr>
<tr>
<td>Competition</td>
<td>Investment of surplus funds</td>
<td>Removal of inefficient management</td>
</tr>
<tr>
<td>Market Share</td>
<td>Increasing EPS</td>
<td>Quality of management</td>
</tr>
<tr>
<td>Synergy</td>
<td>Creation of shareholder value</td>
<td>Emergence as a conglomerate</td>
</tr>
</tbody>
</table>
Chapter 4. Data findings, analysis, and discussion

There is no sign, according to the study, of M&A originating as process outcome or as a result of disturbance theory. In the end, transactions in logistic healthcare sectors are pushed by rational choices.

However, categorization of M&As can be oversimplifying, as motives can have manifold facets, overlapping each other or even belonging to several categories. For instance, an alternative interesting classification suggested by Angwin divides the M&A motives in four categories: exploitation, exploration, stasis, and survival (Angwin, 2007). The observations emerging from the present study support the view of M&A deals in healthcare logistics as belonging to the “exploitation” category, which is essentially based on synergy motives and performance enhancement of a firm. In particular, M&A provides revenue synergies, since the entry in new markets brings a new customer base, cross-selling through complementary distribution channels serving different geographies, internationalisation, and portfolio broadening. However, it also provides, as mentioned by the respondents, access to new technology and human resources, which are classified as intangible synergies, since they derive from the acquisition of immaterial goods (Schweiger & Very, 2003) (Weber & Dholakia, 2000).

4.2.2.2 M&A risks

Achieving synergy is unquestionably a positive outcome, but the relevance of assessing the risks that this accomplishment entails is a crucial aspect that arises from the conversations. As seen before, the strategy pursued by ABC is directed to establish a footprint and increase market shares. However, this is only achievable by carefully selecting the target companies. Although their expected revenue streams might initially look good, more than that needs to be assessed to guarantee that the investment is reasonably safe. From the analysis of the data, it results clearly that the cultural fit represents a substantial threat.
“It is very hard to integrate this company into your own one, and the cultural fit is definitely something that is looked at also. How is the company structured? Who are the owners? How long they have been run, how hard they have managed; through that, one tries to understand a little bit better how could that company fit into ABC.” (Int.1)

Echoed by Interviewee 2:

“I think that cultural fit is one of the most important key success factors. That would imply financial challenges, system challenges, people challenges. I think the cultural fit is one of the key parts of risk assessment.” (Int.2)

Financial risks are not underestimated:

“From a financial point of view, clearly the balance sheet of the company is critical. We do need to understand how solid that company is financially.” (Int.1).

And even if the target company seems solid at first, it is necessary to have a clear prospect about potential future revenue streams and possible causes influencing the performance. For instance, according to Interviewee 1, customers of the acquired firm might not approve the takeover and choose other providers:

“Through a takeover some customers may not be happy with this and they may decide to leave. So, clearly, future revenue streams is probably the most critical topic that one tries to get a better understanding of, and it’s basically about understanding what the customers are and how much this company is depending on the revenue from these customers. It’s basically a risk factor, an exercise to see how much revenue streams are exposed to that customer and what is the likelihood of them leaving or staying.” (Int.1).
Compliance is also an essential component. Acquiring a company with an unclean record would affect the reputation and therefore prevent to lay a firm foundation as a credible player. Other factor of risks cited by the respondents were labour and unionisation of the workforce, and size of the target companies.

In literature, many potential reasons have been advanced to explain the high failure rate of M&A, including poor due diligence, overestimated synergies, inaccurate evaluations, and failed post-merger integrations (PMI), although often it is the interplay among them to determine the creation or destruction of value. Integration is a research topic which has gathered ample interest in relation to post-merger performance and often it is—or better said, the lack thereof is—identified in literature as the main cause of failure for M&As, although M&A decisions are usually driven by financial and strategic reasons. In particular, cultural integration can be fatal since blending different cultures can present adverse pitfalls and lead to catastrophic results. Notably, the analysis of the findings lets infer that from this perspective, the logistic healthcare business is not different from what the general theory advocates, since a potential culture clash is regarded as one of the most serious threats. These observations support the views of Cartwright and Cooper who identify cultural compatibility as a critical aspect capable to determine the success or collapse of an M&A (Cartwright & Cooper, 1993). Acquisitions of firms having different cultures or management style can result in conflicts that preclude to achieve operational synergies and lead to poor performance (Datta, 1991). The findings clarify distinctly what components are identified by the ABC management as critical in determining success or failure of the transaction. There appears therefore to be a sensible awareness of the threats that might hinder the achievement of synergies and the realisation of the M&A objectives.
4.2.2.3 Organic vs Inorganic

As it emerges from the discussion, a salient key to understand healthcare logistics corporate strategy is the equal consideration given to organic and inorganic approaches when selecting the strategy. Interestingly, M&A does not seem necessarily to be a preferred strategy in every single case, but it can be preferred selectively according to the circumstances. The choice is intimately connected to the peculiar characteristics of the markets to penetrate: geography, economy, competitiveness etc. All the three respondents agree firmly on the fact that the strategy chosen by the company is mixed:

“It is really a combination of organic growth and acquisition. Organic growth is typically the way we do it, but acquisitions, since we are new in this game, are being looked at. We don’t buy companies for the sake of buying companies, we buy companies if it’s the right one, in the right place, with the right capabilities, for the right price. So, there is a long list of things that need to come together before we consider an acquisition the way to go. Frankly, if the acquisition is not there, then it is through organic growth that we are going to grow.” (Int.1)

The priority is to grow the business, the strategy comes after that. And it changes on a case by case basis:

“The commitment is to grow the business. Primarily it is going to be organic, but whenever there is an opportunity out there, the right one, you might see an acquisition coming into the picture as well.” (Int.1)

The fragmentation of the European market, in which every country has a separate market, an independent economy, a variegated set of competitors, and autonomous regulations, although the EU institution somehow mitigates this, forces logistics companies to carefully assess the
peculiarity of each market separately. Some of them offers no choice and M&A is the only route, since the market is:

“…very, very much a local market and we did not have a lot of healthcare expertise in that market. So, for us, to go ahead and interview, and hire, and build…we thought it was going to take way too long. So, that one being our first one, we picked out the acquisition route to buy local.” (Int.3)

Whereas other countries, not far away, show a completely different scenario

“It was the market where we felt, due to lack of competition and also due to the fact that the economy was down, that we could actually have the time to build in the right expertise support. So, we decided to organically grow there.” (Int.3)

Or else, the same country may require the adoption of both strategies:

“…is another market in which there was going to always be a combination strategy. [That] is a very, very competitive market and we knew we would need to acquire but also we needed to put up our building.” (Int.3)

Therefore, market competitiveness, market complexity, and time availability have been identified as critical factors that force the company to choose the M&A route. In a market full of high profile competitors, it is unlikely that a new entrant will have the time to develop internal the skills and be able to be competitive within short time. And late entry certainly does not facilitate that.

Should there be a possibility to choose the preferred approach, the pros and cons of the two strategies are weighed before making a choice. And it is interesting to see how different can be the risks associated to organic and inorganic growth. If an organic approach is chosen, then there is:
“The risk that you can’t get the right number of people, the right building, and it takes too long for you to establish yourself in a complex capability like healthcare distribution. So, perhaps, a different set of risks, but it would be a risk of execution failure.” (Int.3)

whereas:

“From an acquisition perspective, clearly you are acquiring the talent, you are acquiring building, you are acquiring what is needed, the risk of that is more financial; then you continue to grow that business and get a return on that business that makes sense for the return of investment capital.” (Int.3)

These findings show a cautious behaviour and support the latest trends in logistics and transportation. Regular reviews and business market surveys show that logistic companies in the United States and the Eurozone are quite reluctant to engage in transportation deals. Historically, this sector has always exhibited a strong connection between the economic situation and the number of M&As deals concluded. As a result, the impact of the economic downturn is still felt vividly and could be held accountable for this slowdown in transactions (KPMG, 2014) (PWC, 2014).

As the present thesis focuses on the European context, it is also interesting noting that Europe provides a set of challenges that cannot be found elsewhere. As mentioned before, the political and economic fragmentation makes the continent unique and certainly different from more monolithic realities. This phenomenon forces logistic companies to be more cautious when approaching a new region and a new market within the European area.
4.2.3 The value of M&A

Whether M&A is able to create or destroy value is a critical issue that the academic community has been investigating with great interest for long time. Here, the author provides an analysis based on the case study under investigation and tries to answer the following research question:

<table>
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<th>Question</th>
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<td>Do M&amp;As add always shareholder value?</td>
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<table>
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<tr>
<th>Objectives</th>
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<tbody>
<tr>
<td>• Understand if M&amp;As always increase shareholder value.</td>
</tr>
<tr>
<td>• Determine what long-term prospectus of the organization can benefit from M&amp;A activity.</td>
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4.2.3.1 M&A benefits

Undoubtedly, M&A offers a whole set of benefits. Some of them, such as quick market entry and acquisition of missing competences, were mentioned in the previous sections. For instance, the acquisition of new talent is an additional key benefit. Furthermore, since buying a company means also buying an existing revenue stream, financial benefits are crucial.

Frankly speaking, one of the interviewees noted that the company:

“...has gone into the healthcare business to make money. ABC is very focused on making money and decent profits on all the activities [...] to benefit shareholders hunger.” (Int.1)

Unsurprisingly, financial performance and shareholders’ happiness are then a priority for the company. Admittedly, as seen above, ABC is a strategic buyer and the financial benefits, at least initially, are not planned to be exceptional. The company is there for the long run:
“I think we all understand that short-term, the gains are going to be smaller, it’s more the long-term that we are looking at.” (Int.1)

That does not mean, however, that shareholder value has not been created. The healthcare sector is much more profitable than other sectors, as clarified by Interviewee 3:

“The healthcare sector in Europe has being doing very, very well; it has being growing at double digit growth, so value has been created in terms of return.” (Int.3)

Although creating value for the shareholders is a primal interest, the company aims to establish a marked footprint in the healthcare sector, and therefore pays attention to the long-term stakeholder benefits. Customers are univocally identified as the reference stakeholder:

“The customers that we have, they have benefitted from this one again through the fact that we have established our capabilities there a lot quicker than otherwise” (Int.1)

Immediately echoed by Interviewee 3, who explains how the strategy aims to create value for the customer:

“The strategy in Europe is that we would build a DC (distribution centre) network that a customer could come and if they only want to use one facility to distribute to all 27 EU countries throughout Europe, they could do so. However, if they wanted to continue to use facilities in local markets because of the local relationships, they could also do that” (Int.3)

Market entry through M&A strategy is likely to be quick and create value, but there are also disadvantages to it, especially in the post-merger phase:
“You need to spend much more time on integration, cultural integration, systems integrations, whereas if you grow organically with a lot of passion, then you can easier get started, but with growth pains” (Int.2)

It appears therefore that M&A activity in the European healthcare market has created some immediate return for the shareholder. The goal is however to create value for the stakeholders as well, as this is what is necessary to make the company a leading player in the long term. The analysis of the data provides a picture that sees the customers taking the main role as principal stakeholders; in the answer of the interviewees, they are constantly indicated as the element for which it is necessary to create value. In this respect, ABC stands out as a customer oriented company: the satisfaction of the customer is the main priority.

As observed in the literature review, the question whether M&As create or destroy value is a disputed issue, which has attracted a lot of academic interest and insightful studies. However, it still remains unsolved. The thorny controversy can be approached from many angles and each of them can provide adequate support to antithetical thesis. The present case study provides a cross section of the healthcare logistics industry and brings evidence supporting the profitability of M&A activities. These observations agree with the thesis of Jensen and Rubecck, according to which corporate takeovers generate positive gains, especially for the shareholder of the target company, while the shareholders of the bidding firm do not lose (Jensen & Ruback, 1983). Conversely, the evidence collected in the present work clashes against those studies supporting opposite and more pessimistic theses, such as the one reported by Datta, where bidders seem to obtain no benefits from M&A transactions (Datta, et al., 1992). However, as reported by Bruner, economics teaches that investors should be satisfied if the financial performance compensates for their opportunity costs (Bruner, 2001). It is worth noting that other criteria can be selected to assess the success of M&A transactions other than the financial performance. A one-sided focus on profits and shareholder benefits
can be narrow and short sighted. Stakeholder perspectives are widely ignored in literature in the discussion of effectiveness of M&As, even though creating value for multiple key stakeholders can bring benefit to the owners as well, through the maximisation of the long run value of the firm. For instance, performing management and employees can lead to cost reduction and streamlined efficiency. Or else, a happy customer base can reinforce the reputation and lead to a stronger market share, fulfilling the strategy of the company and therefore making M&A a success. Especially in those circumstances where the company is a strategic buyer, like in the case-study examined.

4.2.4 The logistics and healthcare industries

This section highlights the uniqueness of the healthcare industry, its rising complexity, its challenges, and its growing relationship with the logistics sector.

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<thead>
<tr>
<th>Question</th>
<th>Why is healthcare industry unique?</th>
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<tbody>
<tr>
<td><strong>Objectives</strong></td>
<td>Highlight the constant technological development and the continuous evolution of the regulatory conditions in healthcare industry. Determine what solutions can be developed in order to help the industry thrive.</td>
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4.2.4.1 A call for help

The rapid changes of the healthcare industry and the necessity to develop new solutions to newly emerging problems in the supply chain are creating increasing difficulties to pharmaceutical firms. It is not a secret that the regulatory scenario that companies have to comply and keep pace with, is putting pressure on them. As noted by Interviewee 1:
“All the pharma companies have a lot of questions out there right now, how do they need to comply? What are the rules? There are a lot of questions that in general come up”. (Int.1)

and Interviewee 2:

“It’s not really the technological development, it is indeed the regulatory conditions that have been difficult, the pain in the chain, the regulatory landscape. The regulatory challenges are top of the concerns for our customers” (Int.2)

The pharma, biopharma and devices companies need therefore help from the logistic industry, and this necessity creates interesting business opportunities:

“It is also seen as an opportunity as well the fact that things are changing very fast, they are very complex; people don’t really understand what this is all about, it is clearly an opportunity to talk to companies and get them some idea of what we do” (Int.1)

The wholesale distribution of medicines and drugs is a major link of the pharmaceutical supply chain management. Failing to take the necessary measures can affect the quality of the drugs and therefore compromise the safety of patients. The distribution is nowadays quite complex and involves several key players. It is in this context that the European Union has released a set of guidelines known as GDP (Good Distribution Practice) to make sure that pharmaceutical companies avail of adequate storage facilities, transportation means, competent personnel, and sufficient documentation (EU, 2013). This study confirms that the continuous evolution and production of new legislation is confusing and problematic for the pharma companies, which look for supply chain support from well-reputed logistic companies. In order to improve the management and help the healthcare industry, the response of the logistics firms has to be prompt and efficient. They need to guide the
healthcare firms through the jungle of directives and make their life as easy as possible. In this scenario, logistic businesses need to step up and make sure the dated pharmaceutical supply chain can keep the pace of technological and medical progress. Some logistic companies, with a large warehouse and transportation network, and with a better track record of compliance and rule abiding, might be definitely better suited for this job.

4.2.5 A great business opportunity

In this section the business potential and the future forecasts of the interaction between logistics and healthcare companies will be investigated.

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<th>Question</th>
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<tr>
<td>How does it represent a great business opportunity for the logistic industry in Europe?</td>
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<table>
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<tr>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Determine what opportunities exist.</td>
</tr>
<tr>
<td>• Understand what possible scenarios can be foreseen.</td>
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4.2.5.1 A golden business opportunity

The respondents have made quite clear that the healthcare sector offers new sources of revenue for the logistics companies, and this constitutes the main motive that drives firms to invest in it. Summarizing the concepts expressed by each of the respondents, Interviewee 3 noted that profitability is the priority:

“That strategy was based on penetrating the pharmaceutical, the medical device and the biopharmaceutical sub-segment. And based on the fact that those sub-segments were very profitable from an ABC business perspective, and they are all forecasted to grow from a volume perspective at a very, very fast rate.” (Int.3)
Additionally, the current status of the healthcare supply chain, which requires urgent modernisation, opens the door to companies that are able to innovate and provide the most advanced solutions:

“It’s also that the healthcare industry needed the most help in the supply chain. The supply chain within the healthcare is very, very dated […] we felt we could get into this industry and it would be a win-win” (Int.3)

The healthcare industry is also unique, in that it can be sliced in several sub-segments, e.g., pharma, biopharma etc., each of them requiring different solutions and offering alternative returns. In addition, Interviewee 2 noted that:

“It’s an industry that suits the core values of ABC. So, it’s driven by quality and compliance, that’s the most important one. Secondary, it is an industry more profitable than others. The third is the stability of the market, so it’s less susceptible for crisis.”  (Int.2)

Therefore, suitability to core values and market stability contribute to make the healthcare sector a potential gold mine. Clearly, profitability still remains the major factor of attraction. As opposed to other industries, healthcare is less consolidated and this provides opportunity for logistic companies:

“There is also a trend amongst these large pharma companies to outsource, I mean, a lot of them still have their logistics in house and they are speeding the process of outsourcing. In some other industries, like in the electronics, the outsourcing is almost complete but in the pharma industry there is still a lot of outsourcing happening there, and they are also looking for consolidation, they are also looking to become smarter in the way they operate; and therefore they look for global partners and this is of course where ABC clearly would fit in better than some local companies, some local
companies that only have the footprint in a specific country, so it’s an opportunity that is out there.” (Int.1)

The analysis of the findings depicts the healthcare industry as a sector in urgent need of restructuring for different reasons. On one hand, the unstoppable growth of complexity, mainly technological and regulatory, that puts companies under pressure. On the other hand, the presence of an outdated supply chain and inefficient distribution channels not adequate to handle the impending needs and emerging issues. Along with this, healthcare companies are plagued by costs rising at alarming rates. This, for the logistics industry, translates in a world of opportunities that observant managers have not failed to notice. These observations match and confirm the well-known image of a sector that has been used, for long time, to large margins, but that now is in trouble and demands innovation (Nachtmann & Pohl, 2009). High quality is expected by all the players involved, and the challenges to radically transform the healthcare supply chain are many. But challenges are nothing more than opportunities not acted upon, and therefore they need to be exploited by logistic firms.

Obviously, every company has its own challenges. The three respondents admit that ABC needs to establish a firm footprint and a solid reputation in order to increase its market share. Interestingly, internal challenges seem to be more daunting. Red tape and project priority are mentioned as short-term and long-term challenges to overcome.

To conclude, the future scenario sees a significant interplay between healthcare and logistic firms, with business opportunities that are valuable for everyone. But there are obstacles to conquer. As all of the three respondents agree, the way to face those challenges and pass them over is by playing the company strengths. There is no need to reinvent the wheel, but talent and creativity, either internally developed or externally acquired, are the keys to unlock the future of the healthcare industry.
4.3 Secondary Research

As explained in the previous chapter, the author has analysed a set of secondary data, prior to the collection of primary data, in order to gather a comprehensive view of the current status of the topics, understand all the relevant issues, and identify existing gaps in literature. As reported in Chapter 2, there is a copious amount of research focusing on M&A and analysing the problem from many distinct perspectives, although no agreement on universally accepted theory exists. Conversely, since it is a relatively new phenomenon, there are not specific studies or detailed information on the growth strategy or business relationship between logistics and healthcare industry. In this context, the author has chosen to adopt a set of secondary sources as a direct comparison against her primary data, and to use them to triangulate her observations and conclusions. An exhaustive list of the secondary sources is reported in Appendix C.

First, a publicly available 2013 international survey was examined in order to review the current situation and trends in the healthcare logistics industry. The survey polled senior executives at 250 pharmaceutical, biotech, and medical device manufacturers in the United States, Europe, and Asia, targeting the concerns of healthcare manufacturers.

According to the survey, increasing regulation represents the major source of pain for healthcare logistics executives in all the three major geographical areas, i.e., North America (54%), Western Europe (39%), and Asia-Pacific (52%), closely followed by changes in healthcare legislation or procedures. Regulatory compliance tops the list of supply chain issues in 2013, followed by product security and cost management. Furthermore, half of the executives in Western Europe admits they are still feeling the impact of the economic downturn. These data provide support and confirm the observations originating from the analysis of the primary data where regulatory challenges have emerged as the main issue
plaguing healthcare companies, and putting them in desperate need of help from reliable third-party logistic (3PL) providers. Besides, the fact that many companies still feel the burden of the crisis prevents them from looking ahead with increased optimism, and therefore invest more. They actually feel the necessity to adopt a more cautious behaviour, and this confirms the prudent attitude emerged in the interviews in relation to the engagement in M&A deals.

Moreover, the report shows that, in the near future, healthcare executives will invest significantly in new distribution models as a strategy of growth and efficiency increase (from 53% now to 70% over the next five years). Markedly, this means that healthcare managers will look for valuable logistics partner and therefore that there will be an increase in business opportunities for 3PL providers. Again, this is a major point observed in the analysis of primary data.

In addition to the survey, a set of interviews with executives working for logistics companies of different sizes was used as secondary data. The interviews are available online and focus on the cooperation between logistics and healthcare industries, highlighting challenges and opportunities.

Secondary data confirmed the increasing complexity of the healthcare industry and identified this as a cause of pressure for the supply chain of the pharma sector, but also as a source of revenue and opportunities for the logistic companies. In particular, consistently with the analysis of primary data, it appears that the outsourcing of the healthcare industry, although lagging behind compared to other industries, is picking up the pace quickly. Pharmaceutical manufacturers that before would not consider outsourcing, are now increasingly using 3PL as this allows them to save money compared to internal development. With the evolution of high-demanding products and the expansion into new geographies, pharma companies are realising that they may not be as knowledgeable in the transport infrastructure, import/export
requirements, regulations and compliance, etc. This is where logistic partners can step up and help simplify the supply chain, providing network solutions, different types of transport options, and strong technological innovation, especially in the temperature control and cold chain logistics. As a result, the logistic companies must become an extension of the healthcare company supply chain. Looking at the full costs of the supply chain, outsourcing seems now the way forward.

Secondary data also confirmed how the continuously changing regulatory environment represents a major concern. Different countries have different customer clearance. It is crucial for logistics firms to understand the uniqueness of the healthcare products and organise standard operating procedures to expedite the process. There is not margin of error: the products often have to be delivered to the right place, at the right time, in the right conditions. Being delayed in custom with a life-saving drug can have catastrophic results on the health, or life, of some individuals.

Furthermore, emerging markets are seen as a challenge and an opportunity. Here, the data have confirmed the necessity to provide a customised service and, for instance, avoid imposing Western European views in Eastern European countries. With all due considerations, primary data suggested that M&A seems the right way to penetrate markets when there is little knowledge. Secondary data stressed the need to work with low partner with local presence as they have a better knowledge of what can and what cannot be done.

During the discussions and analysis of primary data, it also emerged clearly how logistic companies need to step up to meet the challenges of the healthcare industry, but also how this could lead to a win-win situation where everyone is happy. This fits well with the case of the collaboration between TNT and UK NHS emerging from secondary data. Companies like TNT work successfully with the NHS using innovative systems that allow to deliver products
where needed and on time, with the security of advanced “track & trace” delivery services. The efficiency of the service really creates a win-win situation, since the NHS is able to save substantial money that can be reinvested in patient care, a critical point in times of heavy budget cuts.

In the end, in line with the primary data, it results that the offer of customised and specialised services, along with the acquisition of valid talent and expertise, appear as the main elements for the future success and profitability of the healthcare logistics industry.
Chapter 5. Conclusions

5.1 Introduction

In the previous chapter a detailed discussion and analysis of the findings has been presented. To address the research questions, the results and author’s conclusions have been thoroughly reported in the light of current knowledge and linked directly to the work of other researchers. According to Saunders, the conclusion chapter should be a conclusion to the whole project (Saunders, et al., 2009). Here, the research findings and conclusions can be summarised, providing some hints on future work (Burnard, 2004). Thus, the analysis and observations presented in the previous section will be here condensed to draw coherent conclusions about the research objectives and recommend further research work. To facilitate the reading, the chapter will be divided in separate sections according to the research questions. The scope of this study was to provide an insightful view of corporative strategy, and in particular of inorganic growth strategy, through the examination of an exemplary case study pertinent to the logistics and healthcare industries.
Chapter 5. Conclusions

It has been highlighted in the previous chapters that there is a central enigma in the study of M&As, namely the paradox of managers who continue to engage in M&A activity despite the percentage of failure appears to be dramatically high (Angwin, 2007). This puzzling anomaly has not been solved or obtained univocal response from the academic community. Within this ambiguous scenario, the present research work wants to provide a distinctive point of view and offer a valuable contribution to further expand the knowledge of the subject. Besides, the objective of this research includes also an analysis of the thriving business alliance between logistics and healthcare industry, and how they can help each other to develop a higher quality service.

5.2 RQ1. M&A and Growth Strategy

The question raises as a result of the failure to resolve the M&A paradox, and aims to investigate what motivates managers to adopt a determined strategy, either inorganic or organic, instead of another (Angwin, 2007). In the case study under investigation, there seem to be two main key drivers that push the company to choose M&A: the absence on the market and the acquisition of external skills and competences. The former, in particular, is critical to push the management towards a specific direction. The lack of market presence, in fact, forces the company to adopt a strategy able to facilitate a quick market entry and promptly establish a footprint, which are crucial elements to catch up with competitors ahead. As reported by Gaughan, sometimes internal growth is not an acceptable alternative; if a company has a short-timed window of opportunity, slow internal growth is not a viable option since, while the company grows slowly organically, competitors may take away market shares (Gaughan, 2011). In these cases, the only solution is to acquire another company that has the resources already in place.
Chapter 5. Conclusions

M&A also guarantees the acquisition of talent and expertise, otherwise not available to the company, and ensures that it is obtained quickly. In this context, the entry in unknown markets, the resources complementarity, the acquisition of external competences are all elements that indicate the intention to achieve a synergetic effect. More accurately, the study reveals the search for a specific “operational synergy”; this configures ABC as a strategic buyer, since M&A becomes now functional to accomplish a certain strategy more than to achieve financial results. This is in agreement with what reported in literature, as synergetic effects seem to be chased after frequently by logistic companies, and operational synergy is often identified as the main target (Wu & Cheng, 2006).

The discussions has also highlighted how the choice is made only after a thorough process of due diligence, where all the possible risks associated to the target company are assessed, including its revenue streams, compliance, size etc. In particular, culture clash is identified as a very dangerous threat which might determine the failure of the merger. It is stressed the importance to select proper target companies weighing not only financial assets but also their capability to be a good cultural fit for the acquiring firm (Cartwright & Cooper, 1993). Interestingly, the study has highlighted that there is not “a priori” preference for either organic or inorganic growth methods. The main concern is growing the business, regardless of the specific strategy chosen. Owing to the fragmentation of the European market, both approaches can be equally valid depending on the market. Therefore, before engaging on any type of activity, an attentive analysis of each geographical region is required. Some places, because of their complexity, dictate an inorganic approach and M&A is then favoured. Some others might instead leave a choice and then organic growth becomes a valid alternative, assuming it satisfies the overall corporate strategy at that particular moment. Obviously, the two approaches carry different risks, namely financial for M&As and execution-related for bottom-up growth. In general, there is not clear agreement on what strategy presents fewer
Chapter 5. Conclusions

risks. On one hand, organic growth is usually considered a lower-risk option than external growth since the increase in capacity remains fully under the control of the management and all the risks coming from dealing with other companies are avoided (Campbell, et al., 2002). On the other hand, Gaughan suggests that inorganic growth can be a lower risk option depending on the circumstances, i.e., expansion to different geographic regions (Gaughan, 2011). The findings of this study therefore agree with what is reported in literature, where a strong dependence of the strategy choice on the circumstances and risks is widely recognised. Besides, the prudent attitude emerging from the interviews seems to be in line with the industrial trends in logistics that show a slowdown in the number of M&A transactions (Szakonyi, 2014).

In conclusion, this work does not mean to solve the M&A paradox, but the implications of this study are useful to shed some light on this issue. Providing the perspectives of experts and insiders, meaningful insights have arisen. It stands out that financial performance is not necessarily the goal, as the fulfilment of a strategic synergy may be more important, especially for the long-term prospect. The advantages of M&As are evident as much as the risks are daunting. However, when the risks are taken into the equation and rated low enough, M&A becomes an extraordinary method to establish a footprint and develop leadership. It brings power, returns, synergy, leadership, and it does it quickly. Here is why, according to this study, M&A is still a chosen growth strategy.

5.3 RQ2. M&A value

Whether M&A creates or destroy value is a source of controversy and an unsolved dilemma. And when it does, is that shareholder value or stakeholder value? Most of the literature focusing on the validity of M&A concentrates on the financial performance as a main
Chapter 5. Conclusions

parameter to judge its worthiness and efficacy. However, there are other types of value that can be created through M&A and help maximise the overall value of the firm in the long term. The case study shows that ABC is a strategic buyer and, although financial performance and shareholder happiness are important, the company is focused on establishing a market footprint and develop long term benefits as well. The M&As are showing good profits with valuable returns for the shareholders, but significant attention is also devoted to create value for the customers. They, as emerge from the discussion, are the main relevant stakeholder, making of ABC a customer-oriented company. It results, therefore, that M&As do create short-term shareholders value as well as more long-term stakeholders value, at least for those companies that act as a strategic buyer with a long term plan and appropriate strategy. It is important to understand that shareholder and stakeholder orientation are not mutually exclusive. This conclusions supports the findings reported by Schwenker and Bötzel, according to which the opposite is actually true: companies focusing on sustained increasing of value serve both the interest of shareholders and stakeholders (Schwenker & Bötzel, 2007). The idea of reconciling the attempt to increase long-term value with the immediate interest of shareholders seems to be a typical European approach (Schwenker & Bötzel, 2007). Besides, financial returns do not represent the whole picture. As seen before, there could be hidden benefits that make the transaction valuable; for instance, it could be a move made to anticipate the competitors in order to reduce their market power: a famous defensive M&A is what led Facebook to acquire Instagram in 2012 (Cyran, 2012).

The results of this study implicate that M&As are therefore capable to create value, both short and long-term. This conclusion reinforce their position in literature and supports their validity as a useful growth strategy. The paradox might still be unsolved, but these outcomes add an objective contribution to the building of knowledge on this subject, providing an explanation of the reasons why M&As are still so appealing for managers.
5.4 RQ3. The uniqueness of the healthcare industry

The importance of the strategic integration of services between healthcare and logistic is quite clear, and has been addressed for some time from different perspectives (Landry & Philippe, 2004). The healthcare industry is unique in that it is driven by a constant technological and scientific progress that leads to manufacture advanced complex products. New drugs and devices require specific care in treatment, storage, and distribution. Additionally, they are also subject to strict regulation to preserve their quality during distribution (HPRA, 2011) (McGee, 2014). This represents a serious issue as the health and safety of patients are at stake. Recent surveys highlight how the supply chain has a direct critical impact on patient safety and therefore impending social responsibility (AHRMM, 2014).

The findings of this study clearly show how the scientific progress puts pharma companies under consistent pressure, confirming the known image of an industry concerned about cost control (InboundLog, 2010). Adequate technological solutions for the products and compliance with strict regulations are the issues. In particular, it stands out the struggle to navigate through the jungle of regulatory legislations. In this scenario, pharmaceutical companies require the support of logistic firms, whose job is to help them conduct their business in the easiest way possible. According to this study, this can be done by providing and building an extended and well organised warehouse and transportation network within the EU, and possibly globally, and by making use of internal strengths, such as compliance and knowledge of regulations, to facilitate a smooth transition through such a difficult times. It is recommended that logistic firms start adopting these measures and understand the real needs of the pharma sector, as this is a key relationship to sustain and nurture for business and social reasons.
5.5 RQ4. A business opportunity

The discussions highlighted clearly how the healthcare sector represents an opportunity for logistics companies. It stood out that this is a high-profitability sector—also due to the presence of several sub-segments such as biopharma, devices, etc.—and that it can even be more profitable for those companies that are able to provide advanced solutions for the most complex issues. Market stability and the fact of being a compliance driven industry are the main motives that make it at the same time lucrative and compatible with the philosophy of logistic companies. The observations confirm the popular image of a sector plagued by margin shrinkage, burdened by a dated supply chain, and in the process of completing an external outsourcing which is still trailing behind when compared with other industries (GHX, 2011). It is the picture of a sector in urgent need of restructuring and it is recommended that logistic firms step up and offer adequate services in order to exploit this business opportunity. Making more investments is a way to go, by developing, for instance, temperature-control containers, advanced tracking systems, or important custom and legislative knowledge, so to provide those state-of-the-art solutions that are desperately needed by the healthcare industry.

5.6 Further Research

In Chapter 3 the author has explained extensively the research design underpinning the present research work. The philosophical approach chosen is of interpretivist type and as such the results and conclusions of this thesis reflect a personal interpretation and do not aim to offer a definitive answer to the M&A paradox, so much as to provide a meaningful perspective based on a case study of general interest. This is reflected also by the qualitative
approach and small sampling that do not allow for statistical generalisation but provide in-depth analysis.

This study has provided an interesting insights from the perspective of executives who are actively engaged in M&A in the healthcare industry. The implications were explained in the previous sections and offered a contribution to expand the current knowledge on a highly debated topic that will be likely to remain without shared agreement for a long time. The author is confident that the results reflect well the issues and address the research objectives, but is also aware that the research can be further extended and improved.

For instance, a larger number of executives could be interviewed, and more companies of different sizes could be involved to have a more complete picture of the issues from different perspectives. The current results may constitute an optimal beginning to extend the research to quantitative methods, gathering data through questionnaires sent to a considerably high number of logistic managers involved in healthcare. For a thorough analysis, a multi-method could be, for instance, adopted, gathering both qualitative and quantitative data and comparing the results.

Given the quick evolution of the healthcare sector, it will be of interest repeating the experiment after a given period, in order to identify the changes in business needs and challenges. The different scenario would be also able to provide different information on the strategic choice, as they are, as seen in this work, tightly bound to the specificity of the local markets.

The relation between logistics and healthcare is destined to expand, as the scientific and medical progress moves forward. It is something that has relevance not only from a business point of view, but it also affects society and health as a whole, reflecting on the evolution of social phenomena. As a result, and also due to the current knowledge gaps in this matter, the
Chapter 5. Conclusions

author believes that this topics will increasingly attract the interest of the research community.
Chapter 6. Reflection on learning and skills development

6.1 Introduction

In this chapter the author provides a self-reflection of the learning process developing from the MBA program. In the first section an overview of the theoretical framework of the learning process and styles will be laid out. The author will then delineate a reflection on the challenges and issues she came across, and an account of what type of skills have been developed or improved, what has been learnt, and what potential impact the learning will have on personal growth and professional advancement.
6.2 Theory of Learning

6.2.1 The learning cycle

The most widely known and accepted learning theory is the Experiential Learning Theory (ELT) (Kolb, 1984). The theory is called experiential to emphasize the central role of experience in the educational mechanism:

“Learning is the process whereby knowledge is created through the transformation of experience” (Kolb, 1984).

Knowledge is seen as the product of a transformation process that is continuously created and recreated, instead of being an independent entity to be acquired or transmitted. The central frame of the ELT is the Kolb’s learning cycle. The cycle (Fig. 6.1) is divided in four stages and advocates that the learning process is cyclic, endless, and achieved only if the individuals complete the steps, constantly challenging their knowledge. In the first stage the learner is subject to immediate, or concrete, physical and mental experiences, which constitute the basis for the observations and reflections done in stage 2. The reflections and observations assimilated in stage 2 are then interpreted and distilled into abstract concepts during stage 3. Finally, in the last stage, the learner applies what has been learnt so far and is led to create new experiences (stage 4).

6.2.2 Learning Styles

Academic researchers emphasize that different learning styles exist as people learn in different ways depending on their own preferences and nature. According to Honey and Mumford, four dependent learning types can be defined consistently with the four stages of the Kolb’s learning cycle: Reflectors, who examine issues from different perspectives;
Theorists, who adapt observations to logical theories; Pragmatists, who test the feasibility of ideas; Activists, who learn by experience (Honey & Mumford, 1992).

Identifying the learning style increases the learning experience for each individual. The awareness of the strengths and weaknesses associated to each style is beneficial and enhance the learning results, enabling a more thorough perspective when performing a self-reflection on the learning developed during the MBA program and dissertation process.

Honey and Mumford developed a Learning Style Questionnaire (LSQ) that helps identify and understand one’s own learning style, so it can be applied on daily activities and experiences. Knowing the strengths and weakness of the style helps maximise the learning outcome.
In order to find out her learning style and benefit from this knowledge, the author completed the test, and the outcome delineated a Reflector style with significant traits of Theorist style. In short, Reflectors are cautious and thoughtful people who like to observe experiences from different angles, considering all the possible implications before drawing any conclusion. Theorists are analytical people who adopt rational objectivity rather than anything subjective, and tend to adapt observations into logically sound theories (Honey & Mumford, 1992).

Indeed, the author recognises herself as a Reflector/Theorist, as she always feels the need to analytically break down experiences, and also tends to disapprove subjective and ambiguous conclusions. When confronted with decisions, she likes to consider all the options and implications before acting, in order to avoid mistakes. Consequently, the author applied the same attitude to the research work, as she wanted to understand, as thoroughly as possible, the subject of M&A before drawing conclusions from the data, so to deliver an accurate and reliable study. Additionally, the Theorist trait emerged in that the author paid considerable attention to the current theories, and tried to analyse the data in relation to them, so to equip her conclusions with a valid logical framework. Unfortunately, there are also disadvantages associated to each of the learning personalities. The biggest threat associated to a Reflector style is the poor time management that can derive by overthinking options and trying to organise everything. This can become a limit, especially when time constraints are tight, as in the case of a thesis submission deadline. This issue and the skill learnt through it will be addressed in the next sections.
6.2.3 Reflective Process

Reflective practice is an important mechanism through which individuals learn from their own experiences, rather than from formal teaching. One of the most popular model for reflection is the Gibbs’ cycle based on six consecutive stages and shown in Fig. 6.2 (Gibbs, 1988). The self-reflections presented in the next sections have been carried out by following Gibbs’ approach.

![Gibbs' model of reflection.](image)

6.3 Reflection on MBA program

6.3.1 Challenges, Competences, and Skills

The MBA program has exposed the author to a set of new challenges that have contributed greatly to expand her knowledge and improve her competences.
First of all, it is worth noting that the author had to get acquainted with a new educational system where there is a significant interaction between teacher and student, and where students’ progress is often assessed through assignments to be completed at home.

In terms of research work, the author has already an MSc, and experience in scientific research, literature review, and thesis writing; thus, although the subject under investigation was new and unknown, she was already aware of the concepts underlining a research study and the attitude required. In this respect, it can be said that navigating through academic papers and analysing them was not the challenging part of the project. Besides, her scientific background equips her with analytical skills; she is also used to heavy theoretical framework and critical thinking. Having said that, approaching completely new subjects, learning about organisational structures of businesses, acquiring knowledge on corporate strategies, etc., has been really illuminating and provided the author with a broad view and a consistent amount of expertise. The toughest challenge has been the necessity to adapt to a completely different research approach, where methodologies and their categorisation assume a central role. As mentioned before, the author has a strong Reflector and Theorist style and, owing to her pure science background, she is very oriented toward logic and rational objectivity. This resulted in the author struggling with the subjectivity and ambiguousness of social science, as she found challenging to assume its perspectives in regard to the concept of knowledge and the value of qualitative research, which differ significantly from pure sciences. However, the whole process has been enlightening and it has definitely had a positive effect on the way the author now approaches knowledge and research. The process was facilitated by the research skills course which introduced the author to new concepts of research methodologies, philosophies, and strategies, highlighting the drawbacks of the research process.

Furthermore, the author had no experience with collection of qualitative data, and had therefore to document and develop some background knowledge before engaging in the
interviews. Through this process, the author has had the chance to learn how to carry out an interview and deal with people as source of data and information. The primary research process and the data collection were, on the whole, a positive experience and an excellent way to improve this skillset. Besides, the examination of the discussions added other valuable skills concerning thematic analysis and coding.

In terms of core technical knowledge, the author finds that the modules, lectures, and coursework have provided a valuable fundamental know-how of subjects that were previously unknown to her. Through extensive study of key issues she had the opportunity to build expertise in business theories, global business management, globalisation, as well as tools to understand how organisations are managed in an ever changing world. She was particular interested in the financial and strategic side of corporations, and the finance stream addressed many relevant topics, such as international banking, financial theory and markets, etc. The assessments, at times challenging, heavily contributed to the construction of this expertise, and provided collateral skills that will be discussed in the next section.

Although the “research skills” module was only held in the fourth semester, the author started thinking about a research topic since the first months. Fortunately, she has been able to carry out a research work on a subject she was very interested in, and that fits with her career plans.

### 6.3.2 Reflection on soft skills

#### 6.3.2.1 Team working

During the course of the MBA program, the author has had the chance to improve notably her team working skills. Over four semesters, students were asked to work in small groups of three to four people on compulsory assignment regarding different subjects. The author worked in distinct groups with people having different cultural and professional backgrounds, but all carrying the same final deliverable, i.e., presentations or essays. Sharing the same goal
contributed to develop team working skills, and the capacity of the author to work effectively as a member of the group. She has now an improved attitude and understands better that a team worker is able to channel the group’s efforts to a positive outcome, by allowing all the group members to contribute effectively, and diplomatically reducing friction. This type of skills will be valuable for the author in order to manage and efficiently guide a team in her professional career.

**6.3.2.2 Communication Skills**

Furthermore, the MBA program has helped the author to improve her communication skills. The constant teamwork has forced the author to cooperate with other members for a common goal and to overcome all the barriers, resulting in a refinement of her communication and diplomatic skills.

**6.3.2.3 Leadership**

The MBA has also improved the leadership skills of the author. In several team-work occasions, the author has acted as the point of reference, and utilized leadership skills to ensure that all contributions to the work would be completed in time and up to the standards.

**6.3.2.4 Networking**

Since the beginning, the MBA program offered significant networking opportunities. Especially, it made recognise the author the importance of developing a wide professional network and the value of working on that every day. The networking did not stop at the MBA, as she continues the efforts on a regular basis.

**6.3.2.5 Time Management**

Another additional improvement is the capacity to schedule and organise the time. The MBA program can be very intensive, especially if carried out while working full time. Sometimes, it has felt overwhelming to match regular coursework with work and private life. As a
Chapter 6. Reflection on learning and skills development

Reflector, the author tends to be very organised by nature, and therefore planned her work according to a set schedule to which she tried to adhere as much as possible. A Gantt chart was used to keep track of the work (Saunders, et al., 2009). Through this, the author was able to keep on track and finish on time. Although considerably hard, the pressure and the deadlines have provided the author with more advanced skills to manage the time wisely and carefully organize the responsibilities.

6.4 Future application

Learning is different from acquiring knowledge as it is a continuous process, and not a once-off operation performed on a passive recipient (Cameron, 2008). The author will benefit greatly from the skills and competences acquired during the MBA, both in her professional career and personal life, but more will come from the continuous nurturing of those competencies.

First, the acquired knowledge will constitute the fundaments to build her career. She is interested in corporate strategy and financial management, and will use this knowledge to plan a precise career path. Now that she has a solid background and theoretical understanding, she intends to expand this knowledge by delving deeper into the subjects, continuing to read more articles, theoretical papers, and technical books on corporate strategy. This is an objective aimed to improve her professional skills.

Time management, networking, and communication skills will facilitate this endeavour, and help her to structure the career to maximise the work-life balance in her professional future.
6.5 Conclusion

In the end, the author feels that there has been a right and productive balance in developing technical expertise and soft skills, and that these competences will help her advance in her professional career post-MBA. The program has given the author a set of skills that are vital in current professional environment. She had the opportunity to improve her teamwork, time management, and project management skills, alongside with enhancing skills at researching and academic writing. The MBA has represented a great experience of great value at both professional and personal level.

It has been a challenging experience demanding commitment and perseverance but it was worth it, as it delivered skills, otherwise difficult to acquire, that will be useful to her in future professional endeavours.


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[Accessed 3 July 2014].


Appendix A. List of Questions.

1. Can you please tell us about your background in the company?

2. Can you please tell what kind of expertise do you have in strategy and what professional roles in your career helped you develop it?

3. ABC Ltd seems to have growing interest for the healthcare industry and its supply chain issues, as the 2013 “Pain in the chain” survey highlights. In this context, what type of growth strategy has ABC Ltd adopted in Europe?

4. On what basis is that considered more effective than any other method of growth in the current business scenario?

5. M&A are usually driven by a set of key drivers (e.g., financial, strategic, environmental, ambition, regulatory etc.). Can you describe what specific key drivers led a Freight and Logistic (F&L) company such as ABC Ltd to consider this risky strategy (M&A) as profitable?

6. What type of value has this approach created? Has this benefitted shareholders only or has the company considered a long term prospectus that brings value to any other stakeholder?

7. Being M&A a very risky strategy, which often ends up in failure; can you clarify what kind of risk assessment did the company perform, what factors were identified as the most likely to cause a failure, and how were they fought against?

8. Can you tell me three main factors that led ABC Ltd to invest in creating a business relationship with the healthcare industry?

9. Healthcare industry is unique in terms of increasing complexity and new supply chain management issues. How has the constant technological development and the continuous evolvement of the regulatory conditions affected your strategy?

10. What ABC Ltd can offer to help the healthcare industry overcome the current challenges and eventually thrive?
11. Was ABC Ltd a first mover in the healthcare logistic market with respect to its direct competitors? Can you provide some examples?

12. How is ABC Ltd currently positioned in terms of market share, with respect to its main competitors, in the healthcare logistic market?

13. How do you go about preserving/increasing your market share against your competitors?

14. What margins of growth have you identified for the European healthcare logistic market? How does this represent a great business opportunity?

15. What are the biggest challenges for the short and long term?

16. How are you planning to further expand the healthcare business?
Appendix B. Email communication exchange with participants.

My name is Simona Madeddu and I am writing in relation to the phone interview mentioned to you. I am available Thursday 10/07 and Friday 11/07 all day, just let me know what time suits you best. I was also hoping you could introduce me to so I can interview them as well and collect the necessary data.

My interest focuses on M&A as inorganic growth strategy and particularly on the recent M&A activities that ABC has carried out within the European healthcare industry. My MBA dissertation focuses on examining a specific case study regarding the ABC Ltd acquisition of logistic companies specialised in distribution of healthcare products, and analysing the strategy that leads the company to increase its presence in new emerging markets. The present research intends to provide an interesting evaluation of the factors that still lead companies and corporation to pursue a risky strategy such as an M&A and choose that over other safer methods, despite the overall general experience that academic research highlights.

The research will have a qualitative and exploratory nature and as such will make use of interviews to collect the informative data.

I understand it is essential to respect the confidentiality in which some of the supplied information may have been disclosed to me for the purpose of the research. At any time any effort to achieve anonymity will be pursued so to prevent any identification of the organisation and/or the individuals concerned.

Thanks

Regards

Simona Madeddu
Appendix C. Sources of secondary data used for triangulation.

**TNT and NHS.**

*Interview*

Available at:  
http://healthcarenews.itn.co.uk/Primary%20Care/199/logistics-firm-tnt-post-is-helping-the-nhs-save-time-and-money-through-their-bespoke-postal-service

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**Logipharma Europe**

*Interview*

Available at:  
http://www.youtube.com/watch?v=R-d9Xq210bc

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**DHL Executive Discusses Logistics for Life Sciences, Health Care**

*Interview*

Available at:  
http://www.youtube.com/watch?v=Gi_sr1cf0K4

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**UPS to Acquire European Healthcare Logistics Company**

*Interview*

Available at:  
http://www.youtube.com/watch?v=uMtCZ3Y5CWl

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**“Pain in the Chain” survey**

*Survey*

Available at:  
Appendix D. Research Project Cost Evaluation

Printing and binding costs: € 62
  Printing: € 50
  Binding: € 12

Phone calls cost: € 45

Total Research Project Cost: € 107