Research Topic: Impacts of Mergers & Acquisitions on Performance of Banking in Hong Kong

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Abstract

Purpose:

This research is primarily centred on examining the impact of mergers and acquisitions (M&A) on the business performance of the banking organisations in Hong Kong along with assessing the need for M&A strategies for businesses. In this relation, the study evaluates the current scenario regarding the adoption of M&A strategies in the banking sector of Hong Kong for analysing the impact of M&A strategies on the banking sector's performance.

Design/methodology/approach:

Mixed methods have been utilised for completing the study that indicates the inclusion of qualitative information, as well as quantitative data. Pragmatism philosophy is used in combination with exploratory design and deductive approach. The survey is carried out with the 50 Senior Employees of banking organisations of Hong Kong, and a semi-structured interview is conducted with six top-level management banking professionals of Hong Kong. Additionally, the pertinent case study of the acquisition of Wing Hang Bank Limited via Overseas Chinese Banking Corporation Limited is also integrated into the study. Statistical analysis is employed for examining the survey data while thematic analysis is used for interview data assessment.

Findings:

It has been found that use of M&A strategies in the banking sector positively influences operational efficiencies and economies of scale of banking organisations as aspects of cost reduction, competitiveness and financial performance exhibit positive outcomes post M&A. However, numerous challenges are encountered in the process of M&A that need to be managed adequately for ensuring positive outcomes on banking performance in Hong Kong.

Research implications:
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The research discusses successful M&A strategies and key considerations for successful M&A in the banking sector that can further be considered by business organisations for accelerating their growth and performance through mergers.

Limitations

The research consists of a survey, interview and secondary methods that consumed a substantial amount of time and resources. Therefore, time and cost are the main constraints in this study.

Keywords:

Banking, Hong Kong, M&A, performance
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Declaration

I hereby declare that the totality of the material which is included within this Masters dissertation is the end product of solely my own personal work and that no part of this has previously been submitted for assessment, in any form, to any other institution.

Due acknowledgment of all external sources and wording consulted throughout the completion of this research that is not of my own is included by means of a full list of references provided in the bibliography section of this paper.

Signed: Akshay Manoj Kumar

Date: 10/01/2019
Chapter 1: Introduction

1.1 Introduction

The advent of globalisation and trade liberalisation has provided increased opportunities for the expansion of business operations on an international scale. Business organisations have adopted different entry modes and expansion strategies to strategically use the available resources for the expansion of business operations. One such strategic strategy is the Merger and Acquisition (M&A) business expansions strategy. In the views of Genberg and Hui (2008) both merger and acquisition are relatively two different terms or strategies for expanding businesses. On the one hand, Merger refers to the combination or collaboration of two companies to form a single company, on the other hand, Acquisition refers to the takeover of one company operations by another company. Merger and acquisition are proving powerful expansion strategies as business organisations create more value and enhance customer reach more easily in collaboration and acquisition than operating with already limited resources in individual stands.

In a similar context, in the banking industry M&A have proved significant importance to enhance the financial gains and reaching higher economies of scales. With the help of M&A, banking organisations are able to implement structural and organisational change that is required to meet the varying demands and needs of the customer. Improvement in the product offering and significant gain in the brand name are some of the strategic advantages provided by M&A in the banking industry. In the same way, Yiu (2017) explored that M&A activities in Hong Kong have increased at five times in the past 20 years as a result of international firms using Hong Kong as a platform to expand business operations in Asia. With the significant growth in the use of M&A expansion strategies in Hong Kong, the present research study mainly focuses on analysing the impact of M&A on the performance of the banking industry in Hong Kong.
1.2 Research Background

Various studies have been conducted in the past on the global expansion of business organisations utilising different entry modes for expansion of business operations. One such study explored that Chinese firms were strategically focusing on cross-border merger and acquisition strategies to address the issues and challenges associated with sustaing a competitive position in the international markets. The study explored that resource-driven model and motivation was the main idea behind the comprehensive integration of merger and acquisition strategy in the business operations. The findings of the study depicted that although merger and acquisition have proved significant importance in gaining access to increased resources, the expansion strategy is affecting the Chinese unique organisational environment (Deng, 2009).

Another study conducted by Wang et al., (2012) has focused on the importance of M&A strategies in respect to the growing internationalisation of the business firms and asserted that M&A help business organisations to exploit valuable resources that include technological capabilities, knowledge, and brand name that help in deploying multiple resources in the targeted markets and assist in achieving higher economies of scale. Furthermore, Yiu (2017) analysed that the value of business deals related to merger and acquisition involving Hong Kong business organisations have achieved an increased growth of 387 percent from US$31.06 billion in the year 1997 to US$151.59 billion in the year 2016 (Yiu, 2017). Furthermore, according to The Statistics Portal, the number of acquisitions and merger deals in Asia form 3rd quarter 2015 to 3rd quarter 2017 in Hong Kong has raised from 896 in the year 2015 to 983 in the year 2017 (Statista.com, 2018).

In this way, there have been significant ongoing debates and arguments on the increase in merger and acquisition activities for the expansion of business in Hong Kong. However, literary
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gaps exist as fewer research works are being conducted to analyse the impact that merger and acquisition have on the performance of the banking business in Hong Kong. With the growing number of merger and acquisition of businesses in the banking sector in Hong Kong, the present research subject area not only interesting but also has the wider scope for further exploration and analysis of the impact that merger and acquisition have on the banking industry performances. Thus the present research significantly helps in adding more theoretical and practical concepts to the merger and further analyse M&A impact on the banking industry in Hong Kong.

1.3 Research Aim

The main aim of this research work is to examine the impact of merger and acquisition on the performance of banking in Hong Kong. The M&A is an effective strategy for enhancing the overall organisational performance in the market. Different business organisations are adopting this strategy in the current market in order to enrich their productivity and for gaining competitive advantage in the market. In order to address this research aim, subject-related research objectives are developed that are presented underneath:

Research Objectives

- Examining the need for M&A strategies for the business organization's to improve their business performance in the international market
- Evaluating the adoption of M&A strategies in the banking sector of Hong Kong
- Determining the impact of M&A strategies on the business performance of banking organizations
- Determining the impact of M&A on the business performance of banking organizations in Hong Kong
1.4 Research Question

The research question for the present research work is framed as, "What are the impacts of merger and acquisition strategies on performance of banking industry in Hong Kong?"

1.5 Research Significance

The purpose of this research work is to evaluate the impact of M&A on the performance of banking in Hong Kong. This research study will highly focused on exhibiting the detailed information about the research context. The concept of M&A will be explored in an in-depth manner in order to enable the readers and future researchers to have a better comprehension of the research topic. Merger and acquisition is an effective process in which merger refers when two different organisation combine in order to become one single entity; whereas, the acquisition processes in which a single organisation takeover another organisation (Brueller, Carmeli and Markman, 2018). In this context, the major reason behind developing this research is to provide in-depth information about the major impact of merger and acquisition on the performance of the organisation with a specific context to the banking of Hong Kong. In addition to this, this research will develop a strong and appropriate theoretical and practical base by exploring varied concepts and theories and acquiring reliable information for this research. It has been observed that there are limited studied are developed with respect to the research context and some existing studies are lacking in exhibiting the detailed information about the context. In this relation, this research will also focus on bridging the existing research gap by presenting the more detailed, valid, and relevant information about the research context. Moreover, this research will also have an important contribution in the managerial field, as different organisations will come to know about the importance of M&A for enriching the organisational performance and for gaining competitive advantage in the contemporary business environment.
The future researchers and readers will also gain significant information from this research work about the significance of M&A in improving the organisational performance and productivity in the market.

1.6 Organisation of the Research

Chapter 1: Introduction

The introduction chapter is encompassing of detailed information about the research context, and it exhibits the relevant research background that incorporates the specific data about the topic of the research work. Furthermore, this chapter presents clear research aim and objectives in order to address the research subject appropriately. This chapter also exhibits the significance of exploring this subject and provide the major reason for developing this research work, and it also provides the complete detailed structure of the dissertation.

Chapter 2: Literature Review

Literature review is another important chapter of the researches that clear all the concept of the research work and provide detail information about the research topic. The literature review is developed with the alignment of the research aim and objectives that help in addressing the problem of the research work. In addition to this, the main focus of this chapter is to fill the gap which is present in the existing research studies. This chapter develops a strong theoretical base that helps in improving the authenticity and credibility of the research work.

Chapter 3: Research Methodology

This chapter also plays a significant role in the completion of the research work. In this chapter, relevant and useful data is collected with the implementation of different suitable methods and approaches. The information gathered in this chapter has a relationship with the
research context. In addition to this, the accumulated data in this chapter helps in presenting clear and credible results in the next chapter of research.

Chapter 4: Data Analysis, Findings, and Discussion

This chapter forms the essential part of the research work as it helps to transform the collected raw data into the meaningful and presentable form. In this chapter, appropriate data analysis method will be selected to analyse the research data better and obtain meaningful findings that are aligned to meet the key research aim and objectives. In addition to this, the chapter also includes a discussion section that mainly discusses the significant findings of the research.

Chapter 5: Conclusion and Recommendation

This chapter forms the last chapter in the research study and mainly provides details about the key results obtained from the data findings that too are aligned with the key research aim and objectives. In addition to this, the chapter also provides recommendations that are based on the overall findings of the research work. In addition, the chapter also discusses the directions for future research work.
Chapter 2: Literature Review

2.1 Introduction

Literature review forms significant importance in conducting the research work as it provides the necessary theoretical foundation to improve the researcher's understanding of the research topic to meet the research objectives effectively. In a similar context, Machi and McEvoy (2016) explored that literature review help in synthesising the key ideas, opinions, similar or different perceptions and arguments of the researchers and scholars. Thus, the review helps in evaluating the available literature in the selected research subject that, in turn, helps the researcher to develop a comprehensive understanding and knowledge related to the search subject. Galvan and Galvan (2017) explored that literature review can be referred as a summary of the key literature sources including journal articles, academic books, and other authentic documents that help in gathering information to fulfil the purpose of the research work. Gathering literary data and findings of the past literary works also help the researcher to identify the key literature gaps that the study intends to bridge (Galvan and Galvan, 2017).

Gaining an in-depth knowledge of the subject, the literature review also helps in developing a relevant body of knowledge that further help in establishing credibility and validity of the research work being performed. In a similar context, the present chapter mainly discusses and synthesises the key literary arguments of researchers' and scholars who have performed literary studies in relation to the selected research subject. Key literary themes were developed to better analyse the literary sources in relation to the selected research aim and objectives. The key literature themes include the strategic concept of M&A, exploring the need and significance of M&A in the business organisations, analysing the impact of M&A on the business performance in banking organisations and also in specific context to banking organisations in Hong Kong.
The chapter also provides a brief summary of the overall findings of the literary sources and the key literary gap identified.

2.2 Strategic Concept of M&A

In the views of Gaughan (2010), the concept of merger and acquisition is mainly considered as the significant area responsible for the corporate finances which deal with the purchasing and venturing of the existing companies with another company for improving the performance of the existing business. The merger and acquisition strategy has become a significant part concerning the integration and cultural change within the business organisation (Gaughan, 2010). From the study Dringoli (2016), it has been analysed that merger and acquisition are broadly classified as the two different processes which contribute to the growth and welfare of the business companies to grow in the global markets. In the merger process, the two different business companies tie their business operations by their existing business with the new innovative concepts and ideas leading to the formation of a new business (Dringoli, 2016). According to (Brueller, Carmeli and Markman, 2018), the companies that collaborate within themselves are found to be existing on a similar level of business in terms of infrastructure and business size which helps them to merge within their business. In contrast to this, the acquisition of the business is the effective process which enables one business company to buy another existing company which leads to the contribution in the formation of the parent company or any subsidiary. The smaller companies that are mainly involved in the completion of the merging and acquisition processes are called to be the target companies which are merged or help in the acquisition with the existing broad and large-scale companies. Both the merger and acquisition are focused on the improvement of profit rate and strength in the business of the dominant companies. The merger and acquisition highly contribute to maximising the shareholder wealth of the business companies. The merger process
of the companies is found to be a complicated process whereas the acquisition process is comparatively considered to be a less complicated process compared to the merger process (Brueller, Carmeli and Markman, 2018).

In the views of Baker and Kiymaz (2011), the effective integration of merger and acquisition within a business organisation is mainly categorised into 11 different steps which begin with the transaction initiation and finally ends up with the effective completion of the fair deal between the two companies. The merger and acquisition are further classified into the private and public processes which consist of seven private processes and four public processes. The primary step of the private process within the merger and acquisition process is the initiation of the deal within the two companies. The advisors for the business are then chosen for the effective selling processes. The further steps include confidential agreements, interest indications, private bidding and the agreement for the takeover of the business. The public process involves some additional steps in which the announcement of the merger agreement is performed. Another step includes the bidding of the public, deal approval and the effective completion of the deal. The merger and acquisition are observed to be an integral part of the strategical growth of the business companies (Baker and Kiymaz, 2011).

2.3 Need & Significance of M&A for business organisations

As per the study of Tamosiuniene and Duksaite (2009), the growth of business with the effective integration of merger and acquisition enables the companies to involve the skilled and quality staffs which contribute in the development of effective management system for the growth of business within the company. The merger and acquisition of the companies mainly focus on the development of shares and the profits of the business companies by boosting their existing business with the collaboration of another company (Tamosiuniene and Duksaite, 2009).
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From the perspective of Li, Qiu and Shen (2018) it is depicted that the merger and acquisition help in improving the production scale of the economy by increasing the share of the company in the market. In regard to the acquisition of new business capabilities the use of the distribution system for the performance growth of the company can be effectively expanded. The acquisition of the companies also leads to the increase of extension of product capability within the newly developed market (Li, Qiu and Shen, 2018).

In order to provide a detailed insight on the need and significance of M&A in contemporary banking organisations, Oloye and Osuma (2015) have conducted a detailed research and explained it with the help of sound theoretical postulations. In this relation, the literature has highlighted that as per the value increasing theory, mergers creates synergies between the target and the acquirer that in turn generate value to firms. A further and supportive point to the findings is claimed by the theory of efficiency that highlighted speed and economies of scale are the outcome of synergies that attained by firm with M&A.

According to the study of Cartwright and Cooper (2016), based on the activities of the business, the merger and acquisition are mainly categorised into four types which mainly includes vertical, concentric, horizontal and conglomerate. In regard to the vertical type of merger and acquisition, the two companies belonging to the same industry are combined together with the help of continuous processes which affects the performance growth of the company. The horizontal merger and acquisition help in combining the two similar companies within the same industry. In contrast to this, the conglomerate type of merger and acquisition includes the situation in which the acquired company is entirely different from the parent company. However, in the concentric mergers and acquisitions, the acquired company is found to be unknown to the parent company but are related to the business of the parent company (Cartwright and Cooper,
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2016). In a similar context, Gomes et al. (2017) the merger and acquisition has a huge significance on the local, as well as the global business of the organisation, leads to the generation of efficiency in the cost with the developed economies of the sale within the organisation. The major role of the merger and acquisition is also found in the improvement of companies’ revenue with the enhanced gain of the market share, and moreover, it also contributes in the generation of tax gains as a result of which the growth rate of the company is increased to an extent. The merger and acquisition have a wide impact on the introduction of new products in the local as well as the global market (Gomes et al., 2017).

With respect to the needs and significance of merger and acquisition, Marks and Mirvis (2011) have critically reviewed that different organisations are confronting the issue of increased competition by the Multinational Corporations (MNCs). Thus, in order to enhance the organisational performance, there is a high of adopting the strategy of merger and acquisition. With the adoption of the M&A strategy, the organisations can have better resources and innovative ideas to service better to the customers and develop an effective brand image in the related market. Through the merger, two organisations can join their business operations in order to enhance their business performance in a more enhanced manner. Merger and acquisition have a major significance in the improvement in the overall organisational performance, as it enables the organisations to perform efficiently in the contemporary business environment (Marks and Mirvis, 2011). In a similar context, Netter, Stegemoller and Wintoki (2011) adoption of merger and acquisition strategy is highly beneficial for the organisations in becoming a successful leader in the global market. Different organisations are focusing on the adoption of merger and acquisition for the purpose of enhancing their business capabilities and efficiency to increase the level of long-term business sustainability and profitability in the market. The merger of two
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different organisations is an integration of different skills, abilities, creativity, innovativeness, efficiency of employees and productivity. Thus, the merger is an effective process that helps an organisation to develop a good brand image in the market by providing effective products and services in the market. In addition to this, the acquisition is also an effective process that in which a strong and well-established organisation purchase most of the assets and share of another organisation for the purpose of taking full control over the operation of a targeted organisation (Netter, Stegemoller and Wintoki, 2011).

It has been critically analysed from the article presented by Johnson (2017), that there are some successful examples of mergers and acquisition; as, Amazon acquire the biggest organic grocery chain named as Whole Foods by paying around $13.7 billion, which is identified as a successful acquisition of all time. Furthermore, Google buys the assets of HTC Smartphone and the intention behind the purchase was to enrich the development of Google Pixel phones, which was also an example of a successful acquisition. In addition to this, the author also affirms that currently the leading mobile phone brand Apple purchase the Shazam in around 400 Million Dollars in order to improve the overall functionality of Apple Music. It has been critically analysed that acquisition is an effective strategy for the enhancement in the overall organisational performance and productivity, as it enables an acquiring organisation to bring some innovativeness in its products and services and attract more customers towards the organisational offering. The acquisition is also helpful in increasing the business size in the global and competitive business environment (Johnson, 2017).

2.4 Impact of M&A on the Business Performance of Banking Organisations

According to Hannan and Pilloff (2009) merger and acquisitions strategy help banking organisations to scale up the profits and revenues and gain a larger number of customers in the
targeted markets. M&A help banks to gain access to increased capitals, and the banking operations get enhanced with the increased money lending and investment opportunities. In addition to this, the literary findings helped in asserting that banking organisations involved in the process of M&A significantly improves the banking infrastructure and acquire skilled and dedicated employee base and strategies that help in increasing compliance, risk management strategies, and improve the operational performance with minimising institutional risks (Hannan and Pilloy, 2009). In the similar context, Pearl and Rosenbaum (2013) explored that motivated, talented and skilled employees are required to improve the banking operations and the acquisition strategy employed in the banking operation help in improving the employees' motivation as increased human participation is required to manage the resources and administration of the banking activities. The enhancement in the banking resources as a result of M&A significantly help in improving the overall sales, and profits in the host countries. Furthermore, the literature also accentuates that significant positive impact on customer perceptions occurs as banks get involved in expanding the business operations through acquisitions of other bank organisation. Gain in trust, and customer confidence is some of the positive impacts of acquisition strategies integrated into business operations (Pearl and Rosenbaum, 2013).

On the contrary, Berger et al., (2008) asserted that banking organisations that integrate merger strategy for business expansion are associated with the risk of poor cultural fit, execution risks in terms of organisation's commitment in the time and resources and further ambiguity surrounds with the effective integration of the banking institutions having differences in organisations’ culture and structures. Banking organisations involve high capital equity ratios and any lag in the business operations and lack of strategies employed to improve banking
compliance with federal regulations negatively affect the business operations. Mismatch or risk in the banking cultures occurred with bank merger that further affect the overall profitability and functionality of both the banking organisations involved in merger expansion strategy (Berger *et al.*, 2008). Vaara and Monin (2010) further explored that target bank's share and capital assets in the markets are negatively affected by the bank that is being acquired. Further risks are associated with transferring the assets that are already poorly managed by the acquired bank organisation. The study further accentuates that it is imminent for a banking organisation involved in the process of acquisition to customers' perception through effective communication. It is vital for a banking organisation to manage the impact that merger and acquisition have on potential customers. Any changes in the technology and financial platforms need to take care as a lack of effective communication of new business strategies can negatively impact on customer acquisition or retention (Vaara and Monin, 2010).

In regards to the impact of merger and acquisition on the performance of banking organisations, Subhashree and Kannappan (2018) and Johan (2018) have stated that the overall operations of banking organisations can be enhanced with the adoption of merger and acquisition strategy. The merger and acquisition play a significant role in the banking sector, as it helps to improve the level of financial gains. It is analysed from the study that the main reason behind the M&A in the banking sector is to enhance the economies of scale. Merger and acquisition are highly beneficial for banking organisations because with the adoption of M&A, the banking organisation can enhance their level of growth and development in the market and will be able to minimise the management related risks and it also reduces the expenses level (Subhashree and Kannappan, 2018; Johan, 2018). From the perspective of (Ahmed, Manwani and Ahmed, 2018), it has been critically reviewed that the performance and productivity of banking organisation can
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be increased with the help of merger and acquisition, as the level of competition is reduced for a merging and acquiring banking firms in the market. Furthermore, it has been observed that the merger of baking organisations can be helpful for both organisations to enrich their overall functionality and operation and attain the competitive landscape in the market. Acquisition in the banking sector is also recognised as a beneficial strategy; an acquiring bank can increase its brand image in the mind of customers and will be able to serve more to both existing and new customers. In addition to this, every business organisation operating in the market to gain a competitive advantage in the market; thus, some organisations are highly focused towards acquiring the small organisation for enhancing the level of growth and development in the market (Ahmed, Manwani and Ahmed, 2018).

The world of banking and finance is exponentially consolidating and expanding in the past few years. In this the role of trade agreements, mergers and acquisitions cannot be avoided. In the light of this Beccalli and Frantz (2009) have conducted detailed empirical research on examining the impact of mergers and acquisition on the Banks performance. For this, a sample of 714 deals has been chosen over the period of 1991-2005. The findings gathered on examining and analysing the wide database, it has been examined that M&A operations are linked to slight deterioration in regard to profit efficiency, return on equity and cash flow returns. However, it is explored that the process has brought significant improvement in cost efficiency. A wide set of bank-specific, regulatory, deal-specific and institutional variable produce a significant influence on the profit and cost efficiency. Apart from this, the findings suggested significant importance of geographical relatedness to attain better performance post the M&A. The review of the findings of the research has reflected diverse positive impacts of M&A on the performance of the banks, despite the significant influence of distinct internal and external aspects.
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In more specific context to this, Oloye and Osuma (2015) have conducted the qualitative study using the case study method to examine the impact of mergers and acquisition on the performance of Nigerian Banks. For this, two Nigerian banks were selected using the random sampling technique, regarding which data from Academic Journals and Nigerian stock exchange, and other relevant sources have been gathered. Based on the findings gathered, it has been analysed that mergers and acquisitions are a crucial means of profitability and stability of banks in the industry. The study also revealed that shareholders fund provide a significant contribution to the banks' profit after tax, and corporate restructuring as an outcome to M&A produces a significant positive impact on commercial banks capital adequacy. The findings claimed M&A as the catalyst of synergy creation as it plays a crucial role in enhancing the confidence of the public, increase shareholders' fund, bring operational efficacy and financial stability. This produces a significant positive impact on the performance of banks.

2.5 Challenges confronted by Banking Organisations in Mergers and Acquisitions

The advent of globalisation and competitive landscape has produced a dramatic shift in the business era, and raise significant attention towards the notion of acquisitions and mergers. In this context, Allahar (2015), the paper has explored and examined all key issues confronted by the companies in the process of acquisitions and mergers with specific reference to the case of Tobago and Trinidad. In order to examine it, secondary sources have been used to gather qualitative data on the research topic. The findings gathered on examining and exploring the context has highlighted that the complexity level in merger and acquisition process is varying depending upon the business environment, firms involved and the cultural contexts. A further and crucial point to the discussion is made by Gomes et al. (2012) who asserted a lack of open and rich communication, redundancy and a significant increase in the supply of manpower is
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examined in comparison to actual demand. In the case of a merger, the pool of people is increased significantly who are doing the same job that is expensive and raises the cost of the companies. Along with this, people face difficulties in adjusting with the new business environment as they have distinct style of working, thinking, norms, cultures and ethical values.

In support of the argument, Allahar (2015) has evidenced that post-merger companies face several integration issues as merger and acquisition requires both the companies to integrate their vision, policy, ethics, mission and culture; processes, key resources and responsibilities; and crucial resources such as financial and human resources, plant, brand identities, equipment, inventories and real estate. The integration of all these aspects require highly efficient, skilled and qualified workforce who understand the needs and expectations of both the companies, and align each other aims and objectives effectively. Further, the findings suggested a balancing of two culture successfully is the key challenge faced by companies during mergers and acquisitions. An extension to the discussion is made by Cheng and Seeger (2012), who examined culture as a key challenge to merger and acquisition. The literature has highlighted in merger and acquisitions companies could have two extreme cultures such as command and control, or localised responsibility, wherein the senior managers are responsible for designing strategy and tactical design-making. This resulted in a significant increase in employees turnover and affected the revenues and profits of the companies adversely.

Moreover, in a specific context to banks, it has been examined in the today's market-driven world, mergers and acquisition have become a prominent term as a crucial strategy of expanding the banking operation in a nation, as well as, cross-border. In this context, Tiwari (2011) has conducted the quantitative research on examining the issues and challenges confronted on mergers of banks. A significant implication of the mergers of banks has been
noticed on probability, market share, employment, human motivation and technology. However, mergers of banks involve several challenges which are significantly confronted by banks. In this relation, the closure of branch creates losses of jobs, reduces face to face interactions between the customers and service providers, the heavy workload on employees and highly techno-savvy banking operations nature post the merger and acquisition pose significant challenges. The introduction of a highly innovative portfolio of products among customers also obstructs customers to take maximum benefits of the banking offering.

2.6 Trends observed in Mergers and Acquisitions with reference to Hong Kong Economy

As per the report published by Latham & Watkins (2017) the M&A market of Hong Kong remained strong in 2016 partly driven by a hike in leveraged acquisitions and large-scale auctions. Increased activity is also observed in the energy, infrastructure and financial services domain. However, a drop off was there in the year 2016 concerning inbound M&A, both in terms of volume and value, the M&A outlook remains healthy. In the year 2016, the overall outbound M &A stood at $42,058m while inbound at $13,448m. Within outbound dimension, financial services and investment management forms $8,160m while in inbound, the sector comprises of $3,505m which depicts that increasing number of banking and financial ventures in Hong Kong are opting for merger and acquisitions to develop competency and boost business efficiency.
In 2017, Hong Kong experienced a healthy increase in merger and acquisition activities in comparison to the previous year. The accelerated flow has been driven and managed by private equity investors and firms purchasing into listed entities. In this purview, the most vigorous sectors include financial services, real estate, infrastructure/energy, however growing interest is also apparent in the technology/telecom and consumer sectors. The Hong market is exclusively driven by public and private M&A transactions; yet, the market is featured by a
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A rising number of businesses are becoming listed, leading to an increase in M&A activities inclined towards listed companies (Latham & Watkins, 2017).

In order to assure effective implementation of M&A strategies, it is vital for companies working under different sectors such as consumer products, financial services, and investment management; infrastructure and public services; and alike to possess a proper understanding about the regulatory bodies and key legislation which govern M&A activity in Hong Kong. In this relation, it is found that M&A transactions involving companies having primary listing of equity shares in Hong Kong and public companies are subject to the regulations listed under The Codes on Takeovers, Mergers and Share-Buy-Backs. In addition to this, M&A transactions within the banking domain of Hong Kong are also administered by the Corporate Finance Division of the Securities and Futures Commission (SFC) and the Executive. Moreover, where a Hong Kong-based target entity or any subsidiary functions in a regulated sector such as banking or insurance is involved, relevant regulator's consent which entails SFC, Insurance Authority or the Hong Kong Monetary Authority may be essential in the form of a prerequisite to change-of-control. All banking institutions functioning locally are also subject to norms prescribed under Companies Ordinance (IFLR 2018).

In order to pursue M&A in an efficient manner, it is imperative for banks of Hong Kong to have thorough knowledge of the common mistakes or misconceptions existing about M&A market within their jurisdiction. In this regard, it is commonly presumed by organisations that the Code predominantly applies to listed companies in Hong Kong whereas in actual terms it also applied to Hong Kong-based public companies which might also include unlisted ones. Another prevalent misconception is that no merger control regime exists in Hong Kong (IFLR 2018).
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However, a merger regime is there but is only applicable to entities working in the broadcasting and telecommunication sectors.

2.7 Impact of M&A on Business Performance of Banking Organisations in Hong Kong

According to Zhu and Zhu (2016) with an effective increase in the integration of global economies, acquisition and merger strategies are becoming widely common in China to gain competitive advantages and to help in increasing the shareholder's interests in the banking sector. As new challenges and opportunities are getting integrated with the banking industry, merger and acquisition strategies are proving significant importance in improving the business sales and growth of the banking sector in China. In response to the increasing global competition and significant technological advancements all over the world, the findings of the study revealed that acquiring the banking firms that has over-valued stocks can provide significant shareholder value in case the over-valued stocks are successfully utilised as currency for achieving the key targets and goals behind the acquisition (Zhu and Zhu, 2016). In a similar context, Genberg and Hui (2008) explored that Hong Kong merger and acquisition activities have been significantly affected by the two events. The new rules and framework introduced by the Chinese government in the year 2016 significantly impacted the merger and acquisition activities on the terms of prohibited and restricted outbound activities. In the year 2017, significant activities related to merger and acquisition in Hong Kong was focused on insurance and banking firms. Furthermore, the Hong Kong Monetary Authority (HKMA) is responsible for regulating and supervising the banking business in Hong Kong. The rules and framework determined by HKMA have no special terms or provisions on the employees in the context of an acquisition of a banking organisation in Hong Kong. Moreover, the effects of increased market concentration in relation to merger and acquisition strategies cannot be measured or estimated accurately given the
uncertainties surrounding the market concentrations and rising competitions in the banking sector in Hong Kong (Genberg and Hui, 2008).

In the views of Sheng, Zhou and Li (2011), there is a strong and positive impact of business ties, such as mergers and acquisitions on the performance of a firm. However, this impact is dependent on the internal and external environment of the organisation. The main reason behind the impact is that with the help of business ties, organisations are benefited from the market resources. Further, with the help of business ties, an organisation acquiring the other can have crucial information about the market and the customers, which can lead the organisation towards success and maintain a sustainable position in the market. The study conducted in China and its administrative region that has Hong-Kong revealed that business ties are helpful in enhancing the overall firm performance in the market. With the help of business ties, organisations in China and Hong-Kong have been able to gain competitive advantage (Sheng, Zhou and Li, 2011).

From the study presented by Jeon, Olivero and Wu (2011), it has been identified that the firm performance of the banking organisations has been improved through merger and acquisition in Asian countries, such as Hong-Kong. This is because the strategy of merger and acquisition helps the organisation in penetrating into a new market and reducing overall risks (Jeon, Olivero and Wu, 2011).

In the viewpoint of Asimakopoulos and Athanasoglou (2013) execution of merger and acquisition is regarded as a well-considered decision for banks with assumed benefits accruing to entities involved as an outcome. It is essential for organisations to determine implications of M&As on performance whereby the stock market reaction to the announcement dates of mergers and acquisitions is a prominent aspect not to be ignored. It is because this reaction denotes the
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fluctuations expected in future cash flows that will emanate to the principal shareholders. It is evaluated that target firms usually draw benefits from an acquisition or merger around the date of the announcement, but the acquiring firms usually generate a modest gain or at times earn zero return. In the context of returns of target entities, abnormal returns are positive or favourable in general, specifically because of improvement in control, efficiency, synergies, economies of scale and the advantage in terms of certain deal features such as payment method.

In the opinion of Oloye and Osuma (2015), the adoption of M&A strategies by banks can provide certain benefits advantageous in long-run development, especially in respect of economies of scale which arises when increasing the volume of production lead to the reduction in the product cost per unit. Apart from this advantage, the combination of two or more banks may lead to decline in because of operating economies. It is because banks by pursuing M&A can consolidate the management functions such as marketing, accounting, manufacturing and thus reduce operating cost.

2.8 Summary

The process of merger and acquisition is found highly effective for the organisational growth and development in the contemporary business environment. Most of the organisations adopt the strategy of the merger for increasing their business sustainability and profitability in the competitive business environment. Another effective strategy is an acquisition in which a strong organisation acquires the potential start-ups, small organisations, and innovating organisations in order to reduce the level of competition and for gaining competitive advantage in the market. With the adoption of the merger and acquisition strategy, an organisation can improve its overall efficiency and operations that further enable an organisation to serve effectively to its customers. It has been analysed that different organisations are facing stiff
competition in the market and because of this organisations are unable to maintain their sustainability in the market. Thus, these types of the general organisation look for a potential organisation which is ready to merge, as it helps both the organisation to enhance their efficiency to work and it further helps the organisation to increase its productivity level. In addition to this, the growth and development are associated with merger and acquisition, as in the banking sector, through M&A, the organisations can enhance their overall operational activities that increase the chances of their growth and development. The organisations operating in the banking sector can able to minimise their expenses and enrich their working efficiency by merging or acquiring another organisation. In a similar context, in Hong Kong, the role of merger and acquisition is increasing in the banking sector for enriching the business performance, and it is helping the banking organisation in minimising the operational risk and enables them to serve better to the customers.
Chapter 3: Research Methods

3.1 Introduction

The key focus of this chapter is on demonstrating the whole research process that is employed for inspecting the latest information about the research topic and extract rational answer for the stated research question. Research is the systematically aligned process followed for accomplishing the research objectives in a reasonable manner and this integrated process is termed as research methodology (Flick, 2015). Development of a rational methodology in research requires proper selection of the research procedures, methods and tools and this relation, the following chapter of the presented research is to illuminate the research methods applied in the research for examining the impacts of merger and acquisition strategies on the performance of banking organisations operating in Hong Kong.

The research follows mixed methods for assessing the implications of enforcing M&A strategies on the organisational performance of the banks working in Hong Kong as the subject area requires in-depth investigation which is facilitated by mixed methods. Another reason for using mixed methods is that a variety of qualitative and quantitative methods provide flexibility and offer an iterative style of categorising and eliciting responses to the questions (Wilson, 2014).

3.2 Research Philosophy

Research philosophy also termed as research paradigm can be explained as the perception and beliefs held by research concerning the nature of research problem or phenomenon and the authenticity of the database which is illustrated with the application of common norms and values. The categories of research philosophy include positivism, interpretivism and pragmatism. Positivism philosophy assumes that real information about the selected social phenomenon can
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be investigated with the aid of objective observations of the research setting and is most suited to quantitative research projects. In contrast to this, interpretivism philosophy upholds the relevance of subjective insights for exploring any research subject for which it relies on inspection of perspectives and viewpoints of the individuals associated with the research field, and mostly it is applied in qualitative projects (Denscombe, 2014).

Pragmatism philosophy believes that world can be interpreted in different ways and thus no sole viewpoint, that is neither subjective nor objective, can provide the entire picture. It is the amalgamation of positivism and interpretivism philosophies and integrates different research strategies and approaches in single research (Flick, 2015). In order to investigate the contribution of M&A strategies in improving the performance of banking ventures in Hong Kong, pragmatism philosophy is applied in the research. Use of pragmatism philosophy is crucial in the research as implications of merger and acquisition approach on banks performance can be best assessed by exploring the attitudes and opinions of professionals working in the banks of Hong Kong. Moreover, the current research encompasses mixed methods which prefers the usage of pragmatism philosophy making it a logical choice. Additionally, this philosophy permits access to certain uncovered facets thereby providing an actual view of the context which enabled to undertake a comprehensive study into the impacts of M&A along with the need and challenges within this purview.

Pragmatism philosophy is most suited to studies applying mixed methods and believes that there are various ways to draw interpretations for any phenomenon and its offers optimum mixture of positivism and interpretivism philosophy in accordance with the research question to obtain logical results. Moreover, unlike interpretivism and positivism philosophy, it can integrate multiple research strategies and approaches within a project thereby building possibility of
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finding complete answers to stated question (Crowther, and Lancaster, 2012). Thus, the incorporation of pragmatism philosophy in the research proved worthy in inspecting the impact of employing M&A strategies on performance of banking organisations working in Hong Kong. Additionally, as it permits utilisation of different research methods, which enabled to study and assess effective strategies which can be considered by banks of Hong Kong while planning merger and acquisition to seek maximum benefits in reaping competitive advantage.

3.3 Research Approach

Inductive and deductive approaches are the broad classifications of the research approach and the major point of difference between the two is based on the purpose of theory testing, extraction of new knowledge and evolution of novel concepts. A deductive approach requires an investigator to begin the research with an open mind and with gradual progression narrows down the research scope to obtain particular results. Inductive approach, on the other side, embraces a bottom-up approach and formulates a general conclusion concerning the research objectives. In order to explore and analyse the varied implications of M&A strategies with specific reference to the banking industry of Hong Kong, it is vital to structure the process of research in accordance with deductive reasoning. In addition to this, the deductive approach does not bounds a researcher to alter the direction of study which is another logic for its incorporation in this particular research as this flexibility offered by deductive reasoning system can help to pursue thorough investigation as per the changing needs and dimensions of the research setting (Bryman and Bell, 2015).

Deductive reasoning follows a top-down approach that inculcates down from the common to specific context. In empirical investigation, it denotes that a research begins investigation by considering pertinent theories which have been introduce in conjunction with the subject area.
The enforcement of deductive approach also enables a researcher to give a thought to a research that has been already pursued and discover an idea about adding or extending that existing theoretical foundation (Crowther, and Lancaster, 2012). Thus, development of the current research as per deductive reasoning system helped to direct the research in areas where still sufficient scope exists to find something new relating to the effects of merger and acquisition of efficiency of banks operating in Hong Kong. Highly structure nature of deductive reasoning assures that the direction of investigation is effective to attain specific aim which assisted in fulfilling the core purpose of discovering the wide impacts of M&A strategies in the context of performance of banking entities established in Hong Kong. Developing research as per deductive reasoning helps to identify and elaborate the relationship between key dimensions which in the current research are, M&A strategies and performance of banks (Creswell, 2013). Thus, application of the deductive approach helped to deduct particular conclusions from the propositions and premises relating to the banks operating in Hong-Kong. The utilisation of the deductive approach also helps in generalising research findings to a significant extent which strengthened the scope of this research.

### 3.4 Research Design

Research design can be understood as the framework of techniques and method employed by a researcher to combine different components of a research project in a logical way so that the research problem under investigation is effectively handled. Research design offers crucial insights into the process of conducting research with the utilisation of a specific methodology. An impactful design is one which generates minimum bias in the assembled data and evokes reliability on the collection and analysis of the research information. The essential components of research design include accurate purpose of research design, techniques to be applied for
collecting relevant details, identification of research setting and articulation of probable objections. The exploratory design is one which emphasises on extracting latest knowledge relating to diverse variables of the research and is frequently applies to projects targetting evolution of some new information about the research setting (Bryman and Bell, 2015). While considering exploratory design the researchers are advised to make proper use of their instincts for finding clues and enter into innovative areas while entailing search for information. Flexibility is essential in exploratory design and it often leads to new insights, revelations and ideas. The descriptive design is one which extends required assistance for securing relevant information about the common criterion, behaviour and pattern of the critical research variables without exerting influence on the subject area (Creswell and Creswell, 2017).

The current research work aims to inspect the ranging impacts of employing M&S on the business performance of Hong Kong-based banks along with the major challenges witnessed in the process of adequate implementation, it is essential to assure dedicated, striving and ceaseless efforts which are allowed by the exploratory design. The construction of research project as per the principles listed under exploratory design helps to draw updated knowledge about the research context which proved helpful in the presented research is seeking actual data about the contribution of M&A in evoking business performance (Creswell, 2013). Additionally, the exploratory design also extended needed flexibility in extracting pertinent details which implicitly enriches the scope of the study. The exploratory design also addresses more number of open-ended questions in comparison to descriptive research which again proved worthy in acquiring substantial information from the participants about the merits and demerits of going for merger and acquisition for the sake of escalating performance. Furthermore, use of exploratory design in a research offers adequate and complete understanding of an issue and generates new
Ideas which helped to recognise novel M&A strategies which can be employed by Hong Kong based banks to cultivate long-term benefits from such techniques.

3.5 Data Collection Tools

In order to gather substantial information regarding the impact of M&A strategies on the performance and growth of banking organisations operating in Hong Kong, both secondary data and primary data has been acquired. Primary and secondary research tools are available to the researcher; wherein primary data indicates first-hand information obtained especially for examining the selected phenomenon (Edmonds and Kennedy, 2012). Secondary data depicts information available in literary sources and annual reports of organisations. Qualitative methods have been employed in this work; thus, primary data is collected by semi-structured interview method, and secondary data is procured through reviewing and investigating government reports, annual reports of banking organisations, peer-reviewed article and academic books. In qualitative studies, primary data can be obtained with the help of observation method, interview method and focus group method, whereas secondary data is commonly acquired from case study and library research method (Taylor, Bogdan and DeVault, 2015). On the other side, quantitative studies utilise survey method for collecting pertinent data by focusing on statistical information (Taylor, Bogdan and DeVault, 2015).

In order to examine the impacts of mergers and acquisition strategies on the banking industry performance of Hong Kong, the research study has made use of a comprehensive set of data collection tools. In this relation, under primary methods of data collection, interview as qualitative method, and survey as the quantitative method, has been used in the research study to gather a detail insight into the research topic. The survey is conducted with the 50 Senior Employees of banking organisations of Hong Kong. A total of 62 online questionnaire has been
mailed to survey participants on the e-mail id's after gaining a positive consent of the participants, among which only 50 responses have been gathered on the questionnaire. On the other hand, the interview method is used in this research in which interview questions are formed as per the objectives and central research question.

A semi-structured interview is conducted with six top-level management banking professionals of Hong Kong. Interview method is deemed to be suitable for gathering ample information about implications of M&A strategic on financial performance and growth of the banking organisations of Hong Kong. This method also facilitates in examining the significance of M&A strategic for the banking sector of Hong Kong and the current practices concerning the adoption of M&A strategies. Overall, the interview method is helpful to carry out in-depth analysis, but precise or factual information cannot be obtained through this method (Bernard and Bernard, 2012). Ten banking professionals were approached for data collection, but only six out of Ten gave consent to participate in the data collection and sharing their viewpoints.

Further, to examine the impact of mergers and acquisition on Hong-Kong banks, secondary sources of data collection are also used that helps to integrate a wide array of qualitative set of data on the research topic. In this relation, the research has made use of library research method and case study method as most preferred tool of collecting secondary data. By using the library research method, a wide set of qualitative data has been gathered by accessing the books, journal articles, banks reports, Hong-Kong banking industry facts and credible online websites. Apart from this, in the research case study method is also used wherein the acquisition of Wing Hang Bank Limited by Overseas Chinese Banking Corporation Limited in April 2014 has been integrated. Along with this, a case of merger of Dao Heng Bank Limited, Overseas Trust Bank Limited and DBS Kwong On Bank Limited in 2003 have been undertaken. This
helps to gain a more deeper insight on impact of mergers and acquisitions on Hong-Kong banking industry.

3.6 Sampling Strategy

Random sampling strategy and purposive sampling strategy are two commonly used techniques for selecting respondents from the sample population. Random sampling strategy is extensively employed for performing the research and select respondents for data collection as it excludes the likelihood of biases and ensures high-quality outcomes (Edmonds and Kennedy, 2012). Random sampling provides equal chances to the target population to be selected in the sample. On the other hand, the purposive sampling technique ensures that data obtained from participants is relevant and accurate, thereby enhancing the quality of results (Neuman, 2013). However, there is a possibility of bias in the use of purposive sampling technique (Edmonds and Kennedy, 2012). Moreover, for semi-structured interview in this study, purposive sampling strategic is utilised for selecting banking professionals of Hong Kong for gathering credible, accurate and realistic information about the performance of banking organisations functioning in Hong Kong as a result of the implementation of M&A strategies. Purposive sampling strategy is appropriate for procuring factual and reliable data concerning the performance of the banking sector of Hong Kong post-M&A and total six participants are chosen for conducting the interview, thereby the sample size for this study is six.

In addition to this, for survey, random sampling technique has been used in the research study. It can be defined as the process of cutting a small sample from the large population to make generalisation of larger segment of population. The selection is made in such a manner that every member of the population has same probability of being selected in the study group population. This is the ideal sampling technique of the research study that helps to reduce any
bias by researcher in the research study. Using the sampling technique, a total of 62 Senior Employees of Hong-Kong banking organisations have been selected, who are surveyed, and only 50 of them has filled the online survey questionnaire.

3.7 Data Analysis Technique

Vital conclusions can be drawn through the application of suitable data analysis technique; wherein two prominent techniques are available to the researcher namely, thematic analysis technique and graphical representation method or statistical analysis technique. Statistical analysis technique is majorly utilised in research comprising quantitative information while the thematic analysis technique is deemed to be appropriate for qualitative studies (Edmonds and Kennedy, 2012). The statistical analysis technique or graphical representation approach is appropriate for quantitative studies or research involving numerical information. This technique facilitates in deriving exact information in the form of meaningful statistics (Mack, 2010; Neuman, 2013). Thematic analysis technique is integrated into this study for extracting main findings in accordance with objectives and aim of the study. Themes are generated under this approach for presenting the interview data in a coherent manner, determining main patterns and evaluating information about the performance of the banking sector in the context of M&A strategies in Hong Kong. However, it is difficult to draw exact conclusions with the application of the thematic analysis technique due to elaborated and widely descriptive information obtained from the interview.

Apart from this, in the research study, the survey findings are also analysed critically to draw meaningful findings from it. In this context, in the research study, the survey responses are analysed with the help of statistical analysis technique or graphical representation approach.
this, MS Excel has been used in the research study to analyse the survey responses and presented the key findings in the form of pie-chart.

3.8 Research Ethics

Research ethics are a central consideration in the process of executing a study as without proper consideration to ethical norms and standards during the investigation of the research phenomenon, quality aspects, reliability facets and credibility of the study are influenced in an adverse manner (Crowther and Lancaster, 2012). Therefore, this study has complied with all the necessary norms and ethical principles of pursuing primary and secondary research for ensuring that high-quality outcomes are produced. Written consent is taken from banking professionals, and the norms of anonymity and confidentiality are adequately fulfilled for enhancing the research quality.

Coding is used for maintaining the privacy of information and safeguarding the identities of research participants. Further, a data encryption technique is utilised for protecting the data and ensuring that interview response are protected throughout the process of data collection and after conduction of the research (Crowther and Lancaster, 2012). Overall, substantial attention is given toward adhering with ethical standards. In addition to this, practices such as coercion are avoided, and plagiarism is strictly restricted while reviewing and including secondary data in the research. Referencing is extensively incorporated throughout the study by giving due credits to scholars while referring to peer-reviewed articles and academic books for avoiding the likelihood of ethical violations (Crowther and Lancaster, 2012). Moreover, the undertaken work adequately complied with all the necessary norms and principles relating to secondary and primary research for generating credible outcomes. Only credible literary sources are examined and included in this study and incomplete information, white paper and research paper comprising unpublished
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data are not excluded from the study. Further, updated sources and latest information are reviewed and examined in this study for generating accurate results.

3.9 Summary

The study centred on evaluating the impact of M&A on the performance of banking organisations of Hong Kong utilise primary data collection tactics and secondary data collection tactics. Qualitative methods are incorporated for gaining detailed information about M&A strategies and their role in improving the performance of the banking organisations operating in Hong Kong. Interview method has been integrated along with library research method for collecting information about current practices and challenges concerning the adoption of M&A strategies within the banking sector. Apart from these, case study method has been used to obtain practical insights about the benefits of M&A in respect of escalating performance of banks in Hong Kong. Additionally, survey has been conducted with 50 senior level employees of banking organisations in Hong Kong for the purpose of viewing their perception about the significance of adopting merger and acquisition strategies in driving business performance. In order to select participants for survey purpose, random sampling method is applied to make sure that selection of sample population is made in an unbiased manner. Pragmatism paradigm and exploratory design are used in combination with the deductive approach for generating specific results relating to the banking sector of Hong Kong. Further, the thematic analysis technique is deemed to be appropriate for retrieving main findings in the light of research questions.
Chapter 4: Data Analysis, Findings and Discussion

4.1 Introduction

Data analysis is an important part of the research project as it draws precise from the gathered data and entails interpretation of the procured data via the use of logical and analytical reasoning to detect relationships, trends and patterns. The choice of data analysis technique varies as per the nature of research methods such as research built as per qualitative methods commonly opts for thematic analysis whereas ones centred on quantitative aspects uses descriptive analysis technique along with statistical measures. This particular research work uses qualitative methods whereby interview has been organised with top-level management banking professionals working in the banks of Hong Kong, and their responses are analysed in this chapter with the use of thematic analysis method. Thematic analysis, in this context, is widely applied in qualitative projects and focuses on pinpointing, assessing and recording themes and patterns within accumulated data.

4.2 Thematic Analysis

Theme 1 The need of implementing M&A strategies for the Banking Organisations in terms of improving Performance

When the respondents were requested to express their viewpoint regarding the need of embracing M&A strategies for the banking entities to which participant A mentioned that, "Mergers and Acquisitions offer an effective tactic of generating value for their prominent shareholders by evoking synergies that can control cost and increase revenues as larger banks might have potential to attain revenue gains by building gaps existing within their product range, and providing one-stop shopping to customers." Participant C stated that, "Increased market share and size facilitated by M&A strategies may enhance the credibility of banks in the
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perspective of larger customers." Therefore, it is interpreted that via adoption of diverse M&A strategies, banks of Hong Kong can trigger their performance by generating more value for shareholders, driving revenues, reducing cost and improving credibility, beneficial in long-run.

Interviewee B stated that, "Future profits may also seek advantage from cost reductions emerging from economies of scale that is the potential to apportion fixed costs, specifically ones related to technology over the exhaustive scale of operations." In a similar context, respondent D asserted that, "Cost economies are also achievable via merger and acquisition by eradicating duplications in brand functions, network and staff. M&A can also contribute to reducing risks connected with banking function; thus saving cost due to the product or geographic diversification." Respondent E mentioned that, "The advantage of cost reduction offered by M&A fosters credit rating of banks and increases their size which helps to appeal potential investors thereby reducing the cost of capital and offering another strategy of up-surging shareholder value." Respondent F explained that, "Hong Kong Monetary Authority also believes that agglomeration of the local banking sector is inevitable and desirable as it helps to increase value for shareholders by declining costs and accelerating revenues, thus facilitating sustained business growth."

Theme 2: Current Scenario of the Hong Kong Banking Industry concerning Adoption of Merger and Acquisition Practice

Participants were requested to illuminate their outlook about the prevalence and adoption rate of merger and acquisition in the local banking domain of Hong Kong to which respondent B explained that “Consolidation of the banking sector is a dominant trait of many financial centres across the world; however Hong Kong is an outlier in this relation.” Respondent C also held similar perception and explained that, “Local banking sector of Hong Kong is somewhat
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detached and unresponsive from the general trend towards amalgamation.” In this relation, interviewee E elaborated that, “The emergence of HSBC as a leading global player over the recent decade is an outstanding example of the benefits local banks can gain via pursuing consolidation, and till now the situation of Hong Kong concerning M&A has remained static.” Therefore, it is analysed that till now the banking entities working in Hong Kong have embraced the strategy of merger and acquisition to a limited extent in comparison to banking sector across the globe, however, the success gained by HSBC due to merger and acquisition is expected to stimulate pace of banks consolidation.

Participant F stated that, “The main reason responsible for stagnant nature of Hong Kong in this regard is the family ownership of banks as it is observed that family owners might be impacted by factors other than maximisation of values, such as willingness to safeguard the family heritage and pass it completely to the next generation.” Participant E in this respect mentioned that, “Formerly banks in Hong Kong have not witnessed economic pressure to merge as profitability has been sufficient in absolute terms. Growing signs have been received that consolidation is gaining pace in Hong Kong and the main reasons for this are intensifying competition from global and domestic players, the need to make an investment in new technology and deregulation.” In this regard, interviewee D mentioned that, "Most banks in Hong Kong have remained profitable even during the crisis period and all banks also manage to maintain substantial capital rations which denotes that even financial distress did not act as a driving force for the merger."

Theme 3: Challenges involved in Effective Implementation of M&A strategies with Respect to Banking Industry of Hong Kong
Participants in the research were asked to demonstrate the key challenges in the effective implementation of merger and acquisition strategies to which different perspectives were illuminated. Participant A in this relation examined that “Communication-related challenges are dominant reasons resulting into the failure of company synergies. Interacting with employees, inspiring them and building a culture for them to strive are the crucial elements of integration. It is observed that when mergers and acquisitions occur, management and employees are usually left in alone.” Fear and restricted answers consequently deter top management from disclosing information that is required by employees for redirecting their initiatives in the merged organisation. Participant C, in this context, stated that “Significant family ownership in the banking industry is also a major challenge hindering enforcement of M&A strategies in the banking domain. Banks of Hong Kong have not encountered immense pressure to amalgamate as till now profit margin is sufficient this is also obstructing the pace of M&A adoption in Hong Kong and implicitly their growth as enlarged institutions are capable of escalating revenues and reducing cost.”

In addition to this, respondent B mentioned that "In a general context, during the process of mergers and acquisitions, employee retention is a vital challenge and in adverse scenarios can change into a threat. It is because till now, it is found that most mergers and acquisition experience retention issues which predominantly arises due to the negative attitude among staff members. This negative attitude is attributed to uncertainty concerning the organisation's future, job security and dilemma because of lacking communication." Thus, it is examined that controlling negative attitudes of employees is a major challenge that needs to be dealt by human resource professionals of the banking entities to approach successful mergers and acquisitions of local and international banks in Hong Kong. On the basis of responses, it is also evaluated that
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maintaining effective communication is also an integral aspect and changing mindsets of family owners of banking ventures is essential to embrace mergers in the industry.

Participant D stated that, "The banking industry of Hong Kong is facing strong competition in the market that has increased the need for employing effective measures for the supervision of banking operations. Lack of strategic vision and leadership conflicts are some of the prominent challenges in the smooth implementation of M&A strategies. Along with this, cultural clashes, lack of pre-merger preparations and fulfilling requirements of all the stakeholders are other challenges in the effective implementation of M&A strategies." On the other side, it is mentioned by participant E that, "Sometimes high costs are incurred in the process of mergers and acquisitions due to the need for upgrading the organisational processes and the infrastructure for reducing risks and ensuring adequate governance. In order to maximise the benefits of M&A strategies and minimise the risk factors involved in the consolidation of banks, it is important to manage cost related aspect adequately."

In this sequence, it is pointed out by respondent F that, "Financial institutions often fail in creating synergy across their operations and developing financial synergy. Mergers and consolidation are not widely adopted in Hong Kong, but increasing competition in the global market have increased pressure among financial institutions or banks to employ M&A strategies. Need to invest in technical innovations and revamping the infrastructure create difficulty for banks in Hong Kong."

It is reflected and assessed from the responses of top management banking professionals that costs involved in M&A, failure to establish operating synergy and build financial synergy, need for upgrading infrastructural processes, and lack of strategic vision are some of the prominent challenges in the effective implementation of M&A strategies. Additionally, it is
found out that the banking sector of Hong Kong faces issues concerning leadership and stakeholder preferences that influence M&A activities in a negative manner.

**Theme 4: Impacts of mergers and acquisitions (M&A) strategies on the performance of the banking industry in Hong Kong**

Respondents were enquired about impacts of M&A tactics on the performance of the banking organisations functioning in Hong Kong. In response to this, A explained that, "Bank of China, HSBC and Hang Sang bank are dominating the banking sector of Hong Kong while other firms are striving to acquire market share. The pace of M&A activities are gradually increasing in the region due to intensified competition from global and domestic players and the performance of the banking sector is improved with the adoption of M&A strategies." In a similar context, participant B said that, "Operating efficiency of the banking sector has been improved due to M&A implementation as evident from the example of HSBC bank. Financial performance of the bank is improved, and improvements have been witnessed in the context of accounting indicators such as Return on Equity (ROE) and Return on Assets." On the other hand, it is stated by participant C that, "In order to improve the performance of banks and harness benefits of M&A strategies, it is essential to synergise operations post-merger and acquisition as the ineffective implementation of M&A strategies results in deteriorating the performance of financial institutions." It is assessed from the interviewees' response that M&A strategies positively influence financial performance and operational efficacy of the banking sector. However, there is a need to synergise financial aspects and operational aspects for improving banking performance through M&A strategies.

In this series, respondent D mentioned that, "Success of mergers and acquisitions is highly dependent on the management capability, leadership practices and strategic vision of
Impacts of M&A on Performance of Banking in Hong Kong

leaders. Successful M&A result in securing economies of scale, reducing liquidity risks and strengthening the growth and sustainability prospects of banking organisations of Hong Kong."
Moreover, participant E explained that, "Increased attention toward M&A and consolidation in the banking sector of Hong Kong improved the profitability of the sector. Additionally, it helped in sustaining in the environment of intense competition along with curbing global pressure and enhancing shareholder value." Further, respondent F mentioned that, "Through M&A, financial institutions are able to use market resources and employ innovative technologies that contributed in maintaining the sustainable position in the global market and decreasing risk factors of threats posed by the external environment."

It has been evaluated that successful M&A has positive implications for market growth, shareholder value and stakeholder relations for the banking sector. In this relation, the banking sector of Hong Kong is positively affected as a result of increased M&A as it contributed to curbing global pressure and maintaining sustainability amid uncertain market conditions.

Theme 5: Strategies for Ensuring Effective Implementation of M&A Strategies in the Banking Sector of Hong Kong

Participants were asked to share their views and opinions about the strategies that can be helpful in ensuring the effective implementation of M&A strategies for further enhancing the possibility of success of mergers and acquisitions. Respondent A outlined that, "It is essential for the banking organisations by focusing on the consideration to attain economies of scale and maximising the value for shareholders and customers to ensure the success of mergers and acquisitions." Further, B suggested that, "The process of mergers and acquisition should be streamlined and properly harmonised. It is also important to eliminate or reduce non-strategic operations during M&A for enhancing the possibility of success and decrease chances of
It is assessed from the responses of participants that financial synergy, operational synergy and effective streamlining of all the main processes are essential for supporting the success of M&A strategies and their implementation. Respondent D illustrated that, “Pre-merger preparations are pivotal for presenting the M&A proposition in front of main stakeholders. Additionally, important decisions concerning timeline process, organisational structure and leadership related decisions must be taken before merger for reducing chances of failure.” On the other side, participant E and F suggested that, "Roles and responsibilities require to be clearly identified and conveyed for enhancing the efficacy of the integration process. In addition, an integration management team must be formulated before initiation of M&A and key decisions or plans should be quickly communicated and coordinated." It has been examined from interviewees' responses that adequate attention towards pre-merger preparations, clearly determination of all the main responsibilities and establishing an integration management team are helpful in dealing with the challenges encountered in the implementation of M&A strategies.

4.3 Case Study Analysis

Case Study 1: Acquisition of Wing Hang Bank Limited by Overseas-Chinese Banking Corporation Limited

In the history of Hong Kong Banking industry, the deal of acquisition of Wing Hang Bank Limited by Overseas-Chinese Banking Corporation Limited (OCBC's) is evident as the biggest acquisition to date. OCBC is the largest Singapore-based bank that is formed in 1932 and
currently offering a wide array of wealth and financial management services. The bank comprised of the network of over 630 branches, and Indonesia, Singapore, Malaysia and Greater China are the key markets. In April 2014, South East Asia's second largest financial group in terms of assets acquired Wing Hang Bank Limited for the US $4.95 billion. As on 29 July 2014, the market capitalisation of Wing Hang Bank was stood at $6.08 billion, net loans $ 23.2 billion, assets $34.9 billion and net profit amounted to $353 billion. OCBC has achieved 90% of shareholding Wing Hang Bank, and the shares of the acquired bank were de-listed from the Hong Kong Stock Exchange Board (OCBC Bank, 2014).

The acquisition produces a significant impact on both the banks by giving greater exposure to banks. As per the report of OCBC bank, the capital position is examined to remain robust post the acquisition. Along with this, to ensure prudent level capital ratios, OCBC Bank has announced a 1-for-8 rights issue to attain S$3.3 billion. Post-acquisition, OCBC Bank's Common Equity Tier 1 CAR reached 13.2% pro-forma from 14.7%. Total CAR reached to 15.6% from 17.4% pro-forma (OCBC Bank, 2014). The data reveals the crucial capital impact on OCBC Bank, post the acquisition of Wing Hang Bank Limited. The acquisition is remarked as a great effort towards achieving OCBC Greater China Strategy. It helps to leverage the bank's resources, capture trade and flow of investment linked to increasing economic interconnectivity. This helps to foster connectivity in between South East Asia and Greater China, along with capitalising opportunities pertaining to cross-border wealth management. However, in concern to the impacts of acquisition, it has been found that the bank (OCBC) has confronted diverse challenges (OCBC Bank, 2014). These are linked to greater challenges of asset quality amidst to complex operating environment. In this relation, Moody's has reflected its expectation that the transaction of the acquisition will modestly weaken down the liquidity profile of OCBC Wing
Hang's due to greater reliance on wholesale funding and weak deposit franchise in comparison to established domestic Chinese banks (Moody's Investor Service, 2016). From the overall analysis, it has been evaluated that the acquisition will produce a significant impact on the bank and its operations. A major impact or benefit of acquisition for OCBC includes its drives for Greater China Strategy. By this, the bank can provide customers with a well-established platform that offers greater access to customer deposits and funding, mainly in two important international currency, the Chinese Yuan and the US Dollars– and in domestic currency, the Hong Kong Dollars. This highlighted that the acquisition augments the growth plan of the bank.

**Case Study 2: Merger of Dao Heng Bank Limited, Overseas Trust Bank, Limited and DBS Kwong On Bank Limited**

DBS group integrated operations in Hong Kong with the adoption of the new legal name; DBS Bank (Hong Kong) Limited along with a new Chinese name. Amalgamation of the operations of DBS Group attained virtual completion at the time when DBS Group entailed the purchase of the final and second tranche of shares of Dao Heng Bank. Although, within Hong Kong administration, legislative and regulatory needs, consolidation to a sole banking license essentially requires the approval of a Merger Ordinance by the legislature of Hong Kong. The legal merger on 21st July 2003, marked the final integration step concerning the consolidation of the operations of these three banks. Post-merger, the overall banking operations of DBS in Hong Kong constitute the fourth leading banking institution of Hong Kong with the aggregate assets of HK$186 billion and a robust retail network comprising of 65 branches and around 3,600 employees in China within the Special Administrative Region (DBS, 2017).

Ho (2010), after the merger, the processes, operations, products and services of DBS banks have attained better position and trigger the ability to deliver higher convenience and
enhanced service to customers. Moreover, the benefits gained from re-branding and merger also paved the smoothness and speed of the integration process, which is one of the major success of the merger. With the unification of operations in Hong Kong, the customers can seek benefit from wider choice via a broader array of services and products.

Hong Kong is considered as the second pillar of pan-Asian strategy and the implementation of the DBS brand is useful in developing potential to leverage on the key strengths of DBS Singapore-based parent, in terms of a strong balance sheet, a track record of 35 years of ceaseless growth and one of the dominant credit ratings among Asian banks. The bank also expected that the merger will deepen its presence in Hong Kong along with the growing North Asian markets, specifically China where numerous small and medium-sized customers hold plans to diversify and expand their businesses (DBS, 2017; Tschoegl, 2001).

The advantages banking entities of Hong Kong can gain via incorporation of M&A strategies is evident from the evoked efficiency of DBS after its legal merger as now DBS Bank offices, and networks offer a complement of corporate, investment, retail and securities services. It has become the leading credit card issuer and holds around 11 per cent of the market share in regard to trade financing. Through its branches, the bank has sold investment products of approx HK $6.3 billion in the following year and has become the competent player in the dollar derivatives market of Hong Kong. Therefore, it has been analysed that the merger of DBS Kwong On Bank Limited, Dao Heng Bank Limited and Overseas Trust Bank has fostered business performance in terms of robust customer base, enlarged market share and enhanced competency. The services, products and operational activities of DBS also attained a better position with the provision of improved convenience and quality service to target customers (DBS, 2017).
4.4 Survey Analysis

4.4.1 Introduction

Analysis of survey data is recognised as a systematic approach to extract significant information concerning the research objective. Quantitative data adds the reliability of the research and cross-validate the findings obtained through the interview method. In this research, 50 employees of banking organisations of Hong Kong have been randomly recruited to fulfil the research objectives. The selected employees have been provided with a survey questionnaire including the Likert scale questions including five responses such as strongly agree, agree, neutral, disagree, strongly disagree. Survey responses have been analysed in this research by utilising a powerful Statistical Package known as Statistical Package of Social Sciences (SPSS). The survey data has been represented using graphs, tables and interpretation have been made.

4.4.2 Findings

Demographic Profile of Respondents

Chart 1

Chart 2
Impacts of M&A on Performance of Banking in Hong Kong

Chart 1 and chart 2 describe the demographic characteristic of the sample population such as age working experience and age. Pie chart 1 represents that of 50 who have participated in the survey, around half of the respondents have an experience of more than 10 years. Further, 20% of respondents have experience of 5-10 years. Chart 2 demonstrates the age group of the respondents. It has been observed from chart 2 that 44% of the respondents belong to the age-category 25-50 years. Thus, the majority of the respondents belong to the younger age group who could have sufficient understanding regarding the need and significance of merger and acquisition.

**Significance of M&A to improve the performance of banks in the international market**

3. Do you think that M&A strategies play a crucial role in the banking sector to improve their performance in the international market?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
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<td>52.0</td>
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<td>Total</td>
<td>50</td>
<td>100.0</td>
<td>100.0</td>
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</tr>
</tbody>
</table>

*Table 1*

It has been analysed from Table 1 that out of 50 sample respondents 20% have said that M&A strategies are beneficial for the banking sector to improve their performance in the international market. Additionally, 52% of the respondents have agreed to the fact. On the other hand, 14% of the respondents have strongly disagreed to the point. Thus, it has been analysed
Impacts of M&A on Performance of Banking in Hong Kong

from the findings that M&A is considered as an effective approach to enhance employees performance and organisational productivity.

3. Do you think that M&A strategies play a crucial role in banking sector to improve their performance in the international market?

Chart 3
Merger and acquisition to produce Cultural change

4. Do you agree with the statement “Merger and acquisition is an effective strategy to produce cultural change within the banking sector of Hong Kong”?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Strongly agree</td>
<td>10</td>
<td>20.0</td>
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</table>

Page 57 of 102
## Impacts of M&A on Performance of Banking in Hong Kong

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
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<td>Total</td>
<td>50</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

**Table 2**

Table 2 displayed the perspective of respondents regarding the role of M&A in producing a cultural change in the banking sector of Hong Kong. The findings of the table depict the majority of the sample participants are in favour of the fact that merger and acquisition produce a cultural change in the banking sector. In this regard, 20% of the respondents said that they are ‘strongly agree’ with the fact and 50% of the respondents said that they are agreed. However, the cumulative percentage of disagreed respondents is not too large to be taken into consideration. Thus, it has been identified from the outcomes that M&A help the banking organisations to understand the culture of different organisations.
4. Do you agree with the statement “Merger and acquisition is an effective strategy to produce cultural change within the banking sector of Hong Kong”?

![Chart 4](image)

**Significance of Merger and acquisition to Maximising Profit and Revenue**

5. Do you agree with the statement “Merger and acquisition help the banking sector to maximising their profit and revenue in the global market”?  

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>18</td>
<td>36.0</td>
<td>36.0</td>
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<tr>
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<td>36.0</td>
<td>72.0</td>
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<tr>
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</table>
Impacts of M&A on Performance of Banking in Hong Kong

<table>
<thead>
<tr>
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<th>Strongly disagree</th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td>12.0</td>
<td>90.0</td>
</tr>
<tr>
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<td>10.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>50</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

*Table 3*

The findings Table 3 highlight the impact of M&A on the profit and revenue of the banking sector. In this regard, frequency and percentage mentioned in the table depict that a total of 72% of the respondents are agreed. However, the percentage of disagreed respondents is not too high. Thus, summary statistics informs that merger and acquisition help the banking organisations to increase the long-term productivity and profitability of the organisation.
5. Do you agree with the statement “Merger and acquisition help the banking sector to maximising their profit and revenue in the global market”?

Chart 5

Need for M&A to improve the credit rating of banks and to influence the potential investors

6. Do you agree with the statement “M&A increase the credit rating of banks and their size that help to influence the potential investors which in turn decrease the cost of capital of banks”?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>18</td>
<td>36.0</td>
<td>36.0</td>
<td>36.0</td>
</tr>
<tr>
<td>Valid Agree</td>
<td>20</td>
<td>40.0</td>
<td>40.0</td>
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<td>Neutral</td>
<td>5</td>
<td>10.0</td>
<td>10.0</td>
<td>86.0</td>
</tr>
</tbody>
</table>
Survey respondents have been asked to present their opinion regarding the potential benefits of merger and acquisition such as increase credit rating and influencing potential customers. In this respect, it has been observed from the outcomes of the table that 36% of the respondents are strongly agreed, and 40% are agreed. On the contrary, 10% of the respondents are strongly disagreed, and 4% remained disagreed. Thus, it can be deduced from the survey findings that M&A help the banks to attract potential investors and customers.
Impacts of M&A on Performance of Banking in Hong Kong

6. Do you agree with the statement “M&A have a significant impact on the introduction of new service and facilities for the customers in the local and global market”?

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
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<tr>
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<tr>
<td>Neutral</td>
<td>6</td>
<td>12.0</td>
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<tr>
<td>Strongly disagree</td>
<td>5</td>
<td>10.0</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Impact of Merger and Acquisition on service and facilities of banks

7. Do you agree with the statement “M&A increase the credit rating of banks and their size that help to influence the potential investors which in turn decrease the cost of capital of banks”?

Chart 6

Page 63 of 102
The above table reveals the perception of respondents regarding the role of M&A in introducing new service and facilities in the local and international market. The outcomes of Table 5 show that 28% of the respondents are agreed, and 8% are strongly agreed. It seems from the findings of the table that majority of the sample population are in favour of the statement. Thus, it can be determined that mergers and acquisition facilitate the banks to adopt the latest technologies of other banks. In addition to this, M&A also help the banking organisations to establish a strong positioning in the market by launching new service policies and customer benefits.
Impacts of M&A on Performance of Banking in Hong Kong

7. Do you agree with the statement “M&A have a significant impact on introduction of new service and facilities for the customers in the local and global market”?

![Chart 7]

Impact of M&A on Innovation and improvement of banking services

8. Do you agree with the statement “M&A strategy help the banking organisations implement innovative ideas and resources to improve their service for the customers and to establish strong positioning in the market”?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
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</tr>
<tr>
<td>Valid</td>
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<td>22</td>
<td>44.0</td>
<td>44.0</td>
<td>70.0</td>
</tr>
</tbody>
</table>

Page 65 of 102
It can be interpreted from Table 6 that the M&A strategy help the employees of the banking sector to adopt the innovative ideas and service, which help them to improve their services. The introduction of innovative products and services by the banking sector also influence the employees to take maximum advantage from it. In the similar regard, the survey outcomes indicated that, out of 50 responses, around half of the participants (44%) are agreed to the statement and 26% are strongly agreed. On the other hand, a total of 22% of the sample respondents seems to be dissatisfied with the statement. Hence, it can be deduced from the findings that mergers and acquisitions are a beneficial approach for the banking organisations of Hong Kong to bring innovativeness in their service and facilities.
8. Do you agree with the statement “M&A strategy help the banking organisations to implement innovative ideas and resources to improve their service for the customers and to establish strong positioning in the market”?

Chart 8

Challenges faced by the Employees in adopting M&A

9. Do you agree with the statement “Communication-related challenges are the major reason for the failure of M&A in the banking sector of Hong Kong”?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
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Impacts of M&A on Performance of Banking in Hong Kong

<table>
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<td>16.0</td>
<td>94.0</td>
</tr>
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<td>Total</td>
<td>50</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Table 7

Table 9 reflected the challenges faced by the employees of the banking organisation of Hong Kong in the adoption of M&A. In this regard, it has been identified from the findings that a cumulative total of satisfied people is 70%, which is far less than the cumulative total of dissatisfied respondents (22%). Thus, it has been analysed from the survey findings that lack of communication between the managers and employees is the primary reason for the failure of M&A. In most of the cases, employees are not updated regarding the need and significance behind M&A. In such a situation, employees consider uncertainty regarding their job and future of organisation due to the lack of information.
9. Do you agree with the statement “Communication-related challenges are the major reason for the failure of M&A in banking sector of Hong Kong”?

Chart 9

Effective Strategies for the Successful implementation of M&A

10. Do you agree with the statement “Strategic vision and modern leadership strategies could be used by the banking sector of Hong Kong for the successful implementation of M&A strategies.”?

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
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<td>Agree</td>
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Page 69 of 102
Impacts of M&A on Performance of Banking in Hong Kong

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<td>96.0</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 8*

The above table reveals participants response to the effective strategies for the successful implementation of M&A in the banking sector of Hong Kong. It has been observed from the literary evidence that banking organisations of Hong Kong are facing some issues regarding the stakeholder convenience and leadership approach. In this respect, survey responses depict their opinion and suggested various strategies for adoption of M&A. In this context, survey outcomes show that around three fourth (74%) of the respondents are strongly agreed. It seems from the data findings that a majority of the respondents have agreed that strategic vision and modern leadership approaches would be beneficial for the banks for the effective implementation of mergers and acquisition.
4.5 Discussion

The data findings indicate that mergers and acquisitions offer a lucrative technique for banking organisations to generate value for their key shareholders by provoking strategies that can trigger revenues and control cost as larger banks have the potential to achieve revenue gains by filling gaps existing within the current product range. M&A strategies also enable banks to enlarge the market size and share due to economies of scale advantage, and this implicitly improves the credibility of banks. Embracing M&A can make sufficient contribution in
enhancing the performance of Hong Kong-based banks by generating high value for shareholders, accelerating revenues, controlling cost and stimulating revenues as large-sized banks have the capability to flourish revenue gains.

Additionally, future profits can also reap the advantage of cost reductions acquired via M&A predominantly from economies of scale. The data findings also portray that cost reduction advantage offered by M&A also improves the credit rating of banks and builds their size which helps to ignite the interest of potential investors thereby controlling the cost of capital and facilitation another means of increasing shareholder value. Even Hong Kong Monetary authority also suspects that agglomeration of the domestic banking sector is desirable and inevitable as it aids in increasing shareholders value by driving revenues and controlling costs thereby assuring sustained business growth of Hong Kong banking industry.

The findings also denote that even though amalgamation of the banking sector is a common feature apparent in numerous financial centres worldwide, however, Hong Kong has been an outlier in this context. It is also apparent from the data findings that local banking industry is somehow reluctant, unresponsive and detached from the common amalgamation trends which suggest that there is limited acceptance of merger and acquisition by banks of the region. The family ownership of several banks is a leading reason limiting the adoption of M&A as owners of such banks strive to protect the family heritage (Greve and Man Zhang, 2017). Moreover, until now banks have not encountered economic compulsion to merge with other banks as the profit margin has been substantial. It is also examined that growing signs signify that consolidation is speeding pace in Hong Kong and the prime reason for these include extensive competition from local, as well as, global players and the necessity of making a heavy investment in deregulation and advanced technologies.

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Literature sources also indicated that it is essential for banking ventures in Hong Kong region to adopt M&A strategies as such technique can enable banks to avail the opportunity of improving business performance in the international markets and embrace cultural change in a favourable dimension to gain competitive advantage (Jeon, Olivero and Wu, 2011, Lebedev, et al. 2015). The significance of M&A is improving the performance of banking organisations in Hong Kong is evident from the improvement in the operating efficiency of HSBC. The financial performance of HSBC has improved specifically in terms of accounting indicators including Return on Assets and Return on Equity. However, it is essential to notice the fact that successful mergers and acquisitions are highly reliant of the leadership practices, management capability and strategic vision held by organisational leaders (Davenport and Barrow, 2017). The benefits of such strategies are also explained by literature sources stating that effective mergers and acquisitions lead to economies of scale, controlling liquidity risk and refining sustainability and growth prospects of banks working in Hong Kong (Oloye and Osuma, 2015; Zhu and Zhu, 2016).

The case of Wing Hang Bank's acquisition by Overseas-Chinese Banking Corporation Limited (OCBS) is considered the biggest acquisition till now. OCBC comprised of a robust and efficient network of around 630 branches whereby the key markets include Singapore, Indonesia, Greater China and Malaysia. In 2014, it acquired Wing Hang Bank and attained 90% of its shareholding, and after the acquisition, the bank received higher exposure and also experienced improvement in capital position. This acquisition strategy is remarked as the enormous effort towards accomplishing OCBC's Greater China Strategy which provided vital assistance in leveraging essential resources, capture investment flow and trade attached to rising economic interconnectivity. This, in turn, helped the bank to build connectivity between Greater China and
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South East Asia apart from capitalising opportunities related to cross-border wealth management (Moody's Investor Service, 2016). However, it is also assessed that OCBC also witnessed certain challenges especially concerning asset quality management in the cumbersome operating environment. Improved banking operations also built the capacity of the bank to provide a well-established platform to customers for access deposits and funding facility prominently in two crucial international currency, the US Dollar and the Chinese Yuan which subsequently augment the bank's growth plan (OCBC Bank, 2014).

Another case studied for examining the impact of banks consolidation on their performance is the merger of Dao Heng Bank, DBS Kwong On Bank Limited and Overseas Trust Bank. After the legal merger of DBS bank, it has become the fourth dominant banking entity in Hong with total assets valued at $186 billion with the efficient network of 65 branches with the staff of 3,600 employees in China within Special Administrative Region. Post-merger the DBS branches have improved position in regard to operations, services and products with evoked potential to deliver quality services with considerable convenience to customers. The re-branding benefits reaped after merger also facilitated smoothness and accelerated the pace of the consolidation process. Additionally, it is analysed that now the customer can reap optimum benefit from wide-ranging choice via a broad range of products and services. The bank also anticipated that the merge could extent requisite help in deepening presence in Hong Kong market with the flourishing North Asian markets where various small and medium-sized customers have plans to expand and diversify their businesses. Now networks and offices of DBS bank also offer a complement of retail, corporate, securities and investment services and has also become the foremost credit card issuer with 11 per cent holding in the market of trade finance of Special Administrative Region (DBS, 2017; Tschoegl, 2001). Therefore, it is inferred
that opting for either merger or acquisition is likely to expand product and service range of banking institutions, reduce overall cost due to economies of scale and improve services for customers, crucial for driving competency. Moreover, improved profitability also attract prospective investors and helps to expand business operations in the international markets with adequate administration of cultural changes.

4.6 Summary

It is inferred and summarised from data findings and analysis that banks in Hong Kong are less inclined towards consolidation due to the majority of family ownership structure. However, increased competition in the market, need to incorporate technological innovation and other global factors create sustainability issues in the banking sector of Hong Kong along with creating the need for adoption of M&A strategies in the banking sector. Therefore, the pace of M&A activities is increasing in the banking sector of Hong Kong and the implementation of M&A strategies facilitated by enhancing operational efficacy and financial performance of the banking organisations. The survey findings reflect that mergers and acquisitions help the Hong Kong banking organisations to improve their functioning by utilising the innovative approaches. In addition, M&A is an effective approach to produce a cultural change in the banking environment and to attract the potential investor, which help them to increase their profit and revenue. However, lack of commutation is identified as a potential challenge for the employees in adopting M&A, which could be dealt with by utilising strategic leadership approaches.
Chapter 5: Conclusion and Recommendations

5.1 Conclusion

In the current competitive and globalised era, mergers and acquisitions are adopted by banking organisations as a crucial strategy to enhance the reach and profitability of organisations. In this relation, the present research study has conducted a detailed study on examining the impact of mergers and acquisitions on the performance of banks in Hong Kong. In order to examine it, a comprehensive mix of research methodological aspects has been made that encompasses of mixed research method. Using the method, qualitative data using interview, case study and several secondary sources have been gathered, whereas quantitative data is gathered and integrated into the research study by conducting the survey. The data gathered through the sources have offered detailed insight on mergers and acquisitions impact on the business performance of banking organisations.

Based on the findings made on analysing the data, it can be concluded that in the international market, mergers and acquisition strategies gained significant attention in boosting the performance of organisations. The strategies are examined to play a crucial role in improving the production scale, attaining economies of scale, higher value to firms, increase share in the market, integrate new skills, capabilities and pool of talents into the organisations. Along with this, the findings have highlighted that M&A bring significant improvement to the banking organisations revenues' and market share. On the basis of survey and interview findings, it can be concluded that M&A strategies play a crucial role in taking advantage of latent resources and encourage innovative and creative ideas in banking organisations that helps to serve the customers in a better and customer-friendly manner. Similar findings have been explored in the Hong Kong banking sector also, wherein employees and management experts both found to have
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a positive perception on the benefits and need of mergers and acquisitions in the banking industry of Hong Kong.

Further, based on the findings it can be concluded regarding the objective that banking organisations personnel have a positive outlook towards M&A strategies in the banking sector. This has been witnessed from the increasing activities of mergers and acquisitions that are driven by the accelerated flow of private equity funds, investors and share purchases of the listed entities. However, the analysis of findings has highlighted a more inclination of M&A activities in Hong Kong towards listed companies. In order to pursue, M&A in an efficient manner, it has become highly imperative for Hong Kong banks to adhere to the norms or rules prescribed under Companies Ordinance. Along with this, the administrative rules by the Corporate Finance Division of the Securities and Futures Commission (SFC) and the Insurance Authority or the Hong Kong Monetary Authority are adhered by the banks. In arguing to the findings, the interview, survey and case analysis findings have highlighted significantly that in comparison to other sectors across the globe, the banking entities of Hong Kong have still adopted the strategy to a limited extent only.

The research findings have further highlighted the crucial impact of M&A strategies on the business performance of banking organisations. Based on the findings gathered in this context, it can be concluded that mergers and acquisitions are the crucial strategies that play a crucial role in scaling up the revenues and profits of banks and provide access to the large customer base. The integration of survey, interview and literary findings have highlighted that M&A enhance the access to capitals, uplift banking infrastructure, create a pool of skilled and efficient employees base, bring operational efficiency, increase the overall sales, and profits in the host countries. This supports the banking organisations in enhancing the reach of their
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operations to international markets. This has been evident in the case of acquisition of Wing Hang Bank Limited by Overseas-Chinese Banking Corporation Limited, wherein Wing Hand Bank has gained greater exposure as an outcome to the acquisition. The merger of Dao Heng Bank Limited, Overseas Trust Bank, Limited and DBS Kwong On Bank Limited has uplifted the processes, operations, services and products of DBS that enhanced their ability to deliver higher convenience and improved services to customers.

However, in contrast to this, based on the findings it can be concluded that merger and acquisition are associated with several issues or challenges which poses a significant threat to the smooth operations of the banks. In this relation, based on the research findings it can be concluded that poor cultural fit, communication problems, and management ineffectiveness in integrating the banks' vision, ethics, policy, processes, mission and culture, key resources and responsibilities. In the light of the this, the case analysis of Wing Hang Bank and OCBC has revealed that the acquisition led to weakening down the liquidity profile of OCBC modestly. A crucial point to the findings is made by the interview analysis which stated lack of effective leadership, strategic vision, insufficient pre-merger preparation and documentation, high costs, risks and failure in creating synergies are found as the key challenge faced by the banking industry of Hong Kong.

Despite the challenges, the findings have signified crucial positive impacts of M&A on the business performance of banking organisations in Hong Kong. Based on the findings gathered in this context, it can be concluded that the introduction of new rules and framework by the Chinese government in 2016, and framing of effective rules and framework by Hong Kong Monetary Authority (HKMA) has prescribed special rules in relation to mergers and acquisition of banking organisations. However, the impact of M&A depends on the internal and external
environment of the banking organisation, but it examined to play a crucial role in supporting the banking organisations to penetrate effectively into the new market. The banks are able to achieve efficiency and economies of scale by raising the volume of production and reducing per unit cost of production. A crucial positive impact of M&A is noticed on the acquisition OCBC and merger of Dao Heng Bank Limited, Overseas Trust Bank, Limited and DBS Kwong On Bank Limited.

Thus, based on the overall study and analysis of key findings, it can be concluded in respect to the research question that there are several impacts of mergers and acquisitions on the performance of banking industry in Hong Kong. Majority of the impacts are found positive in augmenting the financial performance and operational efficacy of the banking sector. Along with this, positive implications in terms of higher revenues, profits, market reach, market growth, stakeholder relations, shareholder value, curbing global pressure, and ensuring sustainability in the uncertain market conditions have been examined. However, several challenges are faced by the Hong Kong banking organisations that required the implementation of effective strategies to overcome the mergers and acquisition challenges.

5.2 Recommendations

The above section has highlighted that in Hong-Kong banking industry, mergers and acquisitions has produced several positive impacts, which enhance the growth and expansion of banking institutions. The findings have revealed that the banks have faced distinct challenges in mergers and acquisition, which need to be overcome and managed effectively to ensure smooth processing of mergers and acquisitions transactions. In this relation, this section of the research study seeks to propose some crucial strategies as recommendations, to manage the mergers and acquisitions effectively by managing the challenges effectively.

*Evaluation of External Factors:*
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A wide array of factors influence the success of acquisition and merger in the banking industry, and a bank cannot control and check all the factors. This requires clear assessment and identification of external factors on which banks examined to possess lesser control, but its assessment would be highly beneficial for Hong Kong banks for effective acquisition and merger of banks. For the evaluation of external factor, an environmental assessment unit should be designed and established who examines all economic factors critically, and accordingly helps to determine the best timing of merger and acquisition (Gomes et al., 2012; Allahar, 2015).

Bridging the Cultural Gaps:

The assessment of cultural differences in between the banking organisation of acquirer and target need to be made effectively to avoid any possibility of failure of implementing merger and acquisition. For bridging the gap, the managers should follow a comprehensive integration process, wherein the management should make dedicated efforts on explaining and evaluating the philosophies, ideas and values. This helps to determine practices in respect to the style of leadership; time horizons, stakeholders’ value, teamwork, recognition and individual performance (Allahar, 2015).

Ensure effective deal structure and Financial Evaluation:

Prior to undergoing the process of mergers and acquisitions, the bank management experts should determine a suitable deal structure such as the amount planned to be paid in stock, cash or a combination of both. This varies significantly depending on the tax and accounting aspects. Deal in stock is the most preferred way, but in M&A both the participating banks need to consider that whether their stock is undervalued or over-valued at the time of happening of deal or not. Apart from this, accurate financial evaluation should also be made by banks to determine the cash flows, earning, risks, and helps to assess the maximum price that could be
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paid to target company (Kim and Finkelstein, 2009). Based on this, the banks should determine the most appropriate way to finance the merger.

Create a pool of experts:

The participating bank in mergers and acquisition should focus on creating a pool of experts from the in-house talents to manage the uncertainties and attain the maximum benefits of mergers and acquisition strategies. For this, the banks should pull a group of experts from mainly from three key areas of expertise, encompassing sales and marketing, operations and finance. Depending upon the unique situation, the bank can take external assistance from valuation experts, accountants and investment banker. This pool of experts should work cohesively, collaboratively, communicate constantly and shared common objectives to attain significant benefits of M&A (Nwazor, 2017).

Ensure employees retention and customer management:

At the pre-merger, as well as, post-merger stage, the bank should make dedicated efforts to strike a right balance in between the requirement of reducing employees, and minimising disruptions among employees, which often accompanied during the integration process. This requires a transparent and fair working of human resource personnel to identify and retain all crucial employees. Apart from employees, the management should produce dedicated efforts on managing the existing and new customer base effectively. For this, banks should consider the needs of customers and set up a panel of customers to examine and suggest the community image of the merged bank, recognise loyal base of customers and carry a helpful attitude to customers (Badreldin and Kalhoefer, 2009; Allahar, 2015).

Create an effective platform to share crucial information securely and efficiently:
The contemporary and globalised era requires accurate and timely transmission of information for which the banks are undergoing mergers and acquisition should provide dedicated attention on creating an effective platform to share all pertinent information to stakeholders in a secure and efficient manner. For this, a well-structured approach for integration of IT aspects should be made that helps to provide real-time information to investors, shareholders and other key concerned parties. Hence, it supports to establish direct contact with the stakeholders that enhance the outcome of merger and acquisition (Nwazor, 2017).

5.3 Future Research Work

In the presented research work for assessing the implications of Mergers and Acquisitions on business performance of banks established in Hong Kong, mixed methods have been used due to which problems have been witnessed in aligning the finding obtained from qualitative and quantitative methods. In order to eradicate this limitation, in future scholars intending to pursue research on the same subject or related context can employ a single research method to draw consistent findings in the light of determined research purpose. The utilisation of only quantitative methods to examine the impact of mergers and acquisitions on the performance of banking organisations in Hong Kong can provide rich summaries of gathered data to form generalisations about the phenomenon. Moreover, sole reliance on quantitative research methods can offer insight into a larger sample thus providing accurate and error-free results (Rahman, 2016). Additionally, in this particular research project, only the banking industry of Hong Kong is focussed which provides restricted results thereby limiting the scope of the study. In future, the effects of M&A on banks of two or more countries or regions can be compared and contrasted to gain a comprehensive view and accordingly recommending strategic measures that can be embraced by banks across the globe to draw maximum advantage from such tactic.
Personal Reflection

Introduction

The personal reflection section consists of information about the research process followed for completing the study and sources incorporated in the research. In addition, this part illustrates competencies gained during the process and key challenges faced during the course of study completion.

Dissertation Process

In order to complete this academic project in an efficient manner, I carefully followed the university guidelines and standard instructions for pursuing a dissertation. I never took such a lengthy academic project so in the first stage I finalised the topic with the help of my peer members and after the consent of the supervisor. The dissertation is completed in five different stages including the introduction that comprises of identifying main research questions and finalising research objectives and the second stage included detailed examination and review of secondary sources such as scholarly articles and academic books. Further, research methodology, data collection process, data analysis and conclusion are other stages of the dissertation. With the help of a pre-defined, structure, I have been able to complete each stage as per the allocated time and understand the significance and role of mergers and acquisitions on the performance of the banking sector with some realistic examples of Hong Kong-based banks. However, I faced several challenges in primary data collection, as well as in secondary data collection as I was not very familiar with research methodology and tools of data collection.

I also encountered issues in preparing the survey and interview questions as it was a completely new task for me and combining survey and interview results for producing comprehensive results was a cumbersome process. Moreover, I learned the importance of
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decision-making skills, evaluation skills and time management skills as I have to complete numerous tasks in the research consecutively. The whole process of approaching the survey participants and conducting the survey and interview was a rich experience as it provided me with substantial learning. The literature review section helped in building a foundation of the work and gaining a deep knowledge of the academic concepts of finance stream. The literature review helped me in improving my understanding and practical knowledge of mergers and acquisitions and various factors affecting the success of M&A. Additionally, I learned SPSS in the data analysis phase and use of statistical analysis helped in obtaining accurate results about implications of M&A on the banking performance of Hong-Kong in terms of economies of scale and operating efficacy. The research outcomes obtained from secondary and primary methods are synthesised for extracting comprehensive conclusions. Thus, this process helped me in understanding the importance of organisational skills and analytical skills.

**Reflection on Employed Sources**

In this research, I have incorporated information from the academic database and primary data from interview and survey, and during use of primary and secondary sources, I faced difficulties in contacting and convincing the participants for primary data collection. In addition, the use of case study method and library research method was highly time-consuming as I was not aware of the keyword strategy and the approach of selecting academic sources published in a particular time frame. However, with the help of teachers, supervisor and librarian, the whole task of selecting case study examples and considering credible secondary sources became easier. Due to deficiencies in my research skills, I encountered issues in finding the case study of Wing Hang Bank Limited and Overseas-Chinese Banking Corporation Limited and the case of the
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Use of primary data collection tools helped me in improving my communication, and interpersonal skills as both the tools require the active participation of the researcher. However, taking permission of participants and convincing banking professionals to take out some valuable time from their schedule for data collection was a difficult task. Overall, the experience of primary data collection and inclusion of secondary sources enriched my experience in various ways as I came across substantial academic books and peer-reviewed articles related to M&A practices employed within the banking sector and impact of M&A on aspects of cost reduction, profitability and shareholders' interests. As I progressed in library research, I found more relevant scholarly articles and the overall process helped me in improving my research skills. I also learned to prioritise different research activities and carry out various processes in a simultaneous manner.

Personal Learning

Undertaking this academic research project has an important impact on my personal skills and professional competencies which are beneficial for meeting my future career objectives and supportive for my career development. Four learning styles are outlined by Honey and Mumford namely, activists, theorists, reflectors and pragmatists. Activist learners tend to undertake new experiences and exhibit greater engagement in new activities (Penger, 2009). On the other side, reflectors are cautious learners that focus on details and evaluation before making any decision. I have identified that my learning style is similar to reflectors and theorists as I prefer considering models and existing concepts to derive the logic behind actions and theories and I require adequate time to take any decisions. I have also recognised that my organised approach and
proficient analytical skills helped in examining prominent issues concerning the research subject and collect data in a sequential manner. I learned about the current scenario of M&A in the banking sector of Hong Kong along with examining the issues faced by the banking sector in the process of M&A with the help of realistic data acquired through survey and interview.

During the execution of this research project, I have identified that I resist undertaking new experiences and new challenges due to the level of difficulties involved in each task and lack of familiarity. Hence, I will focus on becoming more active in taking part in new tasks for enhancing my competencies. Along with this, inadequacies in my decision-making skills influenced the task conduction and commencing primary data collection due to which analysis and conclusion phases of the study got delayed, but with the help of my supervisor and suggestions of peer members, I completed the project as per the deadline. Moreover, I exhibit traits of theorists and reflectors in my learning.

**Benefits and Competencies developed and Challenges encountered throughout research work**

This research study facilitated in gaining practical knowledge about M&A and understand theoretical, and practical aspects of the research phenomenon which contributed toward developing my professional skills and expanded my knowledge base. My communication skills, research skills, prioritisation skills and multitasking abilities are improved during pursuance of the study, and I also developed significant insights about the process of M&A and its implications on the performance, profitability and operational efficiency of the banking operations. I have identified that my evaluation skills, self-management skills and organisational skills helped me in completing the study in an effective manner.

This research project added valuable learnings and enriched me with prolific novel experiences of conducting the survey and interview. I actively engaged in all the research
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activities which helped in inculcating new skills and enhancing my capabilities. I learned the importance of research guidelines and practical implementation of research methods and data analysis tools. However, I faced adversities in completing the study due to my poor time management skills and multitasking ability. Along with this, I encountered challenges in conducting the survey and scheduling the interview due to the tight schedule of banking professionals and due to my poor interpersonal skills. Further, lack of planning influenced the compilation of interview, survey and cases study data which further affected the findings. The long process of primary research conduction, strict deadlines and lack of knowledge about the research procedure can be highlighted as some of the prominent challenges of pursuing this academic project. Moreover, improvement in my research skills, communication skills, and decision-making skills will be helpful in my professional and personal development. Additionally, learnings obtained through this project will be helpful for my career growth as this project enabled me to combine practical facets and theoretical aspects of research work.

Conclusion

This academic research project facilitated in identifying strong and competent areas of my skills and knowledge along with enabling me to recognise weak areas and potential areas of improvement. Overall, the learning experience of executing this research project helped in improving my skills and expanding my knowledge base. Moreover, I gained beneficial insights about practical aspects of research and application of academic concepts in real-life context.
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Appendices:

Appendix 1: Interview Questionnaire

1. In your opinion, what is the need of adopting M&A strategies for the banking organisations to improve their performance in the international market?

2. Do you think, more and more banks of Hong Kong are following M&A strategies for advancing their performance? If yes kindly elaborate.

3. Do you feel, effective implementation of M&A strategies is associated with certain challenges? If yes, please elaborate the challenges encountered in this process.

4. What are the impacts of merger and acquisition strategies on performance of banking industry in Hong Kong?

5. How effective enforcement of M&A strategies can be ensured in the banking sector of Hong Kong?
Appendix 2: Survey Questionnaire

General Questions

1. Working Experience
   - less than a year
   - 1-5 years
   - 5-10 years
   - Greater than 10 years

2. Age-group
   a) 18-25 years
   b) 25-40 years
   c) Above 40 years

Specific Questions

3. Do you think that M&A strategies play a crucial role in banking sector to improve their performance in the international market?
   a) Strongly agree
   b) Agree
   c) Neutral
   d) Strongly disagree
   e) Disagree

4. Do you agree with the statement “Merger and acquisition is an effective strategy to produce cultural change within the banking sector of Hong Kong”?
   a) Strongly agree
   b) Agree
c) Neutral
d) Strongly disagree
e) Disagree

5. Do you agree with the statement “Merger and acquisition help the banking sector to maximising their profit and revenue in the global market”?
   a) Strongly agree
   b) Agree
   c) Neutral
d) Strongly disagree
e) Disagree

6. Do you agree with the statement “M&A increase the credit rating of banks and their size that help to influence the potential investors which in turn decrease the cost of capital of banks”?
   a) Strongly agree
   b) Agree
   c) Neutral
d) Strongly disagree
e) Disagree

7. Do you agree with the statement “M&A have a significant impact on introduction of new service and facilities for the customers in the local and global market”?
   a) Strongly agree
   b) Agree
   c) Neutral
d) Strongly disagree
e) Disagree

8. Do you agree with the statement “M&A strategy help the banking organisations to implement innovative ideas and resources to improve their service for the customers and to establish strong positioning in the market”?

a) Strongly agree
b) Agree
c) Neutral
d) Strongly disagree
e) Disagree

9. Do you agree with the statement “Communication-related challenges are the major reason for the failure of M&A in banking sector of Hong Kong”?

a) Strongly agree
b) Agree
c) Neutral
d) Strongly disagree
e) Disagree

10. Do you agree with the statement “Strategic vision and modern leadership strategies could be used by the banking sector of Hong Kong for the successful implementation of M&A strategies.”?

a) Strongly agree
b) Agree
c) Neutral
d) Strongly disagree

e) Disagree
**Appendix 3: Codes for Respondents**

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<th>Banking Professionals</th>
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