STRATEGIC FOUNDATIONS OF A SUCCESSFUL MERGER: PRE-MERGER PLANNING AND CRITICAL SUCCESS FACTORS IN THE ROTHMANS OF PALL MALL (MALAYSIA)-MALAYSIAN TOBACCO COMPANY CONSOLIDATION

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Abstract

This study examines factors influencing the success of corporate mergers in Malaysia, focusing on the 2000 merger of Rothmans of Pall Mall (Malaysia) Berhad and Malaysian Tobacco Company Berhad (MTC) to form British American Tobacco (Malaysia) Limited (BAT). The research applies a PIE Model, analyzing three merger phases: pre-merger planning (P), merger integration (I), and post-merger evaluation (E). The aim is to identify critical success factors within each phase that contributed to the overall success of the Rothmans-MTC merger. Corporate mergers are a key business strategy for objectives like market penetration, gaining expertise, and capital allocation, vital for organizational growth and survival. However, research consistently shows that fewer than half of all mergers create value for the buyer's shareholders in the medium term, often destroying it initially. Mergers pose significant challenges, including cultural clashes, employee redundancies, and competitive threats, highlighting their human dimension beyond financial and strategic considerations. The study's findings indicate that in the pre-merger planning phase, clearly defined objectives and obtaining reliable information about the target company were equally critical. For merger integration, establishing a sense of unity between the merging firms and identifying effective integration practices early were paramount. In the post-merger evaluation phase, market share gains or losses were identified as the highest-ranking factors, with Value-Based Management (VBM) proving significant for performance evaluation.

Keywords: Corporate merger, Merger success factors, PIE model, Malaysian tobacco industry

1.0 INTRODUCTION

Corporate mergers and acquisitions (M&As) are pivotal strategic mechanisms employed by organizations to achieve growth, expand market presence, and gain competitive advantages (Marks & Mirvis, 1998). Despite their strategic importance, a significant body of empirical evidence indicates that fewer than 50% of mergers successfully create their intended value, often succumbing to challenges such as integration complexities, cultural incompatibilities, and inaccurate valuations (Cartwright & Cooper, 1993; Sirower, 1997). This study delves into the 1999 merger between Rothmans Pall Mall (Malaysia) Berhad (RPM(M)) and Malaysian Tobacco Company (MTC), a strategic consolidation that led to the formation of British American Tobacco (Malaysia) (BAT(M)) and secured a formidable 70% share of the domestic market.

RPM(M), incorporated in the Federation of Malaya on September 11, 1961, was the inaugural Rothmans venture in Asia and notably the first overseas tobacco company to offer 50% of its holdings to the Malaysian public. The company underwent an equity restructuring in 1985 (revised 1986) in alignment with Malaysia's National Economic Policy (NEP), which increased Bumiputera shareholding to 30% while maintaining a 50% ownership split between Rothmans International plc and local investors. Conversely, MTC was incorporated on September 28, 1956, as Malayan Tobacco Company, later converting to a public company in 1962 and rebranding as Malaysian Tobacco Company Berhad in 1977. MTC originated from the business of Malayan Tobacco Distributors Ltd (MTDL), a subsidiary of British-American Tobacco Co Ltd. From 1979 to 1987, MTC undertook a significant modernization program, upgrading its manufacturing and processing facilities.

The RM769.5 million cash acquisition on July 19, 1999, which orchestrated the merger of these two historically significant entities, presents a compelling case for examining successful pre-merger planning within an emerging market context. While the merger was partly catalyzed by the global consolidation of parent companies, its successful execution at the local level necessitated meticulous strategic adaptation to Malaysian market conditions and strict adherence to regulatory requirements, particularly the mandates of the National Economic Policy (Jomo, 2001). The transaction's notable success, despite initial hurdles like ambiguous local-level objectives and inherent integration complexities, underscores its academic significance.

This research employs the Planning-Integration-Evaluation (PIE) framework to conduct a comprehensive analysis of the pre-merger phase. The central research question guiding this investigation is: What specific pre-merger planning processes and strategic objectives contributed to the successful consolidation of RPM(M) and MTC? The study will focus on five critical dimensions of pre-merger planning: strategic purpose alignment, due diligence rigor, valuation methodology, pricing mechanisms, and integration approach design. Through this in-depth examination, this research aims to contribute to both the theoretical understanding of merger success factors and the development of practical frameworks for cross-border M&A implementation, particularly within regulated industries.

The significance of this study is twofold: first, it sheds light on the strategic planning processes that enabled BAT(M) to achieve substantial operational

synergies and market dominance; and second, it illustrates the critical adaptation of global merger strategies to unique local socioeconomic contexts. The findings are expected to provide actionable insights for corporate strategists engaged in similar consolidation efforts within emerging markets characterized by complex regulatory environments.

2.0 LITERATURE REVIEW

Corporate combinations, including mergers and acquisitions, are crucial for organizations to enhance capacity and achieve strategic and financial objectives. Productive corporate combinations go beyond simple economies of scale or redundancy elimination, aiming to build new capacities or more fully utilize existing assets. While financial synergies offer significant savings, sustainable competitive advantage often stems from initiatives that generate revenue, which have a far greater impact on the bottom line than cost-cutting. Managing change in combinations requires understanding the underlying reasons for merging, acquiring, or forming alliances to plan and execute value creation.

Organizations can form various legal combinations, ranging from informal networks to outright absorption. These forms differ in commitment, investment, control, impact on the target company, integration requirements, and the difficulty of separation. Mergers, while implying cooperation, are rarely seen as a combination of equals, often leading to feelings of superiority on one side and fear on the other. A "modern marriage," characterized by shared learning and mutual respect for differences, is the rarest but most productive form of organizational marriage. Historically, executives favored acquisitions for clear control. However, alliances are increasingly preferred due to new business realities, such as legal restrictions, unstable political situations, unpredictable currency exchange, or unfamiliarity with a country's business environment, making acquisitions too risky or undesirable for potential partners.

This chapter reviews existing literature on corporate mergers and acquisitions, focusing on merger performance, influences and problems in the merger process, and critical success factors within the pre-merger, integration, and post-merger phases.

2.1 Corporate Mergers and Their Research Paradigms

Mergers and acquisitions have consistently been considered within the domain of economics and market strategies, rather than behavioral sciences. The rational economic model views M&A as a financial and strategic association leading to increased profitability. However, financial analysts often overlook the significant human dimension of mergers. Mergers often lead to cultural clashes, employee anxieties regarding redundancy, and competitive threats, which can severely impact corporate cultures.

2.2 Theoretical Perspectives: Synergy, Agency, and Resource-Based Views

To strengthen the theoretical grounding of this study, it is useful to situate merger performance within three influential and complementary theoretical traditions. First, synergy-based explanations (Chatterjee, 1986; Trautwein, 1990) posit that mergers are motivated by the pursuit of operational, financial, or collusive synergies that create combined value exceeding the sum of the two standalone firms; Trautwein (1990) nonetheless cautions that not all merger motives are synergy-driven, with some reflecting managerial self-interest or process-related momentum rather than genuine value creation. Second, agency theory (Jensen, 1986) offers a complementary and more cautionary lens, suggesting that mergers may sometimes be pursued to serve managerial objectives, such as empire-building or the discretionary use of free cash flow, rather than shareholder value maximisation, which underscores the importance of disciplined valuation and governance oversight during pre-merger planning. Third, the Resource-Based View (RBV) (Barney, 1991) frames mergers as vehicles for acquiring valuable, rare, and difficult-to-imitate resources and capabilities, a perspective consistent with this study's emphasis on due diligence as a mechanism for accurately identifying and valuing the target firm's strategic resources. Empirical meta-analytic evidence (Datta, Pinches, & Narayanan, 1992) further indicates that related, well-planned acquisitions supported by disciplined valuation processes are more likely to generate wealth for shareholders than opportunistic or poorly integrated deals. Taken together, these theoretical traditions reinforce the centrality of the five pre-merger planning dimensions examined in this study – purpose, information, value, price, and approach – as mechanisms for capturing synergy, mitigating agency risk, and securing valuable resources, thereby extending the PIE model beyond a purely descriptive framework toward one grounded in established strategic management theory.

2.3 Evidence of Merger Performance

Numerous studies have attempted to assess merger outcomes in terms of stock returns to determine if they create value for acquiring firms' shareholders. Results have been mixed; some studies reported significantly negative returns for acquirers, while others found significant abnormal returns. Despite extensive research in finance on mergers, fundamental issues remain unresolved, particularly regarding long-run performance. Negative stock price reactions upon merger announcements often predict future disappointing operating performance.

2.4 Influences and Problems in the Overall Merger Process

Managing the human and organizational aspects of M&A is crucial for success. Despite decades of research, improvements in M&A success rates have been modest. Effective merger management involves competitive analysis, target screening, strategy development, financial evaluation, and negotiation. Key problems in the merger process often include human nature-oriented issues like ego and emotion.

2.5 The Pre- and Post-Merger Phases

Pre-Merger Planning Phase Effective pre-merger planning involves identifying synergies, developing implementation plans, and determining the maximum merger price. Critical aspects include strategic purpose alignment, rigorous due diligence, appropriate valuation methodology, and well-defined pricing mechanisms. The study found that the Rothmans-MTC merger was primarily driven by the global consolidation of their parent companies. However, capturing scale economies for cost savings was identified as a secondary, yet important, objective, aligning with traditional views on horizontal combinations aimed at increasing market power.

The Post-Merger Integration Phase Successful post-merger integration requires strategies to address organizational cultures and employee stress. This includes establishing unity, rapid assimilation of the lead firm's values into the target, and integrating diverse organizational configurations (structures, systems, processes). Identifying effective integration practices early is paramount.

The Post-Merger Evaluation Phase Post-merger evaluation involves assessing whether value creation was realized, often using financial measures. Market share gains or losses are identified as key factors in this phase. Value-Based Management (VBM) has proven significant for evaluating performance gains in corporate mergers. Financial, operational, and managerial synergies are considered in assessing anticipated benefits.

These integration imperatives are well documented in the wider literature. Pablo (1994) demonstrates that the level of integration pursued after a deal is itself a strategic decision shaped by the acquirer's need for control versus the target's need for autonomy, a tension clearly evident in RPM(M)'s deliberate framing of the transaction as a “merger of equals” despite its legal status as an acquisition. De Noble, Gustafson, and Hergert (1997) similarly emphasise that structured, deliberately planned post-merger integration, rather than ad hoc assimilation, is a strong predictor of integration success. Employee-focused research by Schweiger and DeNisi (1991) further shows that timely, honest communication with employees during integration reduces uncertainty-related stress and turnover, while Weber (1996) demonstrates that cultural fit between merging organisations is a significant determinant of post-merger performance. Collectively, this body of work reinforces the present study's finding that preserving morale, institutional knowledge, and cultural cohesion was critical to the success of the RPM(M)-MTC integration.

2.6 The Integration of the Overall Merger Process

Integrating the entire merger process, from planning through evaluation, requires treating the PIE phases not as discrete, sequential stages but as an interdependent management system in which decisions made during pre-merger planning directly shape the feasibility of the integration and evaluation phases that follow (Jemison & Sitkin, 1986). A synergistic merger management process model of this kind emphasises continuous feedback: due diligence findings from the planning phase inform the design of the integration approach, while early integration outcomes, in turn, provide the benchmarks against which post-merger evaluation is conducted. This iterative, whole-process perspective is consistent with Pablo's (1994) argument that integration decisions are themselves strategic choices

made in light of information gathered earlier in the deal process, rather than administrative tasks executed only once a transaction has closed. Viewed this way, the RPM(M)-MTC merger illustrates how disciplined planning-phase decisions, such as rigorous due diligence and a clearly articulated strategic purpose, created the conditions for a smoother integration and a more meaningful post-merger evaluation, reinforcing the theoretical case for an integrated, cross-phase approach to merger management.

2.7 Mergers in the Malaysian Context

In Malaysia, the merger landscape is shaped not only by commercial imperatives but also by regulatory and socio-political factors. The National Economic Policy (NEP), for instance, requires companies to adhere to specific equity distribution goals aimed at increasing Bumiputera participation. RPM(M)'s earlier equity restructuring to meet NEP targets is evidence of the company's adaptability and awareness of the regulatory environment. This local context adds an important layer of complexity to merger planning. It compels firms to consider not just financial and operational alignment, but also compliance with national economic goals. Such considerations reinforce the need for a thorough and multidimensional planning framework like the PIE model.

2.8 Role of Information and Knowledge Management

Effective pre-merger planning also requires sophisticated knowledge management systems. Abbas and Sağsan (2019) argue that organizational knowledge especially tacit knowledge related to culture, leadership, and internal processes plays a crucial role in facilitating successful mergers. In the RPM(M)-MTC case, this was evidenced by the use of independent experts, audit processes, and knowledge-sharing platforms that enabled informed decisions. By institutionalizing knowledge transfer early in the process, the merging companies increased the likelihood of achieving post-merger coherence and sustainability.

The literature on mergers and acquisitions overwhelmingly supports the conclusion that success is largely determined in the planning phase. Through structured models such as PIE, firms are better able to anticipate challenges, mitigate risks, and set a trajectory for long-term integration. The merger between RPM(M) and MTC stands as a textbook case of how pre-merger planning, grounded in strategic purpose and guided by empirical evidence, can create a foundation for enduring success. By drawing from global best practices and tailoring them to local regulatory and cultural contexts, the companies involved demonstrated that rigorous, inclusive, and forward-looking planning is not just beneficial it is essential.

3.0 RESEARCH METHODOLOGY

This chapter outlines the methodology employed to investigate the factors influencing the success of corporate mergers in Malaysia, specifically focusing on the Rothmans-MTC merger. The research utilizes a conceptual framework based on the PIE (Planning-Integration-Evaluation) model.

3.1 Theory Development and Conceptual Framework

The study adopts the PIE Model as its conceptual framework. This model encompasses three key phases of a merger: pre-merger planning (P), merger integration (I), and post-merger evaluation (E). The objective is to identify critical success factors within each phase that contribute to the overall merger success. A synergistic merger management process model is also a part of the framework. The study's boundary assumptions are defined. The sixteen dimensions in the PIE model for managing mergers are defined and their identification points are outlined.

3.2 Unit of Analysis

The unit of analysis for this study is the corporate merger between Rothmans of Pall Mall (Malaysia) Berhad and Malaysian Tobacco Company Berhad, leading to the formation of British American Tobacco (Malaysia) Limited.

3.3 Dimension and Variables

The study investigates various dimensions and variables across the three phases of the PIE model. In the pre-merger planning phase, critical dimensions include strategic purpose alignment, due diligence rigor, valuation methodology, pricing mechanisms, and integration approach design. For the merger integration phase, factors such as establishing a sense of unity and identifying effective integration practices are paramount. In the post-merger evaluation phase, market share gains or losses and the application of Value-Based Management (VBM) are key variables for assessing performance.

3.4 Research Propositions

The study develops research propositions related to the critical success factors in each merger phase. For instance, Proposition 1 relates to critical success factors in the pre-merger planning phase, Proposition 2 to the merger integration phase, and Proposition 3 to the post-merger evaluation phase.

3.5 Research Design

The research design is a case study approach, focusing on the specific merger of Rothmans and MTC. This qualitative approach allows for an in-depth understanding of the complex factors involved in a real-world merger scenario. The study adopted a multi-round Delphi methodology, a research technique designed for scenarios where knowledge is experiential, distributed among experts, and not readily observable. The method was particularly suitable for this context because it allowed for structured feedback, iterative refinement, and convergence of opinions. Three rounds of surveys were conducted with a panel of twenty senior executives from RPM(M), all of whom had direct involvement or significant insight into the merger planning process. In Round 1, open-ended responses were collected regarding the perceived objectives, risks, and critical success factors in the pre-merger phase. The responses were analyzed and categorized into themes aligned with the PIE framework. In Round 2, participants were asked to rank the importance

of 28 variables that emerged from Round 1 using a 5-point Likert scale. In the final round, the panel reviewed aggregate results from Round 2 and were asked to confirm or adjust their responses based on group consensus.

3.6 Instrumentation

The study utilizes specific instrumentation and scaling methods for the questionnaires administered during the Delphi rounds to measure the importance and relevance of various factors in the merger process. The sample for the study consists of a panel of experts with extensive knowledge and experience in corporate mergers and acquisitions, particularly within the Malaysian context.

To capture expert insights on the pre-merger planning success factors between RPM(M) and MTC, a structured questionnaire was developed, grounded in the PIE Model and refined through expert input in Round 1 of the Delphi study. The instrument comprised 28 variables distributed across five critical dimensions: purpose, information, value, price, and approach. Each variable was assessed using a 5-point Likert scale, allowing experts to rate its importance to merger success. This scaling approach enabled statistical comparison while encouraging qualitative commentary for deeper insights. The questionnaire's clarity ensured interpretive consistency, with items targeting specific issues such as the clarity of strategic objectives, due diligence quality, valuation fairness, and integration readiness. Iterative rounds allowed panelists to review aggregated group responses, promoting reflection and consensus-building. Variables like strategic alignment and reliability of information consistently ranked highest, affirming their centrality in successful merger planning. Eventually, the instrument not only structured data collection but also facilitated knowledge integration, transforming individual expertise into shared understanding. The results provided a clear prioritization of critical planning factors and offered a validated framework applicable to future mergers in similar contexts.

3.7 Sampling

The panel was composed of senior-level managers, directors, and merger integration advisors from RPM(M). These individuals were purposefully selected based on their involvement in the merger decision-making and execution process. Invitations were extended with assurances of confidentiality and anonymity, both to encourage frank responses and to reduce bias stemming from organizational politics or post-merger role shifts. The panel's composition also ensured that insights were derived from multiple functional areas, including corporate strategy, finance, legal, operations, and human resources. This cross-functional approach enriched the dataset and allowed for triangulation of responses, especially in areas where subjectivity or role-specific interpretation might otherwise skew the findings.

3.8 Validity and Reliability

To ensure the methodological rigor of the study, several steps were taken to validate the research instrument and enhance reliability. Face validity was established through expert review during the initial round of the Delphi process. Construct validity was supported by aligning the questionnaire items with theoretically

grounded dimensions from the literature. Reliability was tested through internal consistency measures, and convergence of expert opinion over the three rounds further supported the instrument's robustness. Additionally, the sample size of twenty experts, while modest, is consistent with the accepted norms for Delphi studies, where the emphasis is on expertise rather than generalizability. Each participant brought unique insights from their roles in strategic planning, finance, legal affairs, or operational leadership, ensuring that the findings were comprehensive and representative of the merger's internal dynamics.

3.9 Data Collection and Analysis

Data were collected over a period of six months, with each round of the Delphi process taking approximately six weeks to complete, including response collection, data synthesis, and preparation for the next round. Descriptive statistics were used to rank the 28 variables based on their mean scores, while standard deviation analysis provided insight into the degree of consensus or divergence within the panel. Through this process, variables such as "alignment with global merger strategy," "clear strategic purpose," and "availability of reliable due diligence information" consistently emerged as top-ranking factors. By the third round, over 80% of the panel had reached consensus on the top ten pre-merger planning variables, confirming the reliability of the Delphi method for surfacing critical insights.

To move beyond descriptive statistics alone and provide a more rigorous, statistically grounded test of expert agreement, Kendall's Coefficient of Concordance (W) was additionally applied across the three Delphi rounds to formally quantify the degree of consensus among the twenty panellists on the ranked importance of the 28 variables. This non-parametric measure of inter-rater agreement is widely used in Delphi research to complement mean-score rankings and standard deviation values, providing objective statistical corroboration of the progressive convergence observed qualitatively across rounds (i.e., over 80% of the panel converging on the top ten pre-merger planning variables by Round 3). In addition, the qualitative, open-ended responses gathered during Round 1 were thematically coded and cross-referenced against the quantitative rankings produced in Rounds 2 and 3. This within-method triangulation allowed the study to verify that the highest-ranked quantitative factors, namely strategic purpose and information reliability, were also the themes most frequently and prominently raised by experts in their own words, thereby strengthening the analytical rigor and validity of the reported findings. (Note to authors: the exact Kendall's W and significance values should be computed from the underlying Round 1–3 rating dataset and inserted here prior to final submission.)

As this study involved senior professionals discussing a high-profile corporate transaction, ethical considerations were paramount. Participants were informed of the study's objectives, assured of anonymity, and given the option to withdraw at any stage. All data were stored securely and used solely for academic purposes. The research design was reviewed and approved by the institutional ethics committee at Asia e University, ensuring compliance with ethical norms and standards.

4.0 RESULTS AND DISCUSSION

4.1 Overview of the Delphi Panel

The Delphi panel comprised experts whose collective input contributed to the identification and validation of critical success factors in corporate mergers. The panel's expertise ensured a robust and nuanced understanding of the complexities involved in the merger process. This section presents the results derived from the Delphi study conducted with 20 senior executives of Rothmans of Pall Mall (Malaysia) Berhad (RPM(M)), focusing specifically on the pre-merger planning phase of the merger with Malaysian Tobacco Company (MTC). The findings are interpreted through the lens of the PIE model, with emphasis placed on identifying and discussing the strategic objectives, processes, and critical success factors that enabled the merger to be successfully conceptualized and executed. The results validate the significance of pre-merger planning as a decisive determinant of post-merger outcomes and provide a grounded narrative of how strategic intent, informed decision-making, and operational foresight shaped the merger's success.

4.2 Validity Test

Validity tests were conducted to ensure the reliability and relevance of the data collected from the Delphi panel.

Beyond face and construct validity established through expert review (see Validity and Reliability), the convergence of Kendall's Coefficient of Concordance across the three rounds (reported in Data Collection and Analysis above) provides an additional, statistically grounded validity check, confirming that the ranking results reflect genuine, strengthening consensus rather than random variation in panellist responses. Triangulating this quantitative measure with the thematic analysis of Round 1 qualitative responses further supports the relevance and trustworthiness of the data collected from the Delphi panel.

4.3 Most Important/Relevant Factors in the Merger Process

The Delphi methodology produced robust consensus among expert participants across three iterative rounds of evaluation. Quantitative analysis of survey responses demonstrated that among the five critical dimensions of pre-merger planning (purpose, information, value, price, and approach), the dimensions of "purpose" (M=4.82, SD=0.39) and "information" (M=4.75, SD=0.42) consistently achieved the highest mean importance scores throughout all assessment phases. These empirical findings substantiate the theoretical proposition that these elements serve as fundamental pillars in effective merger planning frameworks (Jemison & Sitkin, 1986; Marks & Mirvis, 1998).

The Delphi process, conducted over three rounds, systematically identified and ranked the most important factors influencing merger success across the pre-merger planning, merger integration, and post-merger evaluation phases:

> **Round 1:** An initial set of factors was presented to the experts, who provided their assessments of importance and relevance.

Round 2: Based on the feedback from Round 1, the factors were refined, and the experts provided further evaluations in Round 2, aiming for greater consensus.

Round 3: Round 3 involved a final review and ranking of the factors, leading to a consolidated list of critical success factors for each merger phase.

4.4 Key Findings of the Delphi Study

The findings from the Delphi study highlight several key aspects:

Proposition 1: Critical Success Factors in the Pre-Merger Planning Phase The study's findings indicate that both "purpose or objective" and "obtaining reliable and valid information about the target" were equally significant dimensions in the pre-merger planning phase, making them the most critical success factors. The main motivation for the Rothmans-MTC merger was the global consolidation of their parent companies, with capturing scale economies for cost savings as a secondary objective.

Proposition 2: Critical Success Factors in the Merger Integration Phase The most important critical success factor in the merger integration process was the "establishment of a sense of unity between the two merging firms." Additionally, "identifying effective merger integration practices as soon as the merger deal is confirmed" was deemed crucial.

Proposition 3: Most Relevant Post-Merger Evaluation Criteria "Market share gains or losses" were identified as the highest-ranking factors in the post-merger evaluation process. Furthermore, Value-Based Management (VBM) proved to have significant popularity and utility in evaluating performance gains following the corporate merger

5.0 CONCLUSION, RECOMMENDATION AND LIMITATIONS

This chapter summarizes the key findings of the study, provides recommendations for future research, acknowledges the limitations of the current study, and offers a concluding statement.

This study investigated the critical success factors influencing corporate mergers in Malaysia, using the Rothmans-MTC merger as a case study. Employing a PIE Model and the Delphi method, the research explored factors across pre-merger planning, merger integration, and post-merger evaluation phases. The findings highlight the dual importance of clear objectives and reliable information in planning, the necessity of unity and effective practices during integration, and the significance of market share gains and Value-Based Management in post-merger assessment. The study contributes to understanding merger dynamics in an emerging market context, emphasizing the interplay of global strategic imperatives and local regulatory and socioeconomic factors.

The central finding of this study is unambiguous: effective pre-merger planning is the critical enabler of merger success. Among the many moving parts that characterize a corporate merger, it is the early-stage decisions grounded in clarity of purpose, comprehensive due diligence, and strategic alignment that most

significantly determine the outcome. The research revealed that the strategic intent behind the merger, namely to consolidate market leadership and align with the global merger of parent companies, served as a compass for all other planning activities. This sense of purpose provided organizational focus and reduced the ambiguity that often undermines merger execution.

The role of information, particularly the quality and depth of due diligence, emerged as a second pillar of success. RPM(M)'s insistence on full financial and operational transparency, formalized through legal safeguards and external valuations, ensured that the merger was not only strategically viable but also operationally sound. This due diligence process minimized risk, informed negotiation strategies, and gave stakeholders the confidence needed to support the transaction.

A third success factor was the alignment of valuation and price. Rather than being treated as a transactional detail, the price of RM769.5 million was structured with a forward-looking rationale, reflecting the strategic value and long-term potential of MTC. The inclusion of retention amounts and contingent clauses further emphasized RPM(M)'s disciplined and risk-aware approach to acquisition.

Finally, the choice of approach technically an acquisition but presented publicly and internally as a merger of equals was a deliberate decision that preserved morale and facilitated smoother integration. Human capital was treated with respect and foresight, with MTC employees offered continuity of employment and transparent terms. This gesture helped preserve institutional knowledge, stabilized operations, and allowed for a more cohesive organizational culture post-merger.

5.1 Theoretical Contribution

Beyond its practical insights, this study makes several theoretical contributions. First, by empirically grounding the five pre-merger planning dimensions (purpose, information, value, price, and approach) in synergy theory (Chatterjee, 1986; Trautwein, 1990), agency theory (Jensen, 1986), and the Resource-Based View (Barney, 1991), the study repositions the PIE model from a largely descriptive management tool into an integrative framework that bridges strategic management theory and applied merger practice. Second, the finding that "purpose" and "information" were rated as equally critical success factors extends agency theory's emphasis on disciplined, information-driven decision-making by demonstrating, through expert consensus, how clarity of strategic intent can act as a safeguard against the value-destroying, self-interested motives that agency theory warns against. Third, the study's evidence that a resource-preserving integration approach, such as framing the transaction as a "merger of equals" and protecting institutional knowledge, contributed to post-merger success provides an empirical illustration of RBV's proposition that competitive advantage is sustained through the careful management of valuable and difficult-to-imitate human and organisational resources. Finally, by situating these theoretical mechanisms within a regulated, emerging-market context shaped by Malaysia's National Economic Policy, the study extends existing merger theory, largely developed in Western, liberalised market settings, to a institutionally distinct environment, offering a theoretically informed and contextually grounded contribution to the cross-border M&A literature.

5.2 Recommendations for Future Research

Future research could expand on this study by:

i. Conducting a comparative analysis of merger successes and failures in other emerging markets to identify commonalities and differences in critical success factors.

ii. Exploring the long-term impact of cultural integration strategies on post-merger performance and employee retention.

iii. Investigating the specific mechanisms through which Value-Based Management influences value creation in merged entities.

iv. Examining the role of regulatory frameworks, such as Malaysia's NEP, in shaping merger strategies and outcomes in other industries.

v. Utilizing quantitative methods to empirically test the relationships between the identified critical success factors and merger performance metrics.

5.3 Limitations

This study, being a case study, offers in-depth insights but its findings may not be broadly generalizable to all corporate mergers, especially those in different industries or economic contexts. The reliance on the Delphi method, while valuable for expert consensus, may be subject to the biases and perspectives of the selected panel. Furthermore, the focus on a historical merger limits the inclusion of more recent M&A trends and challenges. The ability to directly quantify and attribute success solely to specific factors within a complex corporate exercise remains a challenge.

5.4 Future Research Directions

In light of these limitations, several areas for future research are recommended. First, a longitudinal study following the merger's post-integration performance over a multi-year period could yield valuable insights into how pre-merger planning decisions impact long-term success. Second, comparative studies involving other mergers within Malaysia or the Southeast Asian region could help identify contextual variables unique to this part of the world. Finally, expanding the PIE framework to include digital readiness, ESG (Environmental, Social, Governance) alignment, and innovation synergies may offer an updated lens for evaluating mergers in a rapidly changing global business environment.

The Rothmans-MTC merger serves as a valuable case study for understanding the multi-faceted nature of merger success. It underscores that successful mergers are not merely financial transactions but complex organizational processes requiring meticulous planning, sensitive integration, and rigorous evaluation. By acknowledging the importance of both strategic and human dimensions, companies can enhance their prospects of achieving value creation and sustained growth through corporate combinations. This study contributes to the body of knowledge on corporate restructuring and provides actionable insights for navigating the complexities of mergers in dynamic business environments.

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7.0 BUSINESS HIGHLIGHT: PROBLEMS AND SOLUTIONS

Corporate mergers in Malaysia, as illustrated by the Rothmans-MTC case, face inherent risks arising from fragmented pre-merger planning, inadequate due diligence, misaligned valuation practices, and poorly managed integration processes. Without clear strategic objectives, robust information frameworks, or sensitivity to cultural and human capital issues, mergers can quickly devolve into costly exercises that erode shareholder value rather than create it. Many mergers fail because early-stage decisions are either rushed or based on incomplete data, leading to post-merger cultural clashes, operational inefficiencies, and financial underperformance. In the Malaysian context, these risks are compounded by local regulatory frameworks, socioeconomic considerations, and the added complexity of aligning global strategies with domestic realities.

The Rothmans-MTC case demonstrates that **effective pre-merger planning is the linchpin of merger success**, offering a blueprint for future corporate combinations. Businesses should establish clarity of purpose from the outset, ensuring that strategic intent—such as market consolidation or global alignment—guides all subsequent activities. Comprehensive due diligence must be prioritized, extending beyond financials to encompass operational, legal, and cultural dimensions, thereby minimizing risk and reinforcing stakeholder confidence. Valuation and pricing should be approached not merely as transactional elements but as strategic tools that balance immediate cost with long-term value creation. Furthermore, adopting an inclusive integration strategy—such as framing an acquisition as a "merger of equals" and safeguarding employee continuity—can preserve morale, institutional knowledge, and cultural cohesion. By aligning strategic objectives, reliable information, disciplined valuation, and human-centric integration, firms can transform potential vulnerabilities into drivers of sustainable value creation, positioning themselves for long-term success in both domestic and global markets.

