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Quality of Accounting Information and Internal Audit Characteristics in Nigeria

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The basic goal of accounting is to provide quality accounting information that will aid reliable decision-making. The quality level of this accounting information comes from the company's governance practices, thereby emphasizing the importance of corporate governance in companies. Recently, following the financial crises resulting in accounting scandals, attention has been moving towards internal audit function as an important factor in the structure of corporate governance. This paper therefore examined the extent of the relationship between internal audit function and the quality of accounting information of companies. The study adopted the survey research design. The research instrument employed was questionnaire which was administered to internal auditors of the "Big Four". Linear regression analysis was employed in the analysis of the data collected with the use of Statistical Packages for Social Sciences (SPSS). The results revealed that there is a significant relationship between the internal audit characteristics and the quality of accounting information. It was recommended that in order to provide credibility to the financial statement, there should be a law in place mandating attachment of internal auditors report to the financial statement.

Keywords: accounting quality, accounting report, corporate governance, fraud, internal auditing

Introduction

Recently, there has been considerable interest in the corporate governance practices of modern corporations, particularly since the high profile collapse of a number of large U.S. firms such as Enron Corporation and WorldCom (Adedipe, 2004). These high profile collapses which involved accounting fraud unfortunately had serious devastating effect on stakeholders in terms of losses in their investment (Ojeka, Iyoha, & Obigbemi, 2014). These events also led to loss of hundreds of jobs most especially in the manufacturing sector as well as a drop in the prices of shares of most companies listed on the floor of Nigerian Stock Exchange (Ojeka et al., 2014). This wave of accounting scandals that occurred both in the international and local financial community has raised many criticisms about the financial reporting quality (Agrawal & Chadha, 2005), such that the trust which prior to now stakeholders particularly investors had on the credibility and

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quality of financial report presented by the management of companies could no longer be sustained as such reports were regarded as misleading and false. As a result of these various financial scandals, there is the need for the accounting profession to regain investors' confidence in financial reporting quality and the need for a quality financial report to meet expectations of current and potential investors. This has thereby given rise at the international level to the U.S. federal government passing the Sarbanes-Oxley Act in 2002 intending to restore public confidence in corporate governance. Likewise, in a bid to also achieve this same objective of restoring confidence in investors, the Nigerian Code of Corporate Governance was overhauled by the Securities and Exchange Commission in 2011 (Ojeka et al., 2014).

Generally, the concept of corporate governance relates to the relationship between a company's management, board of directors, shareholders and other stakeholders. Good corporate governance entails efficient management of resources and provision of responsible leadership; it requires the provision of timely and quality information and the enforcement of sanction for breaches in ethical standard, regulations and code of conduct (Ogbeche & Koufopoulos, 2007). Suffice it to say that the whole essence of corporate governance is to ensure transparency, investor protection, full disclosure of executive action and corporate activities to stakeholders, assurance of performance-related executive compensation and full disclosure of executive compensation (Myers, 1977). The corporate governance system comprises four cornerstones which are: management, external auditor, audit committee, and internal auditor (IA) (Gramling, Maletta, Schneider, & Church, 2004; Prawitt, Smith, & Wood, 2009). In recent years and following the financial crises, the focus of attention has been moving towards internal audit function as an important factor in the structure of corporate governance (Al-Shetwi, Ramadili, Chowdury, & Sori, 2011; Coram, Ferguson, & Moroney, 2008). The role of the internal audit function includes: monitoring, assessing and analyzing organizational risk and controls; reviewing and confirming information and compliance with policies, procedures and controls.

The main interest of this paper, therefore, is on governance mechanism that can influence the quality of financial accounting report/information with particular interest on the internal audit function. The quality of accounting information is decomposed into three characteristics which are reliability, relevance, and understandability. This paper is divided into five sections: Section 1 is the introduction; Section 2 is the review of relevant literatures; Section 3 is the methodology adopted; Section 4 is the analysis and interpretation of data collected with the use of statistical techniques while Section 5 concludes the paper and includes recommendation.

Literature Review

Concept of Internal Audit and Financial Accounting Information

In recent years and following the financial crises, the focus of attention has been moving towards internal audit function as an important factor in the structure of corporate governance (Al-Shetwi et al., 2011; Coram et al., 2008). Internal auditing is a catalyst for improving an organization's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes. According to Institute of Internal Auditors (IIA), the objective of internal auditing is:

> An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (IIA, 2008, p. 2)

Unegbu and Obi (2007) defined internal audit as part of the internal control system established by management of an organization for the purpose of ensuring strict adherence to stated work procedures, as well as serve as an aid to management. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. In the words of Unegbu and Obi (2007), internal audit measures, analyzes and evaluates the efficiency and effectiveness of other controls established by management in order to bring about smooth administration, control cost minimization, and ensure capacity utilization and maximum benefit derivation. Vos (1987) opined that the objective of internal auditor is to evaluate effectiveness of financial and operating control, confirm compliance with company's policies and procedures, protect assets, and verify the accuracy of internal and external reports. The responsibility of the internal auditor is to reveal how well the accounting system works and also evaluate the effectiveness and efficiency of this accounting system in the organization (Tracey, 1994).

IASB (2010) stated that the main objective of financial reporting is to provide information that is useful to investors, creditors, and others in making investment, credit, and similar resource allocation decisions. There are two main qualitative characteristics of financial accounting information: relevance and faithful representation. Information is said to be relevant when a change in the information would affect the decisions of users of such information while faithful representation implies that information reflects the real world economic phenomena that it purports to represent. For financial information to be of good quality, it must be relevant, reliable, timely, understandable, faithful representation, comparable and verifiable.

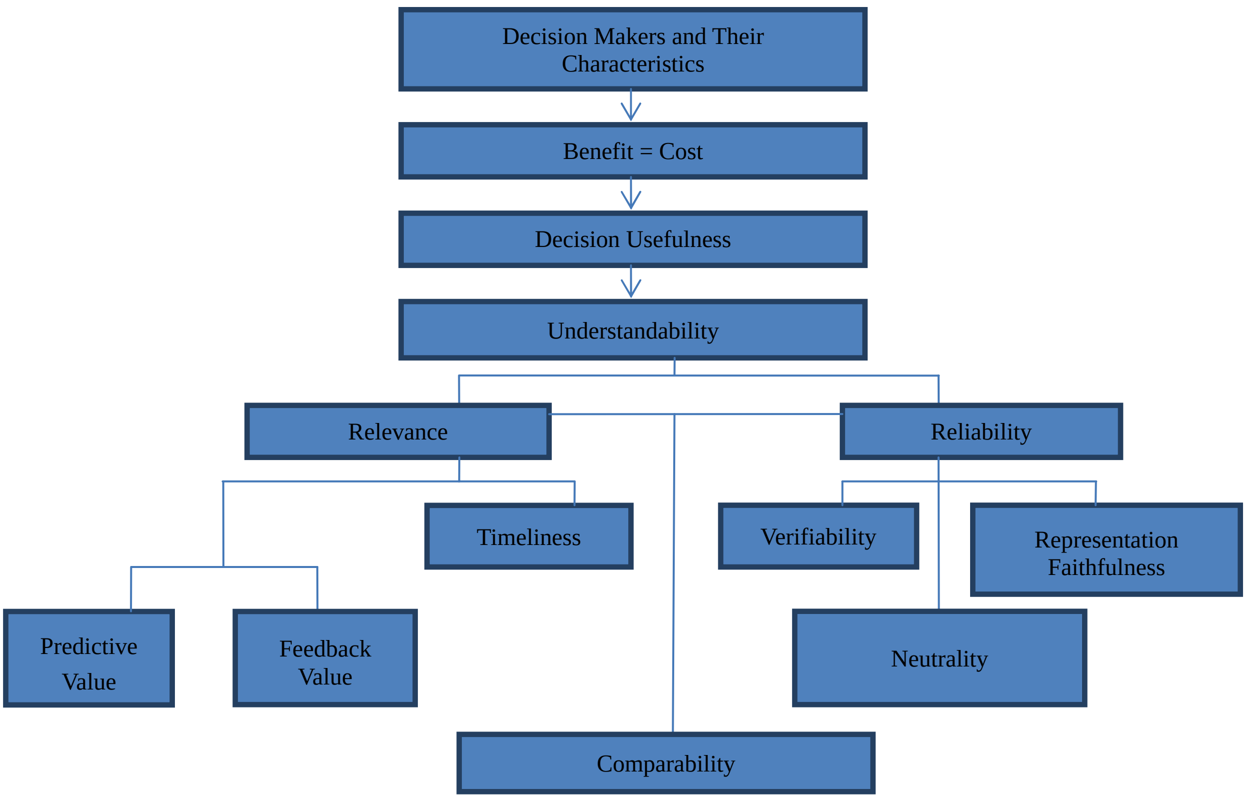

Figure 1. Characteristics of financial statement used in making economic decision. Source: FASB (1980).

Internal Audit Function and Quality of Accounting Information

Internal auditing activity as it relates to corporate governance has in the past been generally informal, accomplished primarily through participation in meetings and discussions with members of the board of directors but today, a primary focus area of internal auditing as it relates to corporate governance is helping the audit committee of the board of directors perform its responsibilities effectively. The internal audit function is an important function within an organization that has been shown to add value (Carey, Simnett, & Tanewski, 2000; Goodwin-Stewart & Kent, 2006; Carcello, Hermanson, & Raghunandan, 2005) and reduce detected errors by external auditors (Wallace & Kreutzfeldt, 1991) and it is considered an important governance tool to protect corporations from internal criminal behaviour (Nestor, 2004) thereby improving the quality of the financial accounting information of companies.

Over the years, researches have shown that internal auditing function has a significant impact on financial reporting quality especially in the areas of preventing and detecting fraud (Church, McMillan, & Schneider, 2001; Coram et al., 2008). Internal auditing plays a very important role in corporate financial reporting; one of such areas where they play this important role is in the area of prevention and detection of fraudulent financial reporting. Investors with easy access to the internal audit function reports have greater confidence in the reports than those without access (Archambeault, DeZoort, & Holt, 2008). Similarly, evidence has shown that internal audit function plays an important role in completing the financial statement audit (Zain, Subramaniam, & Stewart, 2006) imploring that internal audit function has an effective role in improving the audit quality and in turn financial reporting quality (Al-Shetwi et al., 2011).

A study carried out by Al-Shetwi et al. (2011) showed that there is no significant contribution between internal audit function and financial accounting quality. The findings from this research study showed that the weak/no association between internal audit function and quality of accounting information might be due to the combined factors of an inadequate system as well as poor corporate governance. Another research study carried out by Coram et al. (2008) showed that organizations with an internal audit function are more likely than those without such functions to detect and self-report fraud. The findings of the study suggest that an internal audit function adds value to an organization through an improvement of the control and monitoring environment to enable the detection and self-report fraud thereby bringing about an increase in the accuracy of the accounting information disclosed. Consistent with the findings of Coram et al. (2008) is Dangana, Yancy, and Hassan (n.d), who carried out a research on audit characteristics and financial reporting quality. Audit characteristics were measured with auditor's independence and auditor's compensation/fee; while quality of financial reporting was estimated by earnings quality. The result of the study showed that auditor's compensation and independence all have an impact on earnings quality which is quality of financial reporting.

As a result of this inconsistency in the opinions of various authors with respect to the extent to the relationship between internal audit function and quality of accounting information, as well as going by the inadequacy of substantial literature in this area, the underlisted question is proposed for an empirical investigation:

H_1: There is a significant relationship between internal audit function and quality of accounting information.

Internal Audit Characteristics and Quality of Accounting Information

Al-Shetwi et al. (2011) argued that the impact of internal audit function on financial reporting quality is a function of three factors, namely: the proficiency/competence of internal audit staff, internal auditors' independence, and internal auditors' work performance. Ebrahim, Abdullah, and Faudziah (2014) examined four factors of internal audit function which are: qualification of the audit department, size of the audit department, qualifications of the chief audit executive and experience of the audit department. In this study, internal audit comprises two factors, namely: competence and independence.

Competence of the Internal Auditor and Quality of Accounting Information

The first characteristic of internal auditor to be examined is competence and its relationship with quality of accounting information. Arens, Elder, and Beasley (2012) opined that competence is the knowledge and skills necessary to accomplish tasks that define an individual's job. Furthermore, competence refers to the ability of an individual to perform a job or task properly with the application of a set of defined knowledge, skills, and behavior.

In a study carried out by Prawitt et al. (2009), the relationship between internal audit quality (internal auditor's experience and internal auditor's qualification) and earnings management was examined. The study employed ordinary least square regression to test the relationship between the independent and dependent variables. The result revealed that staffs who are presumed competent can easily identify internal control weaknesses, and being employees of the company, they know more about the structure and system in the company while in another study by DeZoort (1998), internal audit staff who are inexperienced and non-knowledgeable may find it difficult to detect areas of fraud in the internal control process which may lead to the production and publication of fraudulent financial report, thereby bringing about poor quality of financial accounting information which may mislead stakeholders in the cause of making decisions. Further, an internal auditor is more familiar with the firm's structure and accounting information system than an external auditor being a member of staff of the organization, and this enhances an internal auditor's experience regarding the potential areas of fraud thereby emphasizing the role of the internal auditor in the production of quality financial accounting information.

Similarly, Novyarni (2014) examined the influence of internal auditor competence and independence on the quality of financial reporting by municipal/provincial government. The study was conducted and data were elicited through the administration of questionnaire to the internal auditors of municipal/provincial governments. The result of the study showed that the competence of the internal auditor primarily affects the quality of financial reporting on city government and the provincial government. There are insufficient studies that examine the relationship between the quality of accounting information and competence of the internal auditor. As such, this current study seeks to examine the extent of the relationship between the internal auditor's competence and the quality of financial reporting. Therefore, the underlisted hypothesis was formulated to be tested:

H_2: There is a significant relationship between the competence of internal auditors and quality of accounting information.

Independence of Internal Auditors and Quality of Accounting Information

Independence is a mental attitude that can neither be influenced nor controlled and does not involve reliance on the other party (Mulyadi, 2008). A study carried out by Payamta (2006) revealed that internal auditor's independence does affect the quality of financial reporting. Auditor independence is commonly referred to as the cornerstone of the auditing profession since it is the foundation of the public's trust in the accounting profession. Unfortunately, since the emergence of the various high profile cases of fraud, there has been a negative perception of the auditors' independence. Independence on the part of internal auditors is such that should enable staff of the internal audit to report all material cases they detect without any fear even if they disclose the faults of management itself.

Al-Shetwi et al. (2011) examined the impact of internal audit function on financial reporting quality of all Saudi companies listed in the Saudi Stock Exchange in 2009, excluding banks. Secondary and primary information was gathered through a matched survey and interview of both internal and external auditors. The findings showed that there is a weak relationship between the internal auditor's independence and quality of accounting information. In another study conducted by Adebayo (2011) on the impact of auditor's independence on the credibility of financial statement in Nigeria, the study concluded based on the findings that there is a positive relationship between independence of an auditor and the credibility of financial statement. The data used for the study were collected from both primary and secondary sources. These data were equally analyzed using tables and simple percentages while the hypotheses generated were tested with the use of chi-square. The result of the test showed that auditor's independence affects the credibility of financial statement. There is no sufficient studies/literature with respect to the relationship between the internal auditor's independence and quality of accounting information. This therefore served as a basis for formulating the underlisted hypothesis:

H_3: There is a significant relationship between the independence of the internal auditors and quality of accounting information.

Agency Theory

The theory adopted for the purpose of this research study is the agency theory. Agency theory provides the framework for the evaluation of the relationship between the various parties in an organization. An agency relationship arises when one or more principals engage another person as their agent to perform their service on their behalf. In order to perform this service, there must be delegation of some decision-making authority to the agent. Such delegation would require the agent placing trust in the principal. But as a result of the breach in trust placed in management, there is the need for an internal auditor who would checkmate and report to the board, the activities of management. This therefore introduces the concept of internal auditors as agents of principals. The internal auditor reports to the board of directors or its audit committee and is charged with monitoring the activities of the organization to ensure compliance with procedures and to likewise ensure that management is indeed acting in accordance with the laid down policies established by the board of directors.

Research Methodology

The survey research method was employed in this study. The choice for the survey method lies in the fact that it focuses on obtaining subjective opinion of respondents and aims at drawing an accurate assessment of the entire population by studying samples derived from the population usually in the form of questionnaire (Osuala, 2005). The primary data were used as a source of data. The primary data were obtained from the group of respondents through a properly constructed questionnaire. The questionnaire was constructed using a 5-point Likert scale. The questionnaire was divided into four sections. Sections A, B, and C were on questions pertaining to the three hypotheses while Section D comprises personal information of the respondents.

For the purpose of this study, the target audience is the internal auditors. A total of 60 copies of the questionnaire were administered to internal auditors of the "Big Four" which are Deloitte, KPMG, PricewaterhouseCoopers (PwC), and Ernst and Young (EY). The rationale behind this is as a result of the fact that they (Big Four) are representative of the accounting firms in Nigeria; their clients are spread across different sectors of the Nigerian economy; they control the market and have a functional internal audit department with highly skilled and well-trained professional internal auditors. A total of 51 questionnaires were received from the various respondents.

The data collected were analysed with the use of both descriptive and inferential statistics. The hypotheses formulated for this study were tested with the use of statistical parametric tools known as regression analysis. This rationale behind using regression analysis is to enable the researcher to determine the extent of the relationship between the independent variable (internal audit characteristics) and dependent variable (quality of accounting information).

Hypotheses

The hypotheses are listed as follows:

RH_1: There is a significant relationship between the internal audit function and the quality of accounting information.

RH_2: There is a significant relationship between the competence of the internal auditor and the quality of accounting information.

RH_3: There is a significant relationship between the independence of the internal auditor and the quality of accounting information.

Model Specification

$$Y = f(X) \tag{1}$$

$$Y = f(x_1, x_2, x_3) \tag{2}$$

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \mu \tag{3}$$

where:

X = Independent variable (internal audit characteristics);

x_1 = Independence;

x_2 = Competence;

Y = Dependent variable (quality of accounting information);

y_1 = Timeliness/Relevance;

y_2 = Reliability;

y_3 = Understandability;

β_0 = Intercept;

μ = Error term/Stochastic variable.

Results and Discussion

This section contains an analysis of the hypotheses tested using regression analysis.

Objective 1: To determine the extent of the relationship that exists between the internal audit function and the quality of accounting information.

Table 1

Regression Analysis

Model summary						
Model	*R*		*R* square	Adjusted *R* square	Std. error of the estimate	
1	0.279[a]		0.078	0.059	0.842	
Coefficients[a]						
Model		Unstandardized coefficients		Standardized coefficients	*T*	Sig.
		B	Std. error	Beta		
1	(Constant)	1.998	1.118		1.787	0.080
	Internal audit function	0.112	0.055	0.279	2.030	0.048
ANOVA[b]						
Model		Sum of squares	Df	Mean square	*F*	Sig.
1	Regression	2.925	1	2.925	4.123	0.048[a]
	Residual	34.761	49	0.709		
	Total	37.686	50			

Note. [a]. Predictors: (Constant), internal audit function. [b]. Dependent variable: There is a significant relationship between the internal audit function and the quality of accounting information.

Table 1 depicts an assessment of statistical significance of the result. This is a test of the null hypothesis to enable the determination of whether or not the null hypothesis should be accepted or rejected. From the coefficient table, the significance value in this study is 0.048, which is lower than the cut-off of $p < 0.05$. This therefore signifies that there is a significant relationship between the internal audit function and the quality of accounting information. From Table 1, the *R* value is 0.279, when expressed in percentage terms; it shows that this model explains 27.9% of the variance in the dependent variable being quality of accounting. That is to say, the remaining 72.1% variation in the dependent variable can be explained outside the independent variable by other factors.

Objective 2: To ascertain the extent of the relationship that exists between the internal auditors' competence and the quality of accounting information.

Table 2

Regression Analysis

Model summary						
Model	*R*		*R* square	Adjusted *R* square	Std. error of the estimate	
1	0.049[a]		0.002	-0.018	1.128	
ANOVA[b]						
Model		Sum of squares	Df	Mean square	*F*	Sig.
1	Regression	0.151	1	0.151	0.118	0.732[a]
	Residual	62.359	49	1.273		
	Total	62.510	50			
Coefficients[a]						
Model		Unstandardized coefficients		Standardized coefficients	*T*	Sig.
		B	Std. error	Beta		
1	(Constant)	4.326	1.244		3.477	0.001
	Competence	-0.022	0.064	-0.049	-0.344	0.732

Note. [a]. Predictors: (Constant), competence. [b]. Dependent variable: There is a relationship between the internal auditor's competence and quality of accounting information.

Table 2 depicts an assessment of the statistical significance of the result. This is a test of the null hypothesis to enable the determination of whether or not the null hypothesis should be accepted or rejected. The significance value in this study is 0.732, thereby showing that there is no significant relationship between the internal auditors' competence and the quality of accounting information. From Table 1, the *R* value is 0.049, when expressed in percentage terms; it shows that this model explains 4.9% of the variance in the dependent variable being quality of accounting. That is to say, the remaining 95.1% variation in the dependent variable can be explained outside the independent variable by other factors.

Objective 3: To investigate the extent of the relationship between the internal auditors' independence and quality of accounting information.

Table 3

Regression Analysis

Model summary						
Model	*R*		*R* square	Adjusted *R* square		Std. error of the estimate
1	0.060[a]		0.004	-0.017		1.005
ANOVA[b]						
Model		Sum of squares	Df	Mean square	*F*	Sig.
1	Regression	0.177	1	0.177	0.175	0.678[a]
	Residual	49.510	49	1.010		
	Total	49.686	50			
Coefficients[a]						
Model		Unstandardized coefficients		Standardized coefficients	*T*	Sig.
		B	Std. error	Beta		
1	(Constant)	4.528	1.085		4.174	0.000
	Independence	-0.028	0.067	-0.060	-0.418	0.678

Note. [a]. Predictors: (Constant), independence. [b]. Dependent variable: There is a significant relationship between the independence of the internal auditor and the quality of accounting information.

Table 3 depicts an assessment of the statistical significance of the result. This is a test of the null hypothesis to enable the determination of whether or not the null hypothesis should be accepted or rejected. The significance value in this study is 0.678, meaning that the model in this table is not statistically significant since the value in the model is higher than the cut-off of $p < 0.05$. This therefore signifies that there is no significant relationship between the internal auditors' independence and the quality of accounting information. From Table 3, the *R* value is 0.060, when expressed in percentage terms; it shows that this model explains 6.0% of the variance in the dependent variable being quality of accounting. That is to say, the remaining 94.0% variation in the dependent variable can be explained outside the independent variable by other factors.

Discussion of Findings

The main aim of this study is to determine the extent of the relationship between the internal audit characteristics and the quality of accounting information. This study engaged three objectives which are: To determine the extent of the relationship between the internal audit function and the quality of accounting information; to ascertain the extent of the relationship between the internal auditor's competence and quality of accounting information; and to investigate the extent of the relationship between internal auditor's independence and the quality of accounting information.

Significant relationship between the internal audit function and the quality of accounting information. Hypothesis one states that there is a significant relationship between the internal audit function and the quality of accounting information. To test this, regression analysis was run and as a result, the null hypothesis was rejected, while the alternate hypothesis which states that there is a relationship between the internal audit function and quality of accounting information was accepted. Although there is a relationship between the two variables, the extent of the relationship is not very strong or significant. This empirical finding is consistent with the result of a research carried out by Rahmatika (2014) where it was revealed that internal audit has a positive effect on the quality of financial reporting.

Significant relationship between the internal auditors' competence and the quality of accounting information. Hypothesis two states that "there is a significant relationship between the internal auditors' competence level and the quality of accounting information". To test this, regression analysis was run and as a result, the null hypothesis was rejected, while the alternate hypothesis which states that there is a significant relationship between the internal auditor's competence level and quality of accounting information was accepted. This empirical finding is consistent with the result of a research carried out by Al-Shetwi et al. (2011) which revealed that internal auditors' competence does not affect the quality of financial reporting on city government and the provincial government.

Significant relationship between the internal auditors' independence and the quality of accounting information. Hypothesis three states that there is a significant relationship between the internal auditors' independence and the quality of accounting information. To test this, regression analysis was run and as a result, the null hypothesis was accepted, while the alternate hypothesis which states that there is a significant relationship between the internal auditor's independence and quality of accounting information was rejected. This empirical finding is consistent with the result of a research carried out by Al-Shetwi et al. (2011) who examined the impact of internal audit function on financial reporting quality of all Saudi companies listed in the Saudi Stock Exchange in 2009, excluding banks whose findings showed that there is a weak relationship between the internal auditor's independence and quality of accounting information.

Conclusion and Recommendations

Accounting, as the language of today's corporate governance structure, mainly reflects the effects and mechanism of corporate governance. The basic goal of accounting is to provide quality accounting information that would assist users of accounting information in making effective decisions. The quality level of this accounting information comes from the company's governance practices, thereby emphasizing the importance of corporate governance in companies. Optimal decision-making is therefore to a very large extent dependent on the quality of the financial accounting information/report presented to stakeholders at all levels. The role of the internal audit function as one of the corporate governance mechanisms has become more prominent. When examined singularly, internal auditor's competence and independence do not contribute to the quality of accounting information, but when looked at collectively, there is a relationship between internal audit characteristics and quality of accounting information. This therefore implies that there are other forms of internal audit characteristics that affect the quality of accounting information. The underlisted recommendations were made:

(1) The office of the internal audit should be independent of management and the chief executive officer. If it is possible, the internal audit should not be directly under the chief executive officer/management;

(2) To further provide assurance to the credibility of accounting information, internal auditors should be allowed by law to have a column in the financial statement where they can put together their report on the position and performance of the organization;

(3) Accounting bodies and accounting regulatory authorities should come up with ways to improve independence and competence of the internal auditors;

(4) Emphasis should be further placed on other characteristics of internal audit as it relates to quality of accounting information.

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Eradicating Fraud in Healthcare: Possibly a Matter of Life or Death

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Healthcare fraud, waste, and abuse losses are estimated to be as much as $700 billion per year. These losses contribute to rapidly increasing healthcare costs for all Americans and the lack of healthcare or the malpractice of healthcare for money motivations can result in death. The purpose of this article is to describe several different types of healthcare frauds that occurred and to offer suggestions related to the prevention and/or detection of this type of fraud. With a better understanding of the frauds that can take place, auditors can help protect society from both unfair healthcare costs and medical problems.

Keywords: healthcare fraud, healthcare auditing, data mining

Introduction

Healthcare spending is estimated to be $2.7 trillion annually and it represents about 17% of the United States Gross Domestic Product (GDP) as compared to only 9.5% among other countries (van Capelleveen, Poel, Mueller, Thornton, & van Hillegersberg, 2016). As the cost of healthcare continues to rise, healthcare fraud schemes continue to increase in both the magnitude of losses and complexity related to patients' health. These losses contribute to rapidly increasing healthcare costs for all Americans and the lack of healthcare or the malpractice of healthcare for money motivations can result in death or chronic illness. Legislation has been enacted to address this problem and organizations are creating task forces to enforce the legislation. The purpose of this article is to describe several different types of healthcare frauds that occurred and to offer suggestions related to the prevention and/or detection of this type of fraud.

Research Background and Literature Review

Yang and Hwang (2006) estimated healthcare fraud to be as high as 10% of the annual spending in the industry while Rudman, Eberhardt III, Pierce, and Hart-Hester (2009) estimated it to be as low as 3% of annual spending. The annual losses are estimated to be as high as $700 billion (van Capelleveen et al., 2016) or as low as $100 billion per year (Simborg, 2008). The simple fact that the estimates are so different indicates the complexity associated with the problem. The problem affects consumers (patients), payers of the bills (parents if children are involved), health insurance providers, the government (with Medicare, Medicaid, etc.), and healthcare professionals.

Calls for help come from all of the parties listed above and action has come in the form of legislation and organizations. Simborg (2008) both outlined "guiding principles" and offered an organizational idea of a

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Nationwide Health Information Network (NHIN) with policies, procedures, and standards to proactively prevent, detect, and reduce healthcare fraud. Swartz (2006) discussed the 6-month project commission by the Office of the National Coordinator for Health Information Technology within the Department of Health and Human Services (HHS) that involved two main tasks: (1) a study of the issues and steps in the development and use of automated coding software that enhance healthcare anti-fraud activities; and (2) identifying best practices to enhance the capabilities of interoperable health information technology infrastructure to assist in prevention and detection as well as prosecution of healthcare fraud or improper claims and billings.

One humanist approach to prevention and detection of fraud comes from whistleblowing and data mining. Hannigan (2006) described a nurse practitioner's dilemma. The article identifies some of the potential devastating effects: job-loss, threats against the person and family, and psychological/emotional stress. However, reporting the fraudulent activity may actually reduce the psychological and emotional stress. By considering both ethical principles and practical issues, people may have a better ability to "do the right thing" with these dilemmas.

A more scientific approach related to the prevention and detection of fraud is data mining. Yang and Hwang (2006) provided a research framework that distinguished fraud and abuse cases from normal healthcare cases. Joudaki, Rashidian, Minaei-Bidgoli, Mahmoodi, Geraili, Nasiri, and Arab (2015) reviewed the literature in this area and offered the idea of combining automated methods and statistical knowledge as an interdisciplinary branch of science that is called Knowledge Discovery from Databases (KDD) – data mining is the core of the KDD process. Koh and Tan (2005) provided more information related to data mining being used for evaluation of treatment effectiveness, management of healthcare, customer relationship management, and the detection of fraud and abuse. The article also highlights the limitations of data mining. From an international perspective, research about data mining in Taiwan was conducted by Liou, Tang, and Chen (2008). This study applied data mining techniques to detect fraudulent activities related to diabetic outpatient services. They used algorithms in three ways: logistic regression, neural network, and classification trees. More details will be provided in a later section of this article.

Legislation and Organizations to Help

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) created a national Health Care Fraud and Abuse Control (HCFAC) Program with the Attorney General and the Secretary of the Department of Health and Human Services (HHS) supervising it. HCFAC was designed to coordinate the federal, state, and local law enforcement related to health care fraud and abuse. In spite of this legislation and new organization, the Governmental Accountability Office (GAO) designated Medicare and Medicaid as high-risk programs because of both size and the overall system complexity (van Capelleveen et al., 2016).

In 2009, Attorney General, Eric Holder, and HHS Secretary, Kathleen Sebelius, announced the establishment of a new organization called Health Care Fraud Prevention & Enforcement Action Team (HEAT). This initiative combined increased detection tools and resources with enduring focus by senior leadership. It was also designed to enhance collaboration between the Department of Justice (DoJ) and investigative agencies. HEAT was made up of top-level enforcement agents, prosecutors, attorneys, auditors, and other staff from the DoJ, HHS, and other operating governmental divisions. The purpose of HEAT was to collaborate with joint efforts across government to both prevent health care fraud and enforce current anti-fraud laws throughout the United States (DoJ, 2017a).

Recent Healthcare Fraud Cases Prosecuted

With the new HEAT organization, the DoJ has been able to both prosecute and fine individuals, organizations, and businesses involved with health care fraud and abuse. The following cases reflect recent cases:

(1) In 2016, an owner of more than 30 Miami-area skilled nursing and assisted-living facilities as well as a hospital administrator and physician's assistant were charged with conspiracy, obstruction, and fraud related to $1 billion scheme involving many area health care providers. This was the largest single criminal health care fraud case ever brought against individuals by the DoJ. The scheme involved admitting beneficiaries (who did not qualify) to skilled nursing homes, community mental health centers, and home health care providers. They were giving them medically unnecessary services that were billed to Medicare and Medicaid. Kickbacks were also paid in form of cash, charitable contributions, payments for services, and fake lease payments. One of the individuals was prosecuted back in 2006, but continued the fraudulent activities after paying a $15.4 million civil fine (DoJ, 2016a);

(2) Criminal and civil charges were made against 301 individuals, including 61 doctors, nurses, and other licensed medical professionals in 2016. This case was an unprecedented sweep made by the Medicare Fraud Strike Force and the schemes involved about $900 million in false billings. This was the largest enforcement action at the time in terms of both loss amount (please refer to the previous case as the largest to date) and the number of people involved. More than 60 of the defendants were charged with violations involving the Medicare prescription drug benefit program known as "Part D", which is the fastest growing component of the Medicare program overall and contributing to the opioid epidemic (DoJ, 2016b);

(3) In 2017, a new record takedown of 400 individuals and $1.3 billion in false billings was performed by the Medicare Fraud Strike Force. The target schemes involved false billings to Medicare, Medicaid, and TRICARE (a health care program for members and veterans of the armed forces as well as their families) for medically unnecessary prescription drugs and medications that were often never even purchased or opioids and other narcotics that were illegally distributed (DoJ, 2017b). Of the 412 people charged, there were 115 doctors, nurses, and other licensed professionals. There were also 30 state Medicaid Fraud Control Units participating in these enforcement actions (DoJ, 2017c);

(4) In terms of court cases actually going to trial, a Danville, Virginia doctor pled guilty to both healthcare fraud and tax evasion charges in 2017. The Morning Star medical practice billed covered patient visits to various insurers, such as Optima, Virginia Premier, Aetna, Anthem, Medicare, and Medicaid. The doctor was the only person authorized to complete the "superbill", which is the form that determines which services to invoice to a health care benefit program. The doctor would bill health care benefit program for the patient visit under an "evaluation and management" code and "preventative counseling" for the exact same patient visit, resulting in double billing. The doctor also diverted some of the overpayments to a day trading bank account and concealed the profits from this account from the Internal Revenue Service (DoJ, 2017d);

(5) In 2017, a Cleveland Heights woman was sentenced to 10 years in prison and her son was sentenced to 7 years for a $8 million home healthcare fraud scheme. They were also ordered to pay $8.1 million in restitution. The company, Just Like Family, defrauded Medicare, Medicaid, and the Department of Veteran Affairs by submitting forged or false records in support of previously submitted and reimbursed billings for patients they did not actually provide face-to-face services (DoJ, 2017e).

Data Mining as an Effective Healthcare Fraud Eradication Tool

With advances in technology as well as digitalization of health care information, machine learning and data mining can now be used as a more scientific way to prevent and detect healthcare fraud, waste, and abuse. A study by van Capelleveen et al. (2016) used statistical analysis when offering outlier detection techniques to identify nonstandard observations that may represent accidental errors or more serious falsified data linked in a fraudulent pattern. Intelligent data mining systems were developed for purposes of data warehousing for learning purposes, artificial intelligence, and decision support systems. Metrics can be offered and categorized based on the types of fraud that they are likely to reveal. High costs claims can also be separated and flags can be established to note high risk associated with the claims. The study used both linear regression, boxplot outlier detection, peak analysis, and multivariate clustering. They found that outlier detection methodology is a practical way to use dashboards in order to identify problematic providers and raise flags.

Koh and Tan (2005) used data mining techniques to study treatment effectiveness along with fraud and abuse. They provided an example of applications that can highlight inappropriate prescriptions or referrals and fraudulent medical/insurance claims. They also identified the Texas Medical Fraud and Abuse Detection System as award-winning data mining software that recovered $2.2 million and identified 1,400 suspects for investigation. The most important application for data mining is predictive modeling and this was actually used to help warn people about possible diabetes associated with large Body Mass Indez (BMI) in addition to inappropriate treatments and billings. This type of data mining was expanded internationally as Liou et al. (2008) proposed three different types of data mining techniques to detect fraudulent or abusing reporting by healthcare providers providing diabetic services in Taiwan. The classification tree model performed the best, with 99% accuracy. The neural network model was second, with an overall detection rate of 96%. The classification tree algorithms built tree "nodes" and each possible path from the root node to the leaf nodes represents a sequence of classification rules. Two of the rules on the fraud leaf nodes involved the relationship between the average days of drug dispensation and average medical expenditure. This model predicted fraudulent hospitals at 100% and 99% for the whole dataset. Related to this research, Yang and Hwang (2006) used data mining techniques to: (1) filter out noisy data; (2) identify activities; (3) identify fraudulent instances; and (4) select normal instances. With this information, they developed sensitivity (proportion of fraudulent cases that are identified by the system) and specificity (proportion of the normal cases that are classified as normal). The goal of a good data mining technique is it has both high sensitivity and specificity. They found that the non-structure detection system had high specificity, but low sensitivity. Their systematic model performed better than the non-structure system and also better identified fraudulent activities related to overdoses and repeated ambulant visits.

Concluding Remarks

This study describes legislation, organizations, and data mining techniques established to prevent or detect health care fraud, waste, and abuse. It also provides examples of enforcement actions taken recently and court cases taking place as a result of more healthcare fraud vigilance. Instead of using guns to rob banks or other businesses, these fraudsters were simply submitting fake documents to basically steal billions of dollars from taxpayers. They were also contributing to the opioid epidemic with illegal distribution or prescription drugs. It is a matter of life and death in some cases as well as governmental fiscal responsibility that everyone gets involved with healthcare fraud prevention and detection.

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The Crucial Role of Time in M&A Activities: An Inductive Exploration

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Mergers & acquisitions (M&As) are important strategic instruments, yet nearly half of all transactions fail, often resulting in disastrous write-offs and losses for corporations and financing institutions alike - despite promising prospects upfront. Applied research has been trying to find a "panacea" to prevent or at least predict M&A failure, investigating motives, synergies and performance. Despite the growing unease with the stationary explanatory models in literature, research has only marginally focused on the concept of time, with inquiries into market timing and integration speed. Yet other timing concepts have been neglected in concepts so far despite early empirical evidence for their existence. The purpose of this paper is thus to identify and elaborate on the importance of further relevant theories of timing. For this, and true to the exploratory nature of the topic, the authors have chosen a qualitative comparative case study design based on existing case reports which are investigated for narrations highlighting timing concepts. This study reveals six factors which have a crucial impact on the M&A outcome: time of acquisition, M&A duration in its entirety, M&A sequence, synergy chronology, frequency of acquisitions and time to step back. It contributes to theory and practice in outlining the careful attention that needs to be paid in planning in these factors to enhance the chances of a successful M&A transaction.

Keywords: M&A, success, timing concepts, process, synergy

Introduction

Mergers & acquisitions (henceforth M&As) activities are seen as an alternative way to grow (Rovit, Harding, & Lemire, 2004), especially in saturated markets. Such M&A activities are known to create turbulences in the respective markets, and in many cases fail to deliver on their promises. A plethora of inquiries into the factors for success and failure of M&As can be found in literature, amongst from Epstein (2005), Rovit et al. (2004), Das and Kapil (2012), and Angwin and Meadows (2015). However, their approaches are stationary in assuming that the importance of the various factors remains constant throughout the process. Taking a critical standpoint to existing literature, this paper explores the hitherto under-researched potential moderating factors based on concept of timing.

Generally, timing regarding M&As is primarily expressed in terms of integration speed (Angwin, 2004; Homburg & Bucerius, 2006), market timing (Shleifer & Vishny, 2003), and a limited time frame to execute the transaction (Angwin, 2004; Bert, MacDonald, & Herd, 2003). Herd and McManus (2012) mentioned briefly a

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possible impact of the economic situation. Other possible interpretations of timing factors and their potential impact or moderating role on the success or failure of M&As seem to have been neglected so far - despite the fact that several acquisitions would point out early evidence that such other interpretations of timing may be necessary. For example, Sony Pictures acquisition of Columbia Pictures failed as the management was not able to deliver the necessary resources on time after closing. Pennsylvania and NY railroad merger ended in bankruptcy, mostly due to the fact that they did not plan integration in advance. AOL and Quaker Oats failed as synergies did not materialise within the expected timeframe (Bruner & Levitt, 2009; Rukstad & Collis, 2009).

Current literature seems to fail to advance M&A activities because of a “missing lens” on the dynamics of time, as no other concepts of timing than those mentioned before have been considered in predetermining or moderating the outcome of M&A transactions. Therefore, this paper sets out to identify and explore such additional concepts of timing and asks:

Which concepts of timing can be identified in existing case reports to have a crucial impact on the M&A process?

In order to answer this question, the following guiding questions are asked as follows:

(1) How can timing concepts be identified from narrations in the cases?

(2) Do the identified timing concepts determine or moderate the outcome of M&A transactions concerning their impact on synergies/on the M&A process/on M&A success?

In order to answer these questions, the authors collected existing detailed case reports dealing with past M&A transactions based on a purposive sampling strategy that looked at both the extreme and the general cases of success and failure. According to Denzin and Lincoln (2003), these case studies have then been investigated for codes pointing out timing concepts. The concepts arising from the literature review are used a-priori to support the identification of known timing concepts, but more importantly, inductive codes were carved out by an interpretative approach (Denzin & Lincoln, 2003) a-posteriori. Finally, the inductive codes were summarised into major themes and propositions.

Theoretical Background

Various definitions for M&As can be found in the literature as different authors and researchers try to describe this process. Sirower (1997) compared M&As with major R&D projects or plant expansions and defined them as capital budgeting decisions. Arguing from a resource-based view, he saw M&As simply as a purchase of assets and technologies. Bruner and Levitt (2009) differentiated between mergers and acquisitions: A merger is a consolidation of two corporations to create a new one, also known as fusion, characterised by the necessity for a new structure. An acquisition simply constitutes a purchase. Angwin (2004) stated that an acquisition is the purchase of a controlling interest of company A in company B. Ahern and Weston (2007) defined M&As as the purchase of entire companies or certain assets by another corporation. In more detail, they mentioned that M&As can be seen as a new combination of existing assets, where the new combination will be more productive. Other authors are arguing that regarding the economic impact of M&As, both terms can be used interchangeably, a differentiation is only needed for legal, accounting and tax issues (Bruner & Levitt, 2009). Yet in managerial language, M&A often is used as the “hypernym” for any kind of business transaction, thus Ahern and Weston (2007) argued that the umbrella M&A should include takeovers, tender offers, alliances, joint ventures, minority equity investments, licensing, divestitures, spin-offs, split-ups, carve-outs, leveraged buy-outs, reorganisations, restructuring, and re-contracting associated with financial distress and other adjustments (Ahern & Weston, 2007).

The history of the M&A market itself is characterised often by disastrous transactions: though initiated on promises of value creation through various synergies, these synergies never materialised and thus enormous write-offs were the consequence (Ficery, Herd, & Pursche, 2007). The acquisitions of Time Warner or Columbia Pictures by AOL or Sony Pictures are only a few examples of synergy driven transactions with failed promises.

M&As are a very complex and challenging research agenda. Epstein (2005) has identified several critical issues among the execution process of M&As, trying to focus corporations' attention on these factors. Rovit et al. (2004) have developed certain key rules which in theory should increase the possibility of success. Especially, post-merger integration (henceforth PMI) has been extensively discussed in the literature. Angwin and Meadows (2015) tried to come up with a constant process for PMI activities as they saw no coherent solution in the previous theoretical approaches. However, a panacea against failure has yet to be found.

A large part of the literature tries to question the motives behind M&As (Barnes, 1998; Berkovitch & Narayanan, 1993; Bradley, Desai, & Kim, 1988; Gruca, Nath, & Mehra, 1997; Hodgkinson & Partington, 2008; Morck, Shleifer, & Vishny, 1990; Shleifer & Vishny, 1989; 2003; Trautwein, 1990). In the literature, it is possible to distinguish between motives which increase shareholder value and those which increase non-shareholder (stakeholder) value. Shareholders' value-increasing motives are in general characterised by expecting synergies (Bradley et al., 1988) leading to higher efficiency and increased effectiveness. Trautwein (1990) and Sirower (1997) for example went so far and stated that the main motives for transactions are synergies. Trautwein (1990) has identified certain theories for merger motives: monopoly, raider valuation, empire building, process theory, and disturbance theory based on motives of merger waves. Further research has been necessary to identify more state of the art motives. As aforementioned, motives can be distinguished between value-increasing and non-value-increasing motives. Value-increasing motives are characterised by synergistic expectations by combining two different operations (Bradley et al., 1988). Further value enhancement could be caused by tax or cash benefits, but their importance is not as high as operational excellence (Auerbach & Reishus, 1988; Ghosh & Jain, 2000; Healy, Palepu, & Richard, 1992).

Yet at the same time, non-shareholder value-increasing motives have also been investigated in detail, revealing three major motives: agency theory, hubris, and market timing. Such motives can be factors predetermining the outcome of M&A transactions (Barnes, 1998; Moeller, Schlingemann, & Stulz, 2004; Roll, 1986; Shleifer & Vishny, 1989; Trautwein, 1990). Furthermore, Nguyen, Yung, and Qian (2012) investigated which motives are more salient when it comes to justifying a deal.

These motives are not justified rationally and do not result in shareholder value enhancements. Research has revealed three major misguided motives: Agency problems arise when managers try to exploit shareholders and are driven by personal interest. Managers are more interested in increasing the firm size than shareholder value due to managerial objectives (Morck et al., 1990). Hubris describes managers who overestimate themselves. Managers pay high premiums for actually non-existent synergies, resulting in high write-offs when these synergies do not materialise (Moeller et al., 2004). A huge number of mergers have been motivated by hubris (Barnes, 1998; Berkovitch & Narayanan, 1993). Market timing is also seen as non-value-increasing motive. Shleifer and Vishny (2003) have found that most acquirers try to buy undervalued targets, however, both corporations could be overvalued (Shleifer & Vishny, 2003). Acquisitions of overvalued targets result in low post-merger returns (Dong, Hirshleifer, Richardson, & Teoh, 2006).

Various studies show that mergers may be driven by multiple motives. In the UK, synergies and market timing do play a prioritised role in justifying deals (Arnold & Parker, 2009; Hodgkinson & Partington, 2008). Nguyen et al. (2012) have carried out an advanced study to question any motives and their impact on the success of M&As. They have investigated mergers, their motives and the long-term performance after deal closing. Their findings are that synergies, market timing, agency/hubris and response to economic shocks represent merger motives. Overall, current literature seems to agree that it will be very difficult to separate motives, as value-increasing and non-value-increasing motives coexist in most M&A activities (Nguyen et al., 2012).

The question of how to measure the success of M&As has been investigated since the 1960s. Research has not yet generated coherent definitions of M&A performance or definite factors indicating success or failure (Das & Kapil, 2012). Bild, Guest, Cosh, and Runsten (2002) further pointed out that financial measures alone are not sufficient for M&A performance. Das and Kapil (2012) provided a paper dealing with different explanations of M&A performance and possible KPIs to measure success or failure of M&As.

There seem to be two approaches to capturing performance of M&As: event studies and outcome studies (Das & Kapil, 2012). Event studies are part of the financial literature, whereas outcome studies are used by industrial organisation economists. Outcome studies investigate the pre- and post-acquisition performance and compare the merging corporations with matching corporations within the same industry (Tichy, 2001). In event studies, stock market reactions to the events that arise at the time of an M&A or in its aftermath are investigated (Das & Kapil, 2012; Tichy, 2001).

Empirical studies in M&A performance also distinguish between objective and subjective assessments. Subjective measurements are focused on degrees of synergy realisation, integration effectiveness and strategy gap reductions. Objective assessments focus on accounting performance, market performance and other operational data to describe performance. In addition to that, the distinction between long-term and short-term performance should be made (Das & Kapil, 2012).

Zollo and Meier (2008) have identified the following performance categories: integration process, employee retention, customer retention, accounting performance, long-term financial performance, short-term financial performance, acquisition survival, innovation performance, knowledge transfer, systems conversion, variation in market share, and overall acquisition performance. They have reduced these categories to three main hypernyms: task and transaction levels of analysis, long-term financial performance, and short-term window event study metrics (Zollo & Meier, 2008).

Studies also try to identify common variables to measure performance of M&As. Four main groups of KPIs have been classified through various research: accounting measures, market-related measures, other objective measures and subjective measures (Das & Kapil, 2012). Table 1 below presents a few examples of KPIs for M&A performance measurement.

Table 1

M&A KPIs

Accounting measures of M&A performance	Market measures of M&A performance	Other objective measures of M&A performance
Asset growth Return on equity (ROE) Return on investments (ROI) etc.	Acquirer long-term market return Total long-term return Total short-term gain to acquirer and target etc.	Age of firm Deal value Research intensity etc.

Note. Source: authors, adapted from Das and Kapil (2012).

Driven by globalisation, M&As take place internationally as new markets, clients or resources are available abroad (Hitt, 2000). Yet the motives for cross-border acquisitions have changed over time. Especially, acquisitions in BRIC nations have been in great demand in order to gain access to special resources (Schneider, Plakun, & Slooth, 2009). Since the financial crisis in 2007, corporations have been more cautious about international investments. Additionally, legal issues have hardened the process of cross-border mergers (Gogan, Baxter, Boss, & Chircu, 2013). Furthermore, cultural clashes are still a very sensitive aspect in cross-border mergers and a common reason for M&A transactions to fail (Halsall, 2008; Weber, Rachman-Moore, & Tarba, 2012). Was it originally First World corporations seeking to invest in emerging markets such as Brazil, Russia, India, and China (henceforth BRIC) for resource reasons, Caiazza and Volpe (2015) are studying a new reversed trend: emerging country corporations are investing in developed countries through M&A activities. Emerging markets are often characterised by terrorism, corruption, etc., but there is a need to grow. As a result, they invest in certain developing countries, but it should be pointed out that a far more extensive due diligence is necessary in such deals (Caiazza & Volpe, 2015).

Another tendency occurring in M&A transactions is divestiture. The global financial crisis is the first driver of divestitures as corporations have been urged to rethink their strategies. Since 2011, corporations have identified divestitures as a further factor to generate synergies. Moreover, Svensson, Klofsten, and Etzkowitz (2012) pointed out the significant role of divestitures for the research and universities sector (Caiazza, 2014; Caiazza, Audretsch, Volpe, & Debra Singer, 2014). The first trend of divestitures was driven by the global financial crisis. Corporations have had to rethink their strategic focus and therefore decide which business units bear no core competence (Dobbs, Huyett, & Koller, 2009). Divestitures have been necessary to survive, however, after the aftermath of the financial crisis they have been identified as a new opportunity to grow, too (Dobbs et al., 2009; Kengelbach, Roos, & Keienburg, 2014). The Boston Consulting Group (BCG) has investigated current motives for divestitures. Drivers of a higher occurrence of divestitures are value enhancements due to a focus on core business, generating excess cash and improving the operating performance. Corporations have to rethink if an asset or business unit generates sufficient value within its organisations or could perform better on its own (Kengelbach et al., 2014). The best examples of divestitures are corporations like P&G, Kraft and Pfizer. P&G sold its Pringles brand to Kellogs, Kraft and Mondelez split and Pfizer sold its animal healthcare and baby nutrition segment to Nestlé. They all generated value enhancement due to their divestitures, however, a corporation needs to find the proper exit strategy (Kengelbach et al., 2014).

Besides studies into specifics as outlined before, research also intends to provide general key success factors for M&A transactions (Epstein, 2005). Rovit et al. (2004) have developed a first approach for a guide. McKinsey, BCG and Accenture support research in M&A with a focus on acquisition strategies, divestitures, synergies and success factors.

Up to now, there have been three essential findings: (1) Synergies are the main motive for mergers (Berkovitch & Narayanan, 1993; Trautwein, 1990); (2) Their mishandling is the reason for most failures (Ficery et al., 2007; Sirower, 1997); and (3) As every merger is different, a general guide does not seem to be feasible (Rovit et al., 2004). As a result, research has started to focus in detail on the stages of the M&A process.

In the literature, the post-merger integration (PMI) is mentioned as a significant step as it is the beginning of the synergy realisation process (Haspeslagh & Jemison, 1991). A high number of transactions have failed due to an often insufficient or non-existent integration process (Angwin & Meadows, 2015). The evaluation is another step influencing the failure or success of a transaction. Any errors occuring in this step could lead to overpayment for a target. If a target later turns out not to be worth its price or the synergies do not generate the expected value, accounting standards enforce extensive write-offs as a result (Ficery et al., 2007). In most cases, PMI and evaluation have failed as the synergy recognition process and due diligence have not been carried out carefully (Garzella & Fiorentino, 2014). If the potential synergies are not captured correctly, it is not possible to evaluate and integrate them in a right way (Ficery et al., 2007).

Although years of research have been invested to find the “panacea” against M&A failures, the current success rate still only amounts to approximately 40%-50% (10 years ago: 80%-90%) (Cartwright & Schoenberg, 2006). This is particularly problematic as the market for M&A has reached another peak in 2014 since the financial crisis in 2007, and is now expected to further increase in 2015/2016 (KPMG, 2014). Moreover, the current merger market is characterised by “megadeals”, e.g., the acquisition of WhatsApp Inc. for $19 billion by Facebook Inc., in which promised synergies are the most valuable assets (Ernst & Young, 2014a; 2014b). Any failure in pre-deal assessment could lead to disastrous write-offs, so a sufficient M&A process which considers synergies in more detail and through a dynamic lens is thus more necessary than ever. Various approaches to categorise synergies already exist (Bruner, 2002; Damodaran, 2005; Eccles, Kersten, & Thomas, 1999; Goold & Campbell, 1998). Timing is determined to realise synergies as quickly as possible after closing (Garzella & Fiorentino, 2014). Yet the various factors of timing remain cloudy and unexplored.

The M&A Process and Synergies

Research identifies some general key success factors, such as starting with small acquisitions bearing low risk to gain first experiences of acquisitions. The establishment of a core deal team also enhances the chances of success. Catching the deal fever should be avoided, meaning staying rational during the acquisition process (Rovit et al., 2004). McKinsey tries to identify acquisition strategies which could lead to a shareholder enhancement at any time. In 2010, they presented the five types of successful strategies:

(1) Improve the target company’s performance;

(2) Consolidate to remove excess capacity from industry;

(3) Accelerate market access for the target’s (or buyer’s) products;

(4) Get skills or technologies faster or at lower cost than they can be built;

(5) Pick winners early and help them develop their businesses.

In addition to the acquisitions strategies given above, a few more exist; however, they generate value extremely rarely (Goedhart, Koller, & Wessels, 2010).

All in all, only a sufficient strategic vision and fit, the best deal structure (price premium and financing type), an extensive due diligence, the premerger planning and the PMI are crucial key factors predetermining the success of mergers (Epstein, 2005).

These are all important stages of the M&A process, so various researchers have investigated these stages for their pitfalls and tried to develop an improved model. Table 2 gives an overview of various approaches and points out any accordance and divergence of the M&A process approaches.

Table 2

M&A Process Approaches in the Literature

Authors	Process steps							
Haspeslagh and Jemison (1991)	Strategic fit		Pre-acquisition decision-making		Post-acquisition integration	Learning		
Glaum and Hutzschenreuter (2010)	Strategic planning		Evaluation	Negotiation	Integration			
Paulson and Huber (2001)	Finding the candidate	Meetings	Due diligence		Negotiating & signing			
Langford and Brown (2004)	Strategy	Screening	Evaluation	Negotiation	Integration		Tracking	
Keuper, Häfner, and von Glahn (2006)	"Beforehand" phase		Transaction phase		Integration phase			
Galpin and Herndon (2014)	Formulate	Locate	Investigate	Negotiate	Integrate	Motivate	Innovate	Evaluate

Note. Source: authors, based on Galpin and Herndon (2014), Glaum and Hutzschenreuter (2010), Haspeslagh and Jemison (1991), Keuper et al. (2006), Langford and Brown (2004), Paulson and Huber (2001).

Glaum and Hutzenschreuter (2010) described the traditional approach for the M&A process, consisting of four main stages. In strategic planning, research suggests looking out for the perfect strategic fit also considering possible synergies. Due diligence is a very important task of strategic planning. Besides traditional financial, tax, commercial, etc. due diligence, it becomes necessary to consider organisational, environmental, and integration issues in the due diligence process (Galpin & Herndon, 2014).

A careful and accurate evaluation of a target is the basis for a successful negotiation process. Through a correct evaluation, overpayment could be avoided. In general, the classic DCF method is used to generate the intrinsic value of a corporation in respect of the possible CFs in the future. Even with regard to synergies, this approach can work, if synergies are characterised and understood correctly (Demirakos, Strong, & Walker, 2004). Calandro, Dasari, and Lane (2007) brought up the Graham & Dodd (G&D) valuation model to improve the odds of a merger success. Although the G&D approach might be able to deliver a more accurate price expectation, it is still not yet used constantly in corporate M&A processes. It is a fact that if the due diligence is not carried out properly that approach is worthless (Calandro et al., 2007).

In post-merger integration (PMI), researchers suggest bringing in a special integration team. These teams should work separately from organisations usual operational managers, to avoid any interruptions of daily business. However, it is necessary to integrate this special force as early as possible so they are able to plan integration in the best possible way after closing the deal. It is recommended to already let them attend to the due diligence process (Rovit et al., 2004). Especially, cultural issues need to be considered at this stage as well. It is fundamental to identify any hurdles as early as possibly to react on time against them (Holland & Salama, 2010; Joseph, 2014; Larsson & Finkelstein, 1999; Marks & Mirvis, 2011; Mitchell & Shaver, 2003; Wayne & Alzira, 2010). Additionally, the mode of integration is a crucial factor determining corresponding integration activities. Based on the need for strategic independence and organisational independence, integration can be seen as absorption, preservation and symbiosis (Haspeslagh & Jemison, 1991). In the literature, integration consists of two main tasks. Firstly, it has to enable value growth based on synergies. Next, it has to maintain the shareholder values of both corporations and avoid any value destruction. Therefore, it is necessary to find a suitable performance measurement system, which is often a great challenge (Gates & Very, 2003). An approach for a PMI performance measurement system is the performance prism. This prism focuses on the most important stakeholders during the integration (Adams & Neely, 2000).

Paulson and Huber (2001) also described a possible M&A process with more focus on pre-deal activities. In the same way, Langford and Brown (2004) adapted the process based on top performers in the merger market. They have investigated the acquisition processes of BNP, Amoco, Exxon, etc. and have generalised the actions taken. Galpin and Herndon (2014) have continuously adapted their approach to a process model. The latest model, consisting of eight steps, is based on years of experience in M&A expertise (Galpin & Herndon, 2014). To sum up, the most crucial stages are strategic planning, evaluation, negotiation and integration. Especially, pre-deal activities seem to predetermine the chances of success or failure of acquisitions. Several studies have already tried to improve PMI measures, whereas research about pre-deal adaptions has not delivered any consistent solutions (Angwin & Meadows, 2015; Larsson & Finkelstein, 1999; Weber & Tarba, 2011; Zaheer, Castaner, & Souder, 2011). This gap has already led to disastrous mergers as many corporations had to face high write-offs.

As previously mentioned, only in 2014, a first model for pre-deal decision support was developed. Garzella and Fiorentino (2014) identified four crucial factors that need to be known to realise synergies after closing:

(1) Categories of synergy;

(2) Timing of synergy;

(3) Size of synergy;

(4) Likelihood of synergy.

Garzella and Fiorentino (2014) stated that the category of a synergy determines its other factors and has the most influence on a successful merger. Size and likelihood also depend on timing in respect of the time frame between closing and realising the deal. The size decreases relative to the time passing between deal closing and its realisation as well as the likelihood. So the type of synergy and the necessary antecedents determine the correct time frame for its realisation.

As the category of synergy seems to be the most important, Garzella and Fiorentino (2014) summarised different approaches for synergy categories. Among other approaches they found:

Goold and Campbell (1998) saw synergies in sharing know-how and tangible resources. Furthermore, they described pooled negotiation power and coordinated strategies as synergy classifications (Goold & Campbell, 1998). Cost savings, revenue enhancements, process improvements, financial engineering and tax benefits are five other possible categories of synergies (Eccles et al., 1999). Only three types of synergies (cost-savings, revenue enhancements, and financial synergies) have been identified by Bruner (2002). Another category system provides operating synergies, financial synergies, and dubious synergies (Damodaran, 2005). The latest approach includes two categories: collusion-based and efficiency-based synergies (Clougherty & Duso, 2011). Collusive synergies refer to the market power as competition is reduced by a merger. Prices and profits increase for all corporations in the market. Efficiency-based synergies refer to operating excellence, as resource-sharing opportunities occur when two corporations merge. However, the type of merger (horizontal or vertical merger) determines the possible synergies (Clougherty & Duso, 2011).

Any corporation is free to categorise their synergies as suitable. However, it is necessary to understand the concept of synergies itself. In general, any competitive advantage established by the combination of two corporations could be a synergy, if it is hard to copy (Sirower, 1997). It often occurs that management report synergies which do not really exist: e.g., a simple addition of sale figures is not a real synergy. Only when the merger of two organisations leads to a supplementary increase in sales, the requirements of a synergy are fulfilled (Chatterjee, 2007; Ficery et al., 2007; Garzella & Fiorentino, 2014; Goold & Campbell, 1998; Kode, Ford, & Sutherland, 2003; Larsson & Finkelstein, 1999; Zaheer et al., 2011; Zhou, 2011). Management need to consider the golden rule of M&A, 2+2=5, when they are going to report and announce possible synergies (Ahern & Weston, 2007).

A common mistake is to take synergies for granted, although they only represent possibilities. Action plans to materialise synergies are often neglected despite the fact that integration plans have been developed. Synergies should be a crucial part of integration plans (Early, 2004).

Additionally, acquirers tend to prioritise synergies bearing the highest value, ignoring some principles of cause and effect. Several deals are justified by cost savings amounting to millions of dollars, but fail to be realised, as it is expected that they will simply materialise by merging two corporations (Bruner & Levitt, 2009; Harrison, Hitt, Hoskisson, & Ireland, 1991).

Referring to timing, the integration speed plays an important role in research (Angwin, 2004; Bert et al., 2003). The literature states that the first 100 days after deal closing are crucial to realising synergies in their highest possible value (Angwin, 2004; Bert et al., 2003; Galpin & Herndon, 2014). Management should not forget to plan the integration in an aligned and precise way. Galpin and Herndon (2014) recommended integrating with prudent speed. Bert et al. (2003) stated that two years after closing, it is impossible to realise any synergies. Approximately 70%-80% of synergies could be realised within 12 months, the following 12 months only give room to 20%-30% of synergy value realization (Bert et al., 2003). Another aspect of timing has been mentioned by Herd and McManus (2012). They claimed that the economic situation cannot decide on success or failure of M&A transactions as they have not identified any significant variances in the number of failed mergers during economic shocks and in a stable economy (Herd & McManus, 2012).

Various past M&A transactions show that further timing concepts should be considered in the execution of M&As. Some cases reveal that timing aspects other than integration speed or market timing have been a crucial factor predetermining the outcome of a deal. For example, the management of Sony Pictures did not consider having the necessary resources available on time. Moreover, Quaker Oats apparently neglected any necessary measures for synergies to materialise, whereas Disney developed a strong synergy management process (Baptiste, 2002; Bruner & Levitt, 2009; Rukstad & Collis, 2009). Further cases revealed that more timing concepts need to be considered.

To conclude, besides the time frame for integration and its impact on the success of M&As, no other concepts of timing have been named in the literature so far. In the broadest sense of the word, the logical sequence of the M&A process in its entirety might be seen as a timing concept.

Methodology

The literature review identified many critical factors determining the success or failure of M&A deals. Right motives (Arnold & Parker, 2009; Berkovitch & Narayanan, 1993; Trautwein, 1990), well-captured synergies (Damodaran, 2005; Goold & Campbell, 1998; Harrison et al., 1991; Sirower, 1997), and a detailed M&A process (Galpin & Herndon, 2014; Glaum & Hutzschenreuter, 2010; Haspeslagh & Jemison, 1991; Paulson & Huber, 2001) seem to be necessary to succeed and have been thoughtfully researched. Moreover, the integration speed has been investigated and identified as a final crucial factor for success (Angwin, 2004; Bert et al., 2003; Homburg & Bucerius, 2006). Garzella and Fiorentino (2014) furthermore identified that the type of synergy determines the time for a synergy to materialise. However, other concepts of timing seem to have been neglected and have not been explicitly researched.

In order to answer this question, a qualitative meta-analysis has been chosen as the method. In a meta-analysis, results of primary research are investigated from a new point of view. Data of primary research are reports of case studies about past mergers covering organisational, HR, managerial, and strategical issues.

Table 3

Collection of Cases

No.	Acquirer – Target	Outcome	Source
1	Pennsylvania – NY Railroad	F	Bruner and Levitt (2009)
2	Sony Pictures – Columbia Pictures	F	Bruner and Levitt (2009)
3	ATT – NCR	F	Bruner and Levitt (2009)
4	HP – Compaq	F	Bruner and Levitt (2009)
5	Quaker Oats – Snapple	F	Bruner and Levitt (2009)
6	Mattel – TLC	F	Bruner and Levitt (2009)
7	AOL – Time Warner	F	Bruner and Levitt (2009)
8	Tyco International	F	Bruner and Levitt (2009)
9	Aladdin – FAST	F	Weber and Tarba (2011)
10	BNP, Comcast, Renault, Alcoa, General Dynamics	S	Langford and Brown (2004)
11	Daimler – Chrysler	F	Finkelstein (2002)
12	Vodafone – Mannesmann	F	Halsall (2008)
13	BMW – Rover	F	Halsall (2008)
14	Renault – Volvo	F	Bruner and Levitt (2009)
15	Dynergy – Enron	F	Bruner and Levitt (2009)
16	Unilever – Bestfood	S	Bruner and Levitt (2009)
17	Smucker – JIF	S	Bruner and Levitt (2009)
18	Smucker – Crisco	S	Bruner and Levitt (2009)
19	IBM – Lotus	S	Bruner and Levitt (2009)
20	AMC – General Cinema	S	Bruner and Levitt (2009)
21	ACE – CARE	S	Baptiste (2002)
22	Yahoo! – Geocities	S	Bruner and Levitt (2009)
23	Yahoo! – Broadcast.com	S	Bruner and Levitt (2009)
24	Deutsche Bank – Bankers Trust	S	Holland and Salama (2010) Salama, Holland, and Vinten (2003)
25	BP – Amoco	S	Holland and Salama (2010) Salama et al. (2003)
26	Ford – Volvo	S	Holland and Salama (2010) Salama et al. (2003)
27	Fujisava – Yamanouchi	S	Shibayama, Tanikawa, and Kimura (2011)
28	Disney – ABC	S	Rukstad and Collis (2009)
29	Berkshire Hathaway – GEICO	S	Calandro et al. (2007)
30	Exxon – Mobil	S	Caiazza, Hsieh, Tiwari, and Topf (2013)

All in all, 30 cases concerning mergers have been carefully selected through purposive sampling and investigated (see Table 3). The selected cases have been split equally in successful and failed mergers to illustrate both. As U.S. mergers have the highest share in the merger market, most cases are U.S. mergers but European and Asian transactions are also included to find out about potential cultural influences. Furthermore, cross-border transactions are also part of this meta-analysis. Different industries are represented within the sample to avoid industry dependent deviations and to enable a generalisation of the results. The cases include not only single transactions, but also acquisition programs of frequent acquirers. The cases of Renault – Volvo and Dynergy – Enron never ended up to a merger, as negotiations did not lead to an agreement between these parties. The single case studies are included in this paper's references. These cases are further supported by journals dealing with the execution of M&A deals.

First, the case studies were read for overall understanding. Already existing research about timing concepts were the first indications to identify timing issues and used as a-priori codes. Furthermore, all data were investigated and transformed into meaningful units a-posteriori referring to timing concepts and subsequently coded based on the approach of Denzin and Lincoln (2003). The authors have not considered the existing market timing as a timing concept as it is seen as an acquisition strategy in literature. The identified timing concepts are illustrated in Table 4.

Table 4

Search Strategy Framework

I. Concept		II. Discovered in meta study
1. Integration speed 2. Synergy type determines point of time to materialise 3. Sequence of M&A process	Bert et al. (2003) Garzella and Fiorentino (2014) Various sources	1. Point of time 2. Duration 3. Sequences 4. Chronology 5. Frequency 6. Time frame

In the next step, it was listed how these timing concepts influenced the chances of success or failure of a transaction. This list contained 131 mentions of timing concept impacts. Invariant constituents were identified by elimination of overlapping statements. Next, these invariant structures were used as a foundation to build meaningful units. The transformation into meaningful units and coding took place in a multi-coder (inter-coder reliability measures were applied); recursive and iterative process using the Atlas.TI software (Denzin & Lincoln, 2003). To illustrate the invariant structures, the authors provide Table 5.

Table 5

Illustrative Examples for Invariant Structures and Their Meaningful Units

Invariant structures	Meaningful units
Due to industrial trends, a merger was the only way to keep track of competition.	Urge to merge
After closing, operating was not possible due to the lack of resources.	Resources need to be available for operating merger
The focus on pre-deal activities is one essential reason for the success of the merger.	Duration of pre-merger activities
There was no plan for integration, two businesses without integrated processes worked simultaneously and many errors occurred.	Alignment of separate M&A process steps
Internal activities can be managed by M&A team.	Time frame between first offer and deal closing
Even if it is aimed to acquire as frequently as possible, a needed time frame to focus on single transactions is needed.	Time frame between single acquisitions
Chance to withdraw in due diligence is avoided as managers do not want to accept failure.	Find the right exit just at the moment
Managers need to weight restructuring costs against a divestiture with loss.	Save ailing investment

Finally, the meaningful units were clustered and summarised in six themes describing timing concepts with the impact on the M&A process. Table 6 illustrates three examples of the identified main themes.

Table 6

Exemplary Illustration of Theme-Building from Meaningful Units

Themes	Meaningful units
Duration of M&A process in its entirety	External factors lengthen the M&A process No limit for duration of M&A process Sufficient time spent on single stages
Sequences of M&A process	Alignment of separate M&A process stages Resources need to be available for operating merger Product pipelines need to be in flow
Synergy chronology	Foundation of synergies is necessary Clear view about time frame for realisation of synergies Logical sequence of action plan to realise synergies

Findings and Discussion

Due to the combination of the identified timing concepts and elaborated meaning units, six themes in which timing concepts influence the M&A process emerged: time for acquisitions, duration of M&A process in its entirety, sequences of the M&A process, synergy chronology, frequency of acquisitions, and time to step back (see Figure 1). These concepts might have a crucial impact on the likelihood of success or failure of M&A transactions. These six themes will be further elaborated in the following paragraphs, followed by a discussion in relation to the extensive literature review.

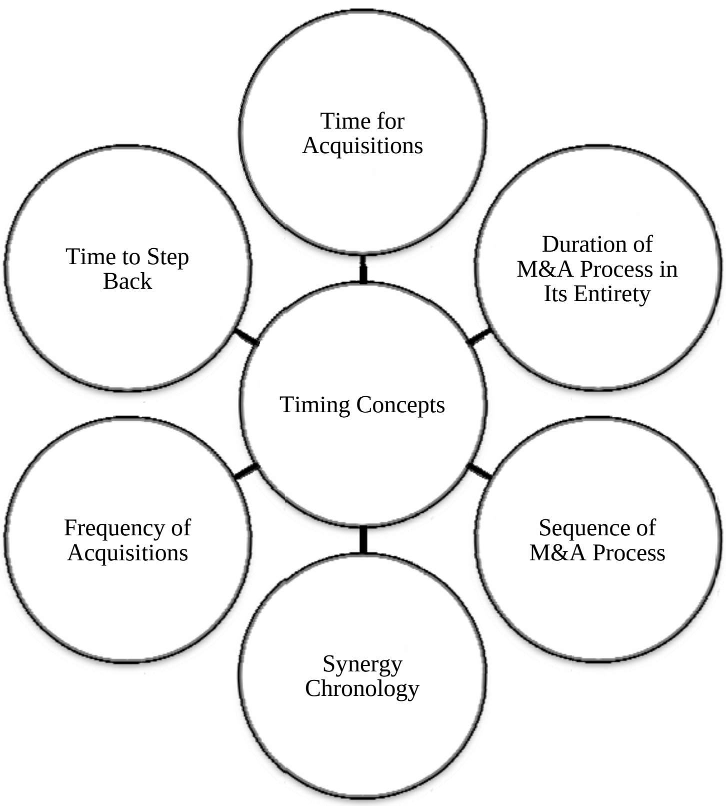

Figure 1. Overview findings. Source: Authors.

Time for Acquisitions

The point of time for mergers is an essential factor only partly determining the success or failure of transactions. A common question is whether it is wise to invest during economic troubled times, even if the whole market or even just the industry is impacted. The investigated cases show that the economic situation does not predetermine the outcome of transactions. Moreover, it seems that the economic situation might urge corporations to merge. In some industries, it might be inevitable to merge due to competitive pressure, industry and technology trends.

Case 30: When a rash of nationalization of oil assets took place in the 1970s and 1980s, M&As such as Shell-Belridge and Mobil-Superior Oil become necessary to ensure access to sufficient resources.

Case 6: As of late 1998, the toy industry was in the midst of profound change due to shifting competitive power, technological innovation, and fluctuations in consumer demand.

A far more challenging situation occurs, when the partying corporations additionally have to face bankruptcy due to economic shocks. Afterwards, it is necessary to operate at a minimal level of costs and mergers are a possibility to enable such a performance. AMC and General Cinema have merged to survive after bankruptcy. As both corporations did not have to deal with any time pressure, they were able to plan extensively and saw a chance in a struggling industry.

Generally, the failure of other corporations in the same industry might highlight the point of time or the best chance for acquisitions.

Case 30: Following its acquisition, the firm clearly benefited from the collapse of reckless competitors like Enron, […].

It is very important to find the right point of time for acquisitions to avoid any time pressure in carrying out the merger. If a merger is seen as the only way to avoid bankruptcy, there might be much pressure for the merger to succeed. Moreover, due to this haste many errors might occur during essential evaluations.

Case 15: The stress of time urgency and crisis condition can only have weakened the ability of the operating team of decision makers at the scene.

Case 6: But it also appears that Mattel’s due diligence research on TLC was inadequate, which, combined with the apparent haste to do a deal, increased the probability that Jill Barad did not understand the risks in TLC.

To sum up, a troubled economic situation of the whole market, industry or even at the corporate level, may not determine the odds of success or failure of a merger. However, it might determine the point of time for acquisitions. It may be that it is not possible to choose the point of time freely, as industry, technology and competitive trends are a deciding factor. Nevertheless, it should not be seen as a threat to merge as rapidly as possible. The point of time needs to be chosen wisely, to capture all chances correctly. Moreover, the point of time for acquisitions should be set as early as possible to avoid any time pressure in its execution.

Duration of M&A Process in Its Entirety

All in all, the duration of the whole process is not a significant factor in deciding the outcome of a merger. There is no constant timeframe determining successful and failed mergers. Transactions with an entire timeframe of only two years failed, but mergers with duration of six years succeeded.

In contrast, the duration of the single stages plays a far more important role. The time spent on due diligence, pre-deal activities in general, and negotiations might be decisive for the success or failure of a transaction. Generally, pre-deal activities are a very time-consuming activity, but it seems they are worth the effort. Moreover, pre-deal activities need to be considered as a foundation for further decisions.

Case 21: The extended time frame is one. In this merger, the staff of both banks and of CARE in particular, had a long period to make personal decisions. For the three years in which an ACE managing director ran CARE prior to the operational merger, staff had the opportunity to consider options and make decisions about their future in relatively stress free conditions.

Especially, extensive due diligence might avoid time-consuming and exhausting negotiations. In some cases, negotiations exceeded a time frame of more than one year resulting in loosing track of essential decisions in negotiations.

Case 9: Negotiations over the merger lasted about two years, and did not reach the point of individualized operative thinking until the final stages. […] But there was no detailed planning of the implementation of post-merger integration, and there were no clear timelines.

Timeframes for due diligence and negotiations might be assessable by both corporations. Besides, "external" interruptions may occur, which lengthen the duration of the whole M&A process. Most M&A transactions need to be approved by anti-trust divisions or competition authorities. Depending on the industry, these processes might take 3-10 years. It is very important not to neglect the impact of such delays and to develop action plans to overcome them.

Case 1: The ICC was notoriously slow in its process of reviewing merger-applications […] Delay bred internal indecision in the merging firms, which when combined with the growing impatience of shippers and the inflexibility of labor unions to accommodate changes in work rules, neutered the hoped-for cost savings, productivity improvements, and revenue growth.

In sum, a golden rule for a duration which grants the success of an M&A transaction does not seem to exist. For example, a transaction is not damned to fail if it took more than two years to execute it. On the other hand, there is no guarantee of success if it took only one year for a merger to be executed. It is more important to focus on the single stages of the M&A process. It is wiser to invest more time in extensive pre-deal activities and in-depth examine all aspects of the transaction at the beginning. As a result, it is not expedient to spend more time than necessary on negotiations and subsequent works.

Sequence of M&A Process

Besides the time invested in the separate stages, the sequence alignment of these stages seems to be crucial as it apparently predetermines the outcome of transactions. Most of the cases investigated state that it is necessary to depart from the traditional sequence, where integration is firstly considered after closing.

Several M&A transactions have primarily succeeded as they started with integration tasks already in pre-deal activities. Corporations investigated in this paper tend to include integration in due diligence, which might be a crucial success factor. An integration due diligence could include different analyses to gather information about challenges in organisational and cultural integration. Integration should be seen as a process stage, starting at due diligence to avoid any kind of surprises after deal closing. As several cases show, most mergers have failed, as cultural hurdles have not been considered on time resulting in a lack of staff commitment. Additionally, it is important to know in advance all obligations that need to be met after closing.

Case 24: During the due-diligence period, DB top management decided to undertake a cultural assessment exercise. […] The cultural awareness exercise disclosed that DB employees were not satisfied with the deal. […] Better communication to the employees on the rationale and validity of the acquisition process was implemented.

Case 5: […] explained that Snapple's independent distributors simply wouldn't accept the proposed swap of Gatorade's distribution for direct supermarket access […] The co-packing contracts had also locked Snapple into unrealistic production levels with the independent suppliers.

Moreover, it is necessary to link the separate stages in such a way to avoid any delays in the product, process, technology, and pipeline, etc.. The cases show that several M&A transactions have failed as they were not able to operate after closing due to the mismanagement of the M&A process.

Case 5: And Snapple itself had no new products in the pipeline, and no new advertising or promotions on the way. Finally, Quaker had been to slow to respond to the problems in the unit.

Case 11: As a result, Chrysler sat in apathy, waiting for Daimler's next move - a move which came too late -- eleven months after Eaton's retirement -- when Schrempp installed a German management team on November 17, 2000. During that interval, Chrysler bled cash. […] Chrysler responded with little innovations, and competitive price reductions only began in Q2 2001. Its traditional dominance in the SUV and light truck market had been challenged, and it had not adequately responded.

As a result, the linking of the sequences and the sequences themselves might decide the success or failure of an M&A process. Corporations dealing with M&A processes should consider the integration as an ongoing process starting at due diligence. Moreover, they need to keep track of all actions necessary to guarantee a smooth operation after deal closing. Any time lost in subsequent work after deal closing might reduce the time frame needed to realise possible synergies and enhance shareholder value.

Synergy Chronology

The study revealed that often deals are only justified by cost or revenue benefits. In only a few deals is the focus set on necessary actions to realise these synergies, as a logical chronology of synergies is generally neglected. At first, it is important to reach for synergies which are possible to achieve.

Technically, cost or revenue benefits are only the result of realised synergies. Synergies themselves should rather be seen as an optimised operation of HR, technology, processes and know-how within a corporation.

Especially, the commitment of HR needs to be considered as the foundation of all synergies, as staff have to make use of technology, processes and know-how. It is necessary to focus on this synergy at first.

Case 28: According to Eisner, the key to Disney's synergy was Disney Dimensions, a program held every few months for 25 senior executives from every business. […] When they go back to their jobs, what happens is synergy, naturally.

If the commitment of HR on both sides is established, it is possible to work on other synergies concerning processes, technology and know-how.

Case 26: In terms of technology transfer, immense opportunities for synergy are foreseen by both parties. Volvo engineers visit US plant in order to offer US engineers knowledge, primarily on safety and ergonomics. […] These synergies are perceived by employees from both companies as very positive outcomes from the acquisition process.

The timeframe needed for synergies to materialise is also an important component of the synergy chronology. Corporations have to consider that the realisation of synergies is an ongoing process, requiring further investments and efforts. The cash flow timeline of synergies is characterised by a necessary number of outflows to achieve an even higher income.

Case 1: The accelerated capital spending and operational problems worsened the flow of cash. As the Securities and Exchange Commission (SEC) later reported, the adverse cash impact of the merger was “grossly underestimated” by management.

To conclude, the chronology of synergies and its dynamic play an immense role in the M&A process and its outcome. It is recommended not to focus just on the possible results, cost or revenue benefits, it is far more important to get an overview of all synergies and the required actions to realise them. The establishment of a time schedule for synergies would be a possibility to track synergies and the latest actions taken. Additionally, to really succeed in realising synergies, the HR commitment should be considered as synergy itself and beyond that as the fundamental synergy to enable process, technology or know-how synergies.

Frequency of Acquisitions

The frequency of acquisitions might have an important impact on the outcome of mergers. First of all, corporations have the possibility to gain experience and improve their learning curve through frequent acquisitions. However, it is necessary to consider that the learning curve effect might only affect parts of the M&A process as each M&A transaction is unique.

Case 10: Buying often moves companies down the negotiation and integration learning curves.

Various acquisition programs state specific criteria that need to be met to avoid any hasty deals. In some cases, acquisitions are the foundation of growth within a corporation so they intend to increase the number of deals per year. Accordingly, they might neglect a certain timeframe needed to execute every single deal. As a result, they lose focus and have to face high write-offs as integration and realisation of synergies failed.

To conclude, the challenge is to find a frequency for transactions that allow a stable potential for growth and a timeframe to focus on essential stages of the M&A process for every single transaction. Only then, can a corporation partially benefit from the learning curve effects.

Time to Step Back

In some cases, corporations need to face the point of time where it would be wiser to step back from a deal. There might be new information, unexpected developments or other surprises discouraging the acquiring party. The first possibility of such a point of time would be during or after due diligence activities, when all information is available to make an informed decision. However, corporations tend to ignore this possibility due to various reasons.

Surprisingly, the decision following due diligence, namely the decision to continue with or withdraw from the initial intent of acquiring a target firm as a result of new information uncovered during due diligence, has been relatively neglected (Puranam, Powell, & Singh, 2006).

Even if escape clauses are linked with back out charges, their scope could hardly catch up with the dimension of necessary write-offs, extra cash outflows and other expenditures connected with failed M&A mergers.

If corporations move on with their deals, and the merger did not work out as expected, they need to face the point of time where the only way to survive is to let go. In many cases, failed mergers result in spin-offs, where they have to sell their initial target at a loss. Consequently, they might reduce the expenditure for an unsuccessful restructuring project of the merger if they divest on time.

Case 6: […] The board had estimated that a turnaround of TLC would take two years, a length of time they refused to endure.

It is obvious that this point of time does not enhance the chance of success, but it may be a crucial timing concept deciding the dimensions of a failed M&A transaction. Considering a volatile economic environment and the bad publicity of a failed M&A deal, a disposal of the target might be the only chance for effective damage control. More to the point, corporations need to take any doubts arising during due diligence seriously. They should be able to choose the point of time for withdrawal as soon as possible and reduce any losses to its minimum.

Comparing to Literature

Comparing the findings to literature research has tried to identify certain starting points, which may decide success or failure. There have been different approaches investigating motives (Arnold & Parker, 2009; Berkovitch & Narayanan, 1993; Nguyen et al., 2012; Trautwein, 1990), synergies (Chatterjee, 2007; Damodaran, 2005; Ficery et al., 2007; Garzella & Fiorentino, 2014; Goold & Campbell, 1998; Kode et al., 2003), PMI (Adams & Neely, 2000; Angwin & Meadows, 2015; Datta, 1991; Joseph, 2014; Weber et al., 2012), evaluation methods (Ahammad & Glaister, 2013; Calandro et al., 2007; Kode et al., 2003), etc.. Referring to timing concepts, only speed has been investigated in more detail, stating that there is a limited time frame to realise synergies after closing (Angwin, 2004; Bert et al., 2003). Another timing concept briefly mentioned in research is the economic situation (Herd & McManus, 2012). Herd and McManus (2012) said that the economic situation does not influence the outcome of a transaction. Other aspects of timing have not arisen yet.

The findings of this empirical study reveal that there may be another starting point deciding the chances of success or failure of M&A deals: the timing concepts identified in this paper. Corporations should consider other timing concepts than integration speed, to increase their chances for value enhancement. At first sight, the timing concepts identified in this paper do not constitute a world-changing epiphany. However, the cases have shown that these timing concepts may be worth considering as they might predetermine the outcome of M&A transactions.

In fact, the timing concept of sequence of the M&A process has always been staring various authors and researchers in the face. They adapted the separate stages of this process by splitting some stages or extending their scope due to new insights in practical approaches (Galpin & Herndon, 2014; Glaum & Hutzschenreuter, 2010; Haspeslagh & Jemison, 1991; Paulson & Huber, 2001); however, none of them have considered rearranging the single stages themselves. The cases show that some corporations see integration as a part of due diligence activities, but this approach has never been depicted in the literature so far.

The time for acquisition in respect of the economic situation has always been seen as a risk factor (Bert et al., 2003; Herd & McManus, 2012). The findings in this paper show that a merger might be a chance to overcome economic shocks. Moreover, the economic situation might force corporations to merge due to limited growth potentials, hard competition and lack of resources (Rovit et al., 2004).

Types of synergies have been extensively discussed in the literature (Chatterjee, 1986; Damodaran, 2005; Goold & Campbell, 1998; Harrison et al., 1991). Garzella and Fiorentino (2014) said that it is essential to know the type of a synergy initially; otherwise it is not possible to manage them properly.

To sum up, evidence points towards the fact that the sequence of the M&A process, the time of acquisitions and the synergy chronology might have the strongest impact on the outcome of an M&A deal as they affect all corporations dealing with business transactions. Acquirers should avoid neglecting their importance and try to manage them as well as possible. Whereas the frequency of acquisitions only refers to experienced acquirers, the duration of a deal execution varies from case to case and the time to step back is considered as an emergency exit.

Conclusion and Implications

Contributing to the literature on M&A factors, the authors identified a gap regarding a dynamic lens on M&A activities. Building on existing literature, this paper can be seen as a first critical approach to close this gap as it points out further aspects of timing that need to be taken into account in M&A transactions. These concepts have always been present and sometimes been hinted at but have not been investigated in detail, although their moderating role and impact seems to be irrefutable. Based on a qualitative meta-analysis of 30 case reports, a new inductive interpretation allowed to carve out six themes identifying timing concepts that moderate and in some cases predetermine the success or (extent of) failure of M&A activities, namely:

(1) Time of acquisitions;

(2) Duration of M&A process in its entirety;

(3) Sequence of M&A process;

(4) Synergy chronology;

(5) Frequency of acquisitions;

(6) Time to step back.

Especially, the sequence of the M&A process should be the subject of more focus in future research. As several cases have shown, the M&A process is a complex and interactive system and it is not recommended to always follow the traditional approaches mentioned in the literature. This paper suggests future research to focus on how to manage the timing of interlocking the single stages. Moreover, the overlap of certain stages should be considered to maintain a smooth workflow. An important question for research is which integration activities are possible in practice before closing as part of pre-deal activities. In addition, a synergy chronology should be a further topic considered in future research. As several cases have proved, thinking of synergies individually is not the way to realise them. Moreover, corporations need to understand the cause and effect dynamic behind synergies to meet the required measures. These two timing concepts are directly managed by corporations and seem to influence the outcome of a transaction to the highest degree. As a result, they should hold priority positions in future M&A research.

Besides the theoretical contribution, there are also several practical implications based on the authors' findings:

Corporations need to consider the right time for acquisitions to avoid any time pressure but yet maintain their competitive advantage in the market. Sufficient time needs to be invested without getting in the way of the efficiency of an M&A process. The single stages should be sequenced just in time to enable a smooth workflow after closing. As synergies are the main source for value enhancement, any corporation should be aware of a given synergy chronology. Cost or revenue benefits do not materialise out of nothing and need a stable foundation, namely, HR commitment as a synergy enabling process besides technology and know-how strategies. Frequent acquirers might gain experience from their transactions if they still have time to focus on every single transaction to learn from them. However, the learning curve effect is limited, as each deal is unique. Corporations need to be brave enough to withdraw if surprises arise during due diligence. This is the only point of time where they can step back with minimal expense. If the deal fails after closing, corporations need to have a contingency plan ready to identify the right time to step back, resulting in the smallest possible losses and write-offs.

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Integrated Welfare Systems and Disclosure: Approaching Emerging Issues

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The aim of this paper is to investigate the integrated welfare and disclosure by proposing emerging issues in the contemporary scenario. Thus, company welfare is represented as internal sociability; environmental protection or innovation can be interpreted as external sociability, representing the uses of resources that a company does not incur costs, but demonstrates its health and social responsibility. Following a theoretical approach, the paper proposes as result a conceptual study introducing an updated literature analysis on the topic proposed of the integrated welfare systems and disclosure trying to point out emerging issues through a case study. Moreover, the research methodology is based on a qualitative approach and secondary sources in order to propose not only to scientific community a literature analysis. In this way, the implications of the research can be directed to academic communities and policy makers. The research question is the following: Which are emerging issues on the integrated welfare and its disclosure?

Keywords: welfare, integrated welfare disclosure, sociability, social responsibility, social statements

Introduction and Research Question

The social state is a complex system founded on the substantial equality principal and directed towards reducing inequality by means of synergic interventions such as health assistance, public education, unemployment insurance, access to cultural resources (libraries, museums, free time, etc.), old age and invalidity assistance, defense of natural environment. In this way, the Italian Constitution stated that the Republic guarantees the: “fulfillment of mandatory obligations with regards to political, economical and social solidarity”.

The most recent demographic and socio-economic changes have determined significant transformations in social security systems around the Western world. Globalization as well as the strict interdependency of economies in the international context have rendered the scenarios with which governments are called upon daily to protect the citizen even more complex. The impact of economic recession seems to have risked the fundamental solidarity principal on which the entire social state relies, not only in our country.

The necessity to save money on public spending influences services and allows for the identification and activation of tools and intervention for the improvement of the life quality of citizens. In this way, it must place importance on - both from legislative and business perspectives - subsidiary welfare, intended as all services that can be offered by public and private institutions to support new needs in social policies.

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In this direction, the purpose of the paper is to investigate emerging issues on the integrated welfare systems and its disclosure, by proposing an updated conceptualization of the topic in the international context. In fact, company welfare is represented as internal sociability; environmental protection or innovation can be interpreted as external sociability, representing the uses of resources that a company does not incur costs, but demonstrates its health and social responsibility.

The research methodology is based on a qualitative approach and secondary sources in order to propose to scientific community a literature analysis.

The research question is the following: Which are emerging issues on the integrated welfare and its disclosure?

The structure of the paper is the following. After the introduction, the purpose of the research is proposed. Following sections contain the literature analysis and describe emerging issues and implications. The last section illustrates the final consideration, the limitations and future perspectives of the study.

Supplementary Welfare and Welfare Mix Phenomenon

Today, the welfare state system has progressively been replaced by a supplementary or subsidiary welfare system, handled by private operators and no longer by the State that can no longer handle the weight.

The actual historical phase is often described as being characterized by a “state welfare crisis”, tied to the progressive reduction of financial resources available and the adjustment of the socio-sanitary services system and the overload from bureaucratic ties, which cannot handle the needs of society. The lack of adequate protection has become particularly evident following social changes that have taken place over the past decades that have generated new needs amongst citizens and require innovative answers both direct and efficient.

Public services system cannot handle the growing needs of society and, therefore, certain mechanisms have arisen from private regulation for the satisfaction of needs: We must think about the phenomenon of home nurses, to the normalization of baby-sitting, to the growing request for health-care assistants for hospitalized patients and not only, to the placement of immigrant work force.

The necessity to save on public spending, which sometimes also influences services, makes it even more necessary to identify activate tools and interventions for the improvement of quality in the life of citizens. So, it must place growing importance - from both a legislative perspective and an entrepreneurial perspective - on subsidiary welfare, intended as all the services that can be offered by public or private institutions to help with new needs in social policies. Private companies must endure with the loss of welfare by creating new services for their employees and their families, such as health care policies, conventions, support for children’s education and daycare. Today, supplementary welfare is moving in four different directions:

(1) The financial sector directed to concession of mortgages and loans;

(2) The youth social activities sector, promoting cultural growth and helping with the insertion in the workplace through academic and professional training which is deemed adequate. This takes place with a scholarship, master’s program, postgraduate studies, and stages in companies or professional specialization courses that are highly qualified. But also thanks to financing for trips in Italy and abroad that with vacation they place sports activities or the study of foreign languages; the welcoming in institutions that hold special agreements on national territory;

(3) Economic and organizational support for internships abroad and residences for university study outside local residence;

(4) Sector for old age social activities which guarantee the support and protection in the most delicate phases of their lives through health care, organization of summer trips and hospitality in special residences for those who are no longer self-sufficient.

The actors in supplemental welfare are more and more the exponents of civil society, being companies and private citizens.

The Italian welfare system has started a progressive transformation phase that, notwithstanding constitutional reforms in section V from 2001, finding at a legislative level, its most complete discipline in the Law 328/200 "Framework law for the realization of a supplemental system of interventions and social services", set up based on a vertical subsidiary logic (State- Region- Social Entities), regarding programming and financial policies, and based on horizontal subsidiary mechanisms for the management of services, which are mostly mandated to the Third Sector (e.g., Welfare mix). Modifications are directed to affirm a welfare society (Vittadini, 2002; Antonini, 2000), having the role of the third sector emergent along with the social company but that for its realization at the moment there are multiple criticalities and gaps which are tied, both in the nature of the subjects operating in the non-profit sector, as well as the inefficiency of the accreditation system of entities for the issuance of health services (often interpreted as "accreditation of a structure", not capable of assessing the inappropriateness of social services), with notable repercussions on the quality of the services offered.

The welfare mix model places itself, in fact, half way between the centered models and that which confides to the market its spontaneous regulation, as it is oriented to a plurality of subjects involved and a multiplicity of services offered.

The state is always requested to handle the task of setting the rules, setting up incentive mechanisms as well as system checks.

Consequently, on one hand, the conception of the state takes on the load of a series of social rights that have remained unchanged, on the other hand, it appears to have mutated the methods through which the objective is achieved. Indeed, such a mutation is determined not only by the needs of compensation (since social rights increase but resources available diminish), but to the full realization of the essence of democratic pluralist state, which generates a multiplicity of emerging forces in society, free to operate even due to the satisfaction of social rights.

This opening, already present in the Italian Constitution from 1948, has received new impulse in legislative evolution (Law 328/2000) and from the reform in section V of the Constitution, both animated by a reassessment of intervention levels closer to citizens (based on the subsidiary principle in its vertical and horizontal meanings). The test of constitutional laws shows that the welfare mix system finds a constitutional framework as its most profound fundamental.

The necessity to save on public spending influences services, rendering the identification and activation of tools necessary as well as intervention for the improvement of life quality of its citizens. It can place a growing importance - in both legislative realm and business realm - on subsidiary welfare, intended as the services that can be offered by public and private institutions to support new news in social policy.

Therefore, we are increasingly feeling the need to have a company welfare system representing a founding tool for corporate responsibility. In the current scenario, therefore development of company welfare is no longer considered optional, but has become an essential factor for growth and success in a company.

It is based on the shared principal of sustaining growth, at every level, from a social responsibility intended as an obligation of all the subjects involved, each in relation to their proper role, to integrate social, ethical and environmental themes in their activities and in their internal and external relationships, operating responsibly, with the awareness of proper rights and obligations. The approach adopted starts from the awareness that from this stage the social state can no longer guarantee the current levels of protection faced with today's demand and expectation of people in terms of welfare that is growing in quantity and quality.

The creation of a company welfare system is realized through the development of company negotiations that take into consideration the social responsibility, as the possibility of undertaking a "pact" in which parties can formalize their obligation to sustain behavior and coherent choices in industrial relations for development of a socially responsible company (Lindgreen & Swaen, 2010).

The choices in social responsibility shared in negotiations represent, within the realm of the agreement, the "welfare negotiations", constituting regulations formalized to give answers to the needs of workers and their families, in sections with social relevance. Through such agreements they respond, therefore, to tangible individual and/or family necessities that represent a recognized need for collectivity.

The choices and behavior oriented towards social responsibility in industrial relations and company negotiations suppose sharing from all the actors involved to favor, at company level, the adoption of socially responsible choices. Voluntary sharing and awareness of socially responsible choices in company negotiations can contribute to spreading sensitivity and culture on social responsibility issue, promoting ethical behavior and improving relations between companies and local communities.

The company assumes a substantial and effective role. Companies have been capable of gathering the most varied needs of their workers constructing, in many cases, an exemplary model for supplemental welfare.

The phenomenon of company welfare is an undoubted sign of the diffusion of a new sensitivity of companies, always more conscious of the needs of company workers in terms of strategic advantage directed to increase productivity and company competitiveness.

In this way, the investigation is directed to understand what the role of companies is. In the current scenario, the state is no longer capable of dealing with pressuring requests for welfare that are coming from workers, male and female, retired pensioners and aspiring workers.

Companies must have a more active role, but how? The recession, which is not allowing the state to fulfill its welfare obligations, is the same that is putting pressure on companies. Therefore?

The first answer is related to the company as container of social services. This is evident when the company is managed economically: "reaching economic objectives with minimal costs, without waste and with attention to future perspective".

We must start from future perspective to explain the significance of creating a series of conditions that allow for realization of the so-called "internal social policies" or company welfare, based on the logic of the companies' social responsibility.

To realize such objectives, resources need to be collected. Companies cannot create such resources outside, due to the economical/social historical period. In this way, as the resources need to be found internally, the self-financing (Capaldo, 1968) is related to resources generated internally, which, in terms of company savings, allow for the creation of resources to designate for social use as in the strictest sense of company welfare.

If the companies, *rectius* the businessmen, would begin to take into consideration that internal resources could be designated for social use and that this, being even more recognized on an international scale[1], would increase (and not decrease) the value of the company, then we can hypothesize a common interest of the actors in collective negotiations. A model of socially responsible company is that which takes charge to create conditions to guarantee a future to its company, and therefore its workers, to its country and naturally to the businessman.

It is what financial analysts ask for, integrating financial ratings with the non-financial ones, essentially having social/ethical nature.

From here, is it possible to note the importance of social reporting and the assessment of social economic capital, through forms of "social correction", of values deriving from an assessment of patrimonial/financial/economical nature?

Going back to company welfare models, the models are not new, and the most cited case is the Olivetti model represented below.

From the Olivetti Model the Current Model

The company Olivetti has covered a key role in Italian industrial life not only for its performance with regards to technology and economics, but also for the attention to its employees and their problems.

Adriano Olivetti having succeeded to his father, founder of the historical Italian company, Camillo Olivetti, had developed his own activity with the following vision: a company had to create value not only that which is distributed to the shareholders in terms of benefits but also that which was invested to self-finance the company, therefore in terms of salaries and better incentives for work obligations, in social and assistance services for employees, permanent training and even a reduction of work hours with the same salaries for staff.

Based on company strategy that was followed by Adriano Olivetti (Maggia, 2001), a company must be a "big company" because in this manner can it respond to all its potential future economical opportunities, so under his leadership the company went from 200 employees in 1924 to 4,000 in 1942 and to 25,000 in 1961.

Secondly, Adriano Olivetti emphasized the importance of innovation technology, by introducing men with high scientific preparation in industrial activities the area of project design, where the old collaborator of the father, with whom the company began to develop with much sacrifice, had to put themselves aside and make room for the cum laude graduates in mechanics, electro mechanics and electronics (Olivetti, 1958).

Thirdly, the company should have been international and compete on more international markets in order to maintain itself large and powerful; in the 1930s and 1940s, foreign subsidiaries were created in Belgium, Argentina, Spain, Brazil, and France. When Adriano Olivetti passed away, the company had production offices in Italy (in Canavese, in Turin, in Massa and Pozzuoli), in Europe (Barcelona and Glasgow), in Latin America (Buenos Aires and San Paulo), and in the United States (Hartford).

Fourthly, Adriano Olivetti followed a corporate culture to the end; sustaining, as early as 1945, the necessity to "give awareness to the ends of work" (Olivetti, 1960), asking that industry could reach certain ends, where they could find, profit indicators or if there were beyond and apparent return, something more fascinating, an ideal story, a destination, a vocation in the factory (Olivetti, 1958).

Finally, Adriano Olivetti established strong ties with the "factory" and the territory in which it was settled; he created a series of accessible services for all the population, not only the employees and their families, as for example, Social Relations Centre and the Olivetti Cultural Centers. He also founded the I-RUR, which is an

[1] Cfr. Search by Advantage Financial and Ministry of Environmental, in Il Sole 24ORE, 20 agosto 2013.

institute for urban and rural renovation in Canavese, with the objective of studying and executing programs on a communal and inter-communal basis, to improve social and economic conditions of the region, the standard of life and the cultural level of the population, to give contributions to the full employment of labor and to promote, create and manage concrete industrial, agricultural and artisan activities.

Olivetti can be considered the paradigm of the company welfare system, as the base idea of company conception is cultivated by both the father Camillo and the son Adriano, that the factory was not only a place of work finalized to the production of goods, but it was above all an environment for social coexistence.

The first social activities were established in 1909 together with Workshop, with the creation of a mutual fund to assist skilled workers, with the objective of guaranteeing the employees medical and economical assistance in case of injury in the workplace or tuberculosis. At the time the mutual funds did not work very well: a worker to be hospitalized would have to pass all his medical information to the main city of the province, who would pass them to Rome and, before they would be sent back with clearance about three months would go by.

In 1919, anticipating the legislative dispositions on the subject, they instituted a family indemnity of 12 liras for each dependent child, for all their employees. The practice of family indemnity continued and existed in the following years and in 1949, it brought about the creation of a plan of integrated family indemnity alongside those issued by INPS (AA.VV., 2001).

In 1924, in response to living conditions due to the increase in skilled workers and bad living conditions, Olivetti began construction of apartments for its employees.

In 1932, Adriano took over for his father in the management of the company and brought about many new changes. Before 1936, Olivetti offered personal assistance to every worker, while later it adopted an assistance policy that was more structure, that Adriano defined “welfare system”, based on the idea that workers could use assistance and services set up by the company, as, supplying their skills at the service of the company, they acquired rights from it; all of this in the vision of “*do ut des*” and not for charity. The employees found themselves with: day care center, summer retreats and factory services (cafeteria, automobile services and repairs for transport vehicles). They built schools to teach professional design, such as the Olivetti School, the Centre for Mechanics Training and the Technical Industrial Institute with scholarship mechanisms allowing for young people with technique to become technician - heads or engineers; they organized cultural services (Olivetti Cultural Centre, conferences, theater shows, cinema, art shows and concerts) and training (libraries, night courses for its employees). The establishment of centers for social services had two ends: on one side, it was a promotion tool for the economic and social wellness of the company and on the other hand, it had the function of avoiding conflicts and tensions between management and the worker class, in a historical phase characterized by a notable increase in manpower. Policies were promoted with regards to maternity and children; in 1934, the first day care center in the company was built having a pediatric service attached to it and in 1941, Olivetti Worker’s Assistance Regulations was enacted that recognized economic treatment that was more advantageous with respect to that which was provided for by law, with regards to maternity leave, the conservation of job post for nine months, almost paid fully. The economical and structural growth of the company placed more and more at the center of its discussion the living conditions of its staff; to resolve this issue after the war they built new neighborhoods based on modern urban schemes, such as Borgo Olivetti, Canton Vesco, Montemarino, Bellavista, loans were granted as well as sureties and technical consultancy as well as architectural was free for all its employees. The intense construction activities dealt with the completion of the factory in Ivrea, the construction of a Study Center, the design of a cafeteria, of the school and theater, hospital in Ivrea, third bridge in Ivrea and the factories I-RUR58.

Since 1948, the social services institute is managed by the Management Council, an instrument created to render the workers directly participant to social assistance present in the factories: an example is the Internal Solidarity Fund that employees finance with a monthly contribution and that gives aid in the case of sickness or injury by integrating the national social security system.

Hiring policies were characterized with the idea of hiring more members in the family nucleus, in order to increase consumer and saving capabilities and impede wild urbanization of the territory. Reading the archives on personnel, we noted that 80% of personnel hired to work in Olivetti from 1924 to 1960, continued to live in the same municipalities thanks to the efficient low cost transport system and subsidized loans for home renovation. Even if the number of employees grew enormously in this period, passing from 200 to 10,000, Ivrea only grew by 5,000 inhabitants and the remaining part of Canavese remained with the same population numbers.

For their responsible company policies tied to the territory, Adriano Olivetti clashed both with Confindustria and worker's unions, because of work hour's reduction for workers without a change in salary, as his ideas seemed to always anticipate theirs with regards to welfare.

Adriano Olivetti understood before others that the two tools that a company had in order to operate efficiently were, on the one side, scientific organization for production associated with the acquisition and use of specialized plants and on the other, social management of its workforce in order to add value to proximity relations between environment and company. The wellness of its employees represented, in fact, a valid assumption to guarantee lasting conditions for the success of the company. For this reason, the company undertook a series of activities for company social development such as the construction of Health centers furnished with convalescents and qualified doctors for its employees and their families, in order to block the diffusion of epidemics or debilitating diseases like tuberculosis, and the creation of employee cafeterias to fight the health food problem in that period.

Olivetti was not the only company in those years to adopt a company welfare system. Other companies, even in more recent times, have adopted company welfare systems. For example, the welfare policies of Martini & Rossi (Napoleone Rossi di Montelera: "the profit could not be separated from economic and social growth of those who worked in the company"), which have assistance policies, such as the availability of daycare for its employees, from the beginning a series of advantages for workers with very young children (in normal daycare schools children are admitted at 3 years old); after work (with the organization of trips, cultural visits, sport competitions and musical events), the female creative organization and the summer colonies where the children of employees could spend vacation periods (between the 1930s and the 1950s, in the Martini houses in the alps, in Valle d'Aosta and then at the end of the 1990s, in a new property in Salice d'Ulzio). We can even make mention of a true construction policy put into effect by Martini & Rossi at the beginning of the 1950s and 1960s in favor of its employees. Such policies were activated in order to supply good living at a low cost to employees; and so they were established in this manner without having been entered into a coherent development plan, numerous "employee houses" furnished with spacious apartments and rational living quarters.

In a more recent period, how can we not recall company welfare policies in Pirelli[2], with their initiatives regarding assistance, family support; Luxottica[3], with regards to health and wellness, education and merit promotion, mobility and social assistance; ENI, with initiatives for the family, health and initiatives for time &

[2] Codice Etico Pirelli, 2010: "The Pirelli Group recognizes the centrality of human resources in the belief that the key factor in the success of any business is the contribution made by the people who work there, in a climate of fairness and mutual trust".
[3] "They are everyday people determine the true long-term success of our businesses" (Leonardo Del Vecchio, agosto 2011).

money savings; Intesa San Paolo[4], with complimentary social security, complimentary/supplemental health insurance, free time in recreational centers, and finally solidarity.

The Binomial Economics and Sociability

In the past years, following globalization, an emerging issue is related to economics themes connected to ethical problems and corporate social responsibility (McWilliams, 2000; McIntosh, 2003; Lindgreen & Swaen, 2010). In the 1930s, company economics researchers amplified there research field towards corporate behavior, by considering consequences of company activities on the social collectivity (Donham, 1927). The discussion is started by the socially responsible managerial class, capable of orienting its behavior in a socially responsible manner. Sociability appears as a primary factor in avoiding the decline of companies (Donham, 1927).

Today, the relevance of social functions in the company system (Carroll, 1999) obtains even more value, due to the effect of growth in maturity of our civil society that has elevated its requests and expectations towards public and private institutions, to which a request is made to find a balance between economic criteria and social finality in the governance of activities carried out. In the 1950s, studies began to identify additional objectives with respect to financial economics, to be found in social actions directed towards the company (Bowen, 1953). In the 1960s, many studies began to ask if companies could allow themselves to not consider social responsibility with regards to their actions (Davis, 1960; McGuire, 1963; Walton, 1967). From the Freidman theories (Friedman, 1970) that social responsibility could not fail in profit growth, the idea that there is a relationship between higher profits and greater responsibility is emerged. Often, such a binomial is correlated to company productivity. On the sociability issue is therefore connected to having found many ideas in an era of globalization. In fact, social issues are related to the discussion elements in all sectors. In particular, public awareness towards relevant aspects, such as unemployment, environmental protection and worker's protection and the transformation of consumer markets, forced to follow continuous changes dictated by the collectivity, as well as new habits in potential consumers, with the radicalization of the binomial between rich countries and poor countries, with "new entries" in the new age of the same (Bianchi, 2010).

A Different Approach to Social Statements

The sociability has relevance if it is directed and accountable to the outside. From this simple assumption studies and applications (Wood, 1993) have led to the creation of social accounting, through forms of social accountability.

Corporate management has inevitable social implications that transcend corporate action observed from a classic point of view, or rather set up to assess economical-financial implications.

Social information is always more relevant for the assessments that the markets permit to the company. We have already stated that the study presented by Advantage Financial explains the reasons for better access to credit for companies that adopt socially responsible policies. Traditional models for reporting do not demonstrate the methods with which companies create and use resources for social actions. In other words, the models described are efficient under a descriptive profile, but do not duly quantify the social phenomenon. The goal of a social statement is to explain how resources are created and used and the models mentioned do not allow for a correct analysis of this topic.

[4] Codice Etico Intesa Sanpaolo: "Promote policies that make the balance personal and professional development, promoting forms of flexibility and implementing initiatives for conciliation between work commitments and private, in the knowledge that the private sphere is a fundamental part of everyone's life".

From this perspective, monitoring and measuring social actions by companies through self-financing is relevant.

Self-financing (or company savings) is an economical phenomenon with financial effects allowing for minor recourse to credit capital to use internal company resources for new investments. This allows for an increase in future performance and insures vitality and growth. Such a role is even more evident when self-financing is used to invest in research and development, marketing, safeguarding of the environment and accident prevention.

In this way, there is a positive valuation of the indicators ACE[5] (economic growth aid), or rather a tax incentive that is recognized to companies who decide to save and invest the company savings with an "industrial" perspective. Self-financing is fed through the waiver of shareholders on their dividends, which means that, even under an ethical profile, the waiver of cashing in profits, in order to increase company development represents socially responsible corporate behavior.

In this direction, the following section explains how a social statement model can be built on self-financing.

Social Statement Based on the Self-financing Model

To communicate its sociability, companies use social statements. The general aim of social statements is to describe the reasons for sustaining costs that are far out with respect to characteristic activities, but at the same time productive for the stakeholders. This report goes alongside the financial statements and completes them about the information of aspects not monetary regarding the company performance.

In the past years, there has been a growth in awareness with the way companies produce and the difference it makes in a context of using up environmental, social and economical resources, and sustainability has become the main evaluation term for companies and public administrations that want to take on a role that is socially responsible.

Today, this tool is relevant for the company system, in fact, "social information must be produced with rigor and accounting methodology" and as well, "the judicial subjects must feel the obligation, or be obligated, to supply punctual information on what their social obligations are, with reference to the internal and external environments of the company" (Bianchi, 2010, p. 118).

Economic research must be more than ever, realized based on an ethical paradigm.

The social statement is a summary report that has the task of describing analytically the reasons for sustaining costs, not immediately referable to specific activities, but capable of generating advantages for stakeholder categories (such as personnel, shareholders, investors, clients, users, suppliers, public administrations and the society as a whole).

The construction of a social statement can be based on three profiles: identification of content, internal coherence of content and process; in fact, the different types of social statements proposed by various organizations are referred to guidelines (Global Reporting Initiative, Study Group for regulating preparation principles for Social Statements, self-financing) and of process (Account Ability 1000). The guidelines involve the structure and meaning of the report, having the purpose of analyzing the relation's network on which quality depends on for the results of government action. Process standards are concentrated primarily on construction mechanism of the report and propose some phases where each one is finalized with an outcome, explaining which principles are used for the preparation.

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[5] The ACE progenitor is DIT (dual income tax) that stimulated capitalization of one's own company.

So, the present paper proposes an innovative model, described in doctrine and applied in practice by emphasizing the uses of earned proceeds.

The Innovative Model of Analysis

The social statement for self-financing as innovative model is the tool that best allows for the description of company sociability, due to investments of "company savings".

This social statement model is composed of two parts as represented in scheme below (see Table 1): the Social Statement in a strict sense where there is a comparison with resources and uses, and comments that are used to explain the data that are merely quantitative in the first part.

Table 1

The Social Model Statement

Resources	Uses
1. Self-financing of the report:	3. Internal sociability:
1.1. Retained earnings (profit net of dividends)	3.1. Development & research costs
1.2. Provisions	3.2. Training personnel costs
1.3. Depreciations	3.3. Prevention devices
2. Rectifications:	4. External sociability:
2.1. For price policies	4.1. Installations for minor environmental impact
2.2. For tax policies	4.2. Marketing expenses
	Asset reinforcement over a long-term period
Total resources (1+2)	Total uses (3+4)

The comments on the social statements, regard resources exposed in the scheme, allowing to explain the quantitative data expressed in the table and allowing to reconstruct the voice for self-financing of statement and uses. Regarding the uses, the comments put emphasis on the genesis of value assigned to social investments both internally and externally. Such data primarily emerge from a comparison of the patrimonial state of the year-end that the social statement refers to with the one from the previous year.

This model of social statement begins from self-financing, as the summary of profits that are not distributed, depreciations and provisions calculated net of utility funds, as a good indicator of social potential that the company has, even better than the classic indicators such as employment and taxes.

Social potential is represented by an elevated propensity to save, and therefore to invest, in order to significantly improve the company's economic prospects. It seems evident that company savings can represent social potential, and therefore self-financing is the indicator of positive economic outcome capable of expressing a relation between external and internal environments. In fact, "self-financing represents a true tool for the evaluation of action, as it results from rational management, it has the seed of the future, thus establishing itself as a true social resource"[6].

Following the current historical period, in which credit crunch impedes companies in their growth, especially small to average sized companies, having financing, financial autonomy needs to be increased; in other words, companies are less dependent on the market and, can therefore handle investments with means that are generated inside the company system. Self-financing is a measure for resources that a company with its own management is capable of generating on its own.

[6] Social statement from the Bank "Credito Cooperativo del Tuscolo" – Rocca Priora.

The model for self-financing contains some peculiarities that describe a series of social actions: the first is price policy. In fact, price policies with a strong discount, or contained, are read by the model as an additional resource. This is clear in technical accounting terms minor prices/higher profits, very true in terms of sociability. A maintenance policy of prices today represents a social resource for companies sustaining that they are meeting their clients half way. In food distribution, in large consumer goods, today a price policy, tariff policies and so on represent elements having broad social impact.

The referred model divides the social uses in internal and external. This means using the potential derived from self-financing for sociability towards internal and external stakeholders.

This leads to the quantification of company welfare as previously mentioned at the beginning of the paper. In other words, companies invest in actions directed towards improvement of work conditions of their employees and they also invest in external environment, but companies also invest in innovation and this improves their products and processes in order to release products on the market that have an even more minor environmental impact.

The self-financing model has the quality of giving quantification to social action, but it is the model that has further value. In fact, self-financing is an indicator of the company's state of health. It is easy to demonstrate that companies, whatever size, tend to generate self-financing based on their capacities and limits in their sector of activities (the marginality of every company and every sector is different). This postulates that self-financing is a pure social resource and the use is a modality to understand how it realizes socially responsible actions.

Internal sociability coincides with all the tools for company welfare that have been mentioned, while external sociability represents the actions of a company towards the outside and, therefore the sociability that is realized with innovation that improves environmental impact.

"Innovation is defined with the social process through which an invention or a creative idea is adopted by a group (…). This is the moment in which the initial idea has a social fall –out and contributes to the progress of humanity" (Sinibaldi, 2012).

It is recognized as the primary motor for economic and social growth of a nation[7] favoring productivity and therefore increases in GDP, increase in quality and variety of products offered and duration of social wellness (Franzini, Giannini, & Zamparelli, 2012). Strong ties exist between innovation and sociability.

Innovation can be generated by CSR oriented initiatives through the use of social, environmental and sustainable drivers used to create new products, services and processes capable of triggering, through networking, a virtuous circle.

The relation between CRS and innovation is revealed with more force in organizations where corporate social responsibility is an integrated part of company strategy. In this regard, it is useful to distinguish those who have a reactive approach to change from those that have a proactive approach. While a reactive approach is not capable of anticipating change and so it can only use a reaction plan with effects in the short term, who has a proactive approach perceives the tendencies in advance and is capable of creating a new action plan, capable of generating innovation that is sustainable over time.

Summarizing Economics and Sociability

This section demonstrates that a synthesis exists between economics and sociability. The concept of economics, or rather the capacity of a company to reach objectives as in minimum costs and no waste of

[7] Retrieved from http://www.ilsole24ore.com/.

resources with attention to future perspective, shows how attention to future perspectives does not have to be directed only to making profits, but also to the capacity of creating economic capital conditions to allow the development of the company in a sustainable manner.

The company that wants to orient its management to sociability principles can reach such an objective without undermining its profits or company development.

The objective that arises is spontaneous, above all in a global economy, to safeguard profit, development and sociability. The company that delocalizes in countries where manpower and prime goods have a lower cost seems to have an advantage in global competition and so how come sociability should be a variable to consider?

There is a moment of operational reality; companies that have developed their own business without asking themselves about future perspectives, even with a social outlook, today are squashed from excessive debt, from business lacking any appeal because of scares quality, etc..

Sustainable growth, even in social terms, allows them to remain on the market. Innovation (Chesbrough, 2010; Gollin, 2008; Teece, 2010) is the key to success that allows the realization of products with minor impact, with major efficiency. It is the case to observe on a mature market how the automobile industry has found new life due to innovation allowing for growth of the product's life cycle.

The key to innovation analysis is the medium-long term period as the element of social environment. The concept of economics refers to future perspectives, "compelling" the businessman to a type of management that not only tends towards maximization of performance contingencies, but also deals with obtaining positive long-term results. It is evident that company policy that invests in innovation will waiver immediate profits to obtain future economic-financial results which are better, that at the same time, will generate development and socio-environmental progress.

Today, to be a successful company that is innovative, one of the keys to success is competitiveness, as we also need to consider the impacts that operations will have on society and environment, stimulating creativity of personnel and collaborating with the stakeholders in designing and developing new products and services. It is necessary to surpass the idea of equivocating innovation to technological evolution and diffusing in the conscience of the company, of every size, the idea that innovation must be a continuous activity as well as systematic to involve all business units (Fontrodona, MacGregor, & Xavier, 2008).

Conclusions on the Role of the Company in New Welfare

Following the previous theoretical analysis, companies must carry out the role of primary creator of social wellness.

Traditional welfare has become less and less due to the considerations that we have made, thus the third sector manages the most requests: the state does not arrive and no other operator can fill in the role. Think about non-profit organizations that qualify personnel who are prisoners or ex-prisoners, thus being an activity that absolves the Constitutional concept since it provides for rehabilitation of the penalty[8]. This type of activity cannot be the answer to a social security system. Therefore, the Third Sector, which has large merit,

[8] The example "Pasticceria Giotto" is a prison pastry shop in Padova, managed by the Consortium OFFICINA GIOTTO. This company was created in 2004, giving a stable format to social cooperative presence that goes back as far as the nineties. The Consortium activated a series of projects with prisons in various sectors that today involves 120 prisoners and is now an intermediary with institutional parties both within the prison world and outside, above all regarding business venture and public administrations. Amongst their active projects, besides pastries and cooking, there is a call center, luggage and bicycle assembly company and the realization of pen drives for digital signatures.

cannot be loaded down with an activity that is structured in terms of welfare. So, companies become active in this new welfare model that is starting to outline itself.

The resources that companies designate to such activities are to be found in self-financing as resources that the company saves, of whatever size, which it is always capable of generating.

Company welfare is interpreted as internal sociability, like environmental protection or innovation can be interpreted as external sociability, representing the uses of resources that a company does not incur costs, but demonstrates its health and social responsibility.

Especially when you go to promote the attention of rating agencies, banks, funding agencies and so on positively evaluate the companies that actually invest in these activities. Somehow the circle closes: social media with industry-funded self-generated and with the benefit of positive appeal to "spend" in all markets (financial markets, outlet, supply, etc.).

So, there remains a problem of the moral order. The good for the sake of Kantian memory, or the more recent *bonum honestum* of John Paul II, are inevitably factors related to the single individual and much can be done on this, but not with self-financing or other means of financial nature, but with the search for a scale of values which one needs to go back and be inspired by. But this is an issue that goes beyond the present research.

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