“Challenges faced by diagnostics companies from Tier 2 and Tier 3 cities during mergers and acquisition in India.”

by

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Dedication

I dedicate this dissertation to my wife, for her steadfast encouragement and belief, and to my daughter, Hiya Dagar, whose aspiration for my ongoing studies and societal impact provided significant motivation. Furthermore, I express my heartfelt appreciation to my supportive parents, who served as pillars of strength throughout this process. My family's support has been a consistent impetus for my development and engagement.

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I am grateful to my friends, colleagues and everyone who contributed directly or indirectly to this work. Your support and motivation have played a crucial role in completing this dissertation.

Thank you all for being a part of this journey.

ABSTRACT

“Challenges faced by diagnostics companies from Tier 2 and Tier 3 cities during mergers and acquisition in India.”

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This study aims to assess the merger and acquisition, which is on a growing phase and is approached at a high level in a diagnostic Industry in India in tier 2 and tier 3 cities, as they want to capture markets with full speed but one rarely achieves their desired financial and strategic objectives. Over the last two decades based on my personal experience I believe 3 key major factors account for the dismal track record of merger and acquisition, including underestimating the multitude of integration issues and problems that arise due to cultural gaps, Integration failure and due diligence between both the parties. These dynamics have been found in tier 2 and tier 3 cities diagnostic players as they face a challenge of understanding the merger and acquisition process.

Purpose:

This dissertation is presented to provide input on the various models, mergers and acquisitions, which can be successfully concluded with minimum failure for tier 2 and tier 3 cities diagnostic player's deals. Model will be based on considering existing mindset of smaller diagnostic players who understand the value of culture fit, integration and due diligence in the process of mergers and acquisitions.

Design/methodology/approach:

This qualitative study has been put forth based on the feedback received from various industry leaders like CEOs, COO and various functional departments associated with diagnostic industry. Entrepreneurs of small diagnostic player data were analyzed using a constant comparative method. The primary research method for this study is survey, modeling and case study.

Findings:

Culture of the organization, Lack of intelligence, transparency, trust factors of smaller diagnostic players from smaller towns, least importance given to documentation during mergers and acquisitions by both the parties resulted in merger and acquisition failure.

Research limitations/implications:

Given the method of this study, the findings are not intended for generalization to larger populations. Future research should address the need of smaller players to understand the finer aspects of the integration process, due diligence process and culture misfit whenever they go for mergers and acquisitions deals.

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1.1 Introduction

Mergers and Acquisitions are business transactions which can allow enterprises to grow or downsize and change the nature of business of competitive positions. Technically, a merger is the legal consolidation of two business entities into one, whereas an acquisition occurs when one entity takes ownership of another entity's Share Capital, Equity Interest, or assets. Rapid consolidation in India's medical diagnostics sector may force small local laboratories of tier 2 and tier 3 cities succumb to competition India's USD 11 billion medical diagnostics service industry, (Abrarali Dalal, 2022) which was mostly unorganized until now, is getting consolidated and as a result, the domestic market is all set to witness an unprecedented competition trend. This may ultimately benefit the patients in terms of access to better products and technologies, though the pricing would still be a matter of concern as the industry is still mostly dependent on imported materials like test kits and reagents.

Diagnostic Industry is worth approximately USD 11 billion; in India, 37% of laboratories are hospital-based, 47% of laboratories are standalone labs, only 16% are diagnostic chains that drive the organized market, 6% are PAN India players. (Abrarali Dalal, 2022) These statistics reveal much about the kind of work that needs to be done in the industry. Mergers and Acquisitions have change industries like gold mines, Winery, Metals, Telecom and Airlines industry, similar changes will also happen in the IVD industry.

The global healthcare industry will become more resilient, agile, and innovative by shifting to digitally enabled business models with patients and data at the core. Worldwide, patients are increasing their involvement in healthcare decision-making by adopting virtual health and other digital technologies. The rising adoption of eHealth, Artificial intelligence, virtual reality, and telemedicine is ubiquitous across the globe. The evolving shifts in the market and consumer behaviors, as a result, are redeveloping their operating and revenue models to adapt and stay ahead of the curve (Burke, M.D., 2000).

With at least half a dozen mergers and acquisitions by existing players and a lot of deep-pocket corporate houses investing heavily in diagnostics such as Pharma Companies who have launched their diagnostic division like Path Kind Diagnostic company, Unipath Diagnostics company, Lupin Diagnostic company, Torrent Diagnostic company, India's mostly fragmented medical diagnostics industry is getting consolidated and preparing itself for the next level of growth transformation. The top rung service providers, including the newly-merged entities, in this USD 11-billion market (Abrarali Dalal, 2022) are also planning large investments in the next few years for expanding service portfolio as well as geographical reach. As a result, the industry is all set to see a breakthrough growth in terms of products and services. It essentially means the market will now see innovative tests, better technologies and enhanced access to novel diagnostics services. The consolidation trend, according to market analysts, would also lead to further investments in the country's medical tests and the imaging market in the next three to five years, mainly aimed at expanding market reach by the national players. This will leave the tier 2 and tier 3 cities small laboratories with the options of either surrendering to the buyout bids by the national players or succumbing to the competition.

Over 150 mergers and acquisitions took place in India between January and July 2022. In August 2022, Apollo Hospitals secured an entry into Haryana and NCR region by acquiring a hospital on the Golf Course Road in Gurugram from Nayati Healthcare and Research Centre at NCR for Rs 450 cr. With the acquisitions, Apollo plans to target the local NCR Market and medical tourism while leveraging its digital platform Apollo 24x7. The acquisitions were funded internally by the group(Pilla, Viswanath, 2024)

A series of acquisitions rocked the healthcare world in India. A global consortium led by Arpwood Partners acquired Sterling Addlife India, which operates Sterling Hospitals, a multi-specialty hospital chain in Gujarat. The healthcare industry KKR sold its stake in Max Healthcare in the open market for 9,400 crores, making it the most prominent exit by a PE firm in this sector. Ontario Teachers' Pension Plan Board's stake acquisitions in Sahyadri Hospitals from Everstone Group, Care Hospital acquisitions of majority stake in United Cigna Hospital, Manipal Hospital's acquisitions of Vikram Hospital, Columbia Asia, and Medanta-The Medicity, Multiple PE firms acquiring Cadila Healthcare's animal health business, Dr Reddy's Laboratories acquisitions of branded generics business of Wockhardt (62 brands) for Rs 1850 crore, Pristyn Care's acquisitions of Delhi-based health-tech company Lybrate, Biocon Biologic's acquisitions of Viatris's biosimilar portfolio, PharmEasy's acquisitions of Thyrocare, Medlife and Aknamed, or Mankind purchase of Panacea's formulation business (Department of Management Studies, JSS Science and Technology University, Mysore, 570 006, Karnataka, India *et al.*, 2022) With high growth witnessed in India's healthcare market, more and more companies, Indian as well as foreign players and PE firms, are showing interest in strategic transactions in the sector. Several factors make the Indian healthcare sector attractive to global investors.

We are in middle of a consolidation, Government's reforms, lucrative policies encouraging FDI, PLI schemes to boost domestic manufacturing of pharmaceuticals and medical devices, boom in start-ups that accelerated the development of quick, scalable and low-cost solutions, are some of the encouraging factors leading to consolidation.

Enterprises seeking scale and growth, PE firms, and special-purpose acquisitions companies (SPACs) seeking to raise funds are some of the key stakeholders leading the mergers and acquisitions activity in India. Inorganic growth offers a few advantages over organic growth in the current healthcare scenario. Given the shrinking pipelines, complex regulatory processes, increased scrutiny, license and patient expirations, and tough competition organic growth strategies take longer to yield results. Companies need to invest considerable amounts of time and resources in reaching the market. Mergers and Acquisitions deals present an extremely tempting proposition by helping them quickly reach new markets. Mergers and acquisitions are happening across the segments within healthcare of which diagnostics, logistics, Insurance and health-tech are the following segment that will see intense mergers and acquisitions activity in India.

Technology has been and will continue to play a significant role in defining the future landscape of India's healthcare sector. Technologies like artificial intelligence (AI), automation and the internet of things (IoT) have percolated to almost every aspect of healthcare today which is forcing tier 2 and tier 3 cities smaller diagnostic players to look for larger partners who are equipped with this infrastructure and technologies. My research area will revolve around these areas where one can see many mergers and acquisitions that can fail or not be successful due to lack of understanding, cultural gaps, gaps in due diligence process and integration failure. My research will help the industry to understand the root cause of merger and acquisitions failure with tier 2 & tier 3 players, what is the expectation as I intend to do one-to-one interviews with a lot of such players so that better understanding comes out of this exercise which will help industry and society to progress efficiently.

Scholars of International business (IB) have conducted much research on distance; distance generally refers to the difference between two countries in certain factors. The importance of distance has been recognized by scholars. (Zaheer, Schomaker and Nachum, 2012) even declared "essentially international management is the management of distance". The literature finds that distance has an impact on various organizational processes and the results of multinational companies, which includes the location choice, entry mode, equity ratio, acquisitions premium, knowledge transfer and performance (Romero-Martínez *et al.*, 2019). Religion and language have proven to play a significant role in international business and are potential determinants of management decisions and corporate behavior (Berry, Guillén and Zhou, 2010).

Language and religion have an impact on people's communication, the formation of values, and the interpretation of information. Language difference is at the core of the conceptualization of early distance (Johanson and Vahlne, 1977).

Religious belief has a considerable impact on individual and collective behavior, especially on economic activities, which has long been recognized (Weber, Alfred & Friedrich, Carl J., 1929). The enduring paradox of the high rate of mergers and acquisitions failure vs the growing activity of mergers and acquisitions may be due to the lack of synchronized activities of all mergers stages (Weber and Yedidia Tarba, 2012).One reason why the research on acquisition performance in several disciplines, such as industrial economics, strategic management, and finance, has not produced consistent results is that it has failed to account for the role of human resource (HR) practices mechanisms, such as development and training, during post-merger integration process (Weber, Tarba and Bachar, 2011) and (Öberg, 2014).

While studies on culture fit provide no clear answers regarding the culture-performance relationship, they have furnished important insights for further research. For example, when read carefully, most culture fit studies acknowledged that "numerous people-related problems arising as a result of mergers and acquisitions have been widely recognized as being determinant to performance" (Morosini, Shane and Singh, 1998).

The literature on mergers and acquisitions does not provide a thorough theoretical explanation (Weber and Yedidia Tarba, 2012) for Why and how cultural differences, whether national or corporate, may cause integration problems that eventually determine mergers and acquisitions performance; What factors are important for the integration of the people in mergers and acquisitions, which may be affected by cultural differences; or How possible relationships between cultural differences and other factors, such as the attitudes and behavior of acquired managers, affect mergers and acquisitions performance.

Prior to a merger or an acquisition, each firm's management usually achieve some degree of equilibrium in understanding its external and internal environment. In mergers and acquisitions, when one management culture is exposed to another, as happens in the process of acculturation, the state of equilibrium is disturbed, which may lead to communication problems between the cultures (Gomes *et al.*, 2013).
The success or failure of mergers and acquisitions depends not only on how much synergy is potentially available from the combination but, more importantly, on whether the synergy can actually be realized through effective integration (Gomes *et al.*, 2013).

(Lubatkin, Schweiger and Weber, 1999) have found that cultural differences in mergers and acquisitions are positively related to acquired top management turnover, and also that cultural differences are negatively related to acquired top management commitment. This is consistent with findings of previous studies in the field of organizational behavior that point out that low level of commitment is associated with high rates of voluntary turnover.

(Trompenaars and Nijhoff Asser, 2011) mention that during the last twenty years it has become increasingly recognized that both national and organizational cultures need to be considered in modern business management. And, furthermore, leaders -even in local companies – will find they are leading and managing multicultural workforces. Many of the existing cultural conceptual frameworks essentially describe how different cultures give different meanings to relationships with other people, to their interaction with the environment, to time and to other similar cultural dimensions. We have learned to recognize and respects cultural differences. However, if we stop at these initial stages when trying to combine organizations, we run the risk of reinforcing cultural stereotypes. At present there is a lack of consistent, reliable and generalizable processes to create sustainable and integrated value for separate cultures.

(Dumitru Zait, Alain Spalanzani, 2009) consider that culture, through the influence on behavior, attitudes, and positions towards action can be considered an important factor, may be decisive, of facilitating, blockage, success or failure in different types of research. Therefore, they believe that intercultural management and mergers and acquisitions research themselves are influenced by scholar’s culture.

The constantly changing global business environment requires firms to aim for competitive advantages through creative and innovative business strategies. This is essentially important for their long-term sustainability. A study by (Seleim, Ashour and Bontis, 2007) analyzed the relationship between organizational performance of software companies and human capital. A positive association was found between human capital indicators and organizational performance.

The indicators, such as training attended and team-work practices, tended to result in superstar performers which led to more productivity, which could be translated to organizational performances. A significant positive correlation was found by (Dooley, E., 2000) between the quality of developers and volume of market shares. It can be said that human capital indicators enhanced the firm’s performance directly or indirectly. A study by (Bontis and Fitz-enz, 2002) established the relationship between human capital management and economic and business outcomes. Human capital development and enhancement in organizations contribute significantly to organizational competencies which in turn became a great boost for further enhancing innovativeness. Contemporary literature to a large extent supports the fact that firm performance is positively impacted by the presence of human capital practices (Youndt, Subramaniam and Snell, 2004; Noe *et al.*, 2011).

The need for corporate firms to gain competitive advantage in a highly competitive global environment has necessitated the adoption of innovative strategies, one of them being mergers and acquisitions. (Larry Selden and Geoffrey Colvin, 2003) have stated that 70 - 80% of acquisitions fail, meaning that they create no wealth for the share owners of the acquiring company. (Schmidt and Towers Perrin, 2002) has identified five major roadblocks to merger and acquisition success, three of which are human resource (HR) issues. It has been established that there is a strong direct correlation between human resource involvement and ‘success’ in mergers and acquisitions. A positive association was found between human capital indicators and organizational performance.

Adam Smith defined four types of fixed capital (which is characterized as that which affords revenue or profit without circulating or changing masters). The four types were: (1) useful machines, instruments of the trade; (2) buildings as the means of procuring revenue; (3) improvements of land and (4) human capital (Arthur O’Sullivan, Steven M. Sheffrin, 2003). ‘Human capital represents the knowledge, skills and abilities that make it possible for people to do their jobs. Human capital development is about recruiting, supporting and investing in people through education, training, coaching, mentoring, internships, organizational development and human resource management (LISC, 2009). Human capital means a stock of skills and knowledge resulting in the ability to perform labor to produce economic value. It is the skills and knowledge gained by a worker through education and experience with different areas in that field(‘Vodafone Essar’, 2009). (Schultz, 1993) defined the term ‘human capital’ as a key element in improving a firm assets and employees in order to increase productivity as well as to sustain competitive advantage.

Human capitals involve processes that relate to training, education and other interventions in order to increase the levels of knowledge, skills, abilities, values, and social assets of an employee which will lead to the employee’s satisfaction and performance, and eventually on a firm performance. (P.N. Rastogi, 2000) stated that human capital is an important input for organizations especially for employees’ continuous improvement mainly on knowledge, skills, and abilities. Thus, the definition of human capital is referred to as ‘the knowledge, skills, competencies, and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being’ (OECD, 2001). Undoubtedly, human resource input plays a significant role in enhancing firms’ competitiveness (Barney, 1995).

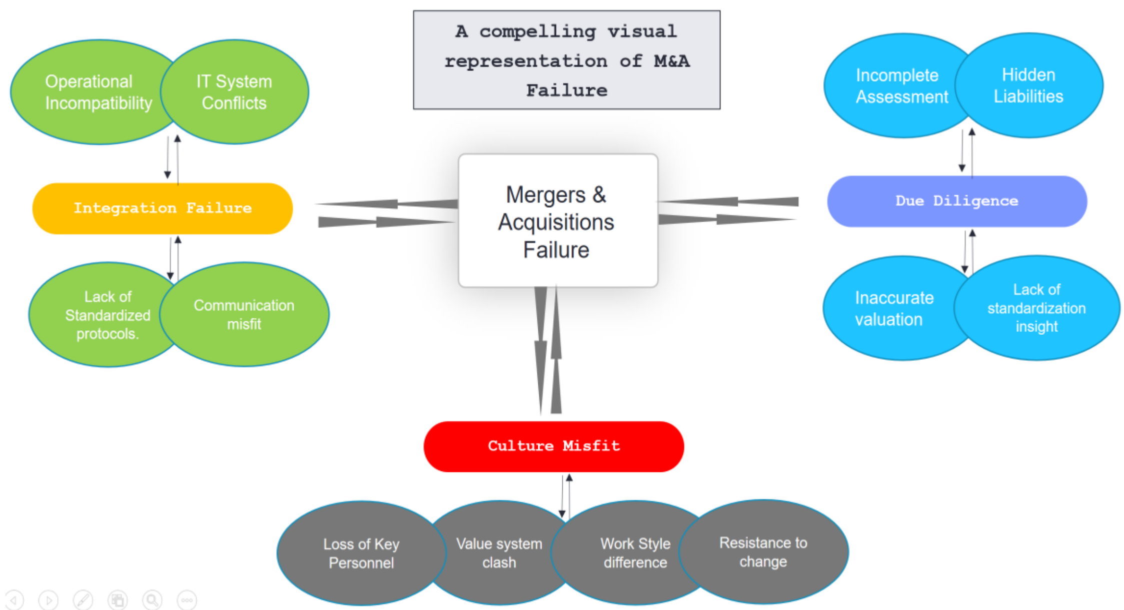
At a glance, substantial studies were carried out on human capital and their implications on firm performance were widely covered and obviously, human capital enhancement will result in greater competitiveness and performance (Agarwala, 2003).

Both quantitative and qualitative study have been carried out. Methodological triangulation (Denzin, 1978), was done where both quantitative and qualitative methodologies were used because of the following reasons: 1. Methodological triangulation (using quantitative and qualitative methodologies) yields greater insights than a single research methodology. 2. Blending and integrating methods and data in studying the same phenomena can capture a more complete, holistic and contextual portrayal of the subject under study, by eliciting data leading to new hypotheses or conclusions, for which single methods would be blind. 3. The weaknesses and limitations of each individual method will be counterbalanced by the other method, exploiting the assets, and neutralizing, rather that compounding, the liabilities (Jick, 1979).

The rapid development of human development theory has led to greater attention being paid to training related aspects. Human capital investment is any activity which leads to an improvement in the quality (productivity) of the worker. Thus, training is an important component of human capital investment. It refers to the knowledge and training required and undergone underwent by a person that increases his or her capabilities in performing activities which are of economic value. Contemporary literature has shown the importance of training. The workforce's lack of training is related to low competitiveness (Francis Green, 1993). A greater human capital stock is related with greater productivity and higher salaries (Neal, 1997). Similarly, training is linked to the longevity of companies (Bates, 1990) which is in turn related to business and economic growth (Goetz and Hu, 1996).

(Maskus, 1998) has noted human capital as a source to motivate workers, boost up their commitment and to create expenditure in research and development and eventually pave way for the generation of new knowledge for the economy and society in general. From the organizational perspective, human capital plays a very significant role in the strategic planning of how to create competitive advantage. Following (Snell, S.A., Lepak, D.P., & Youndt, M.A., 1999) it stated that a firm's human capital has two dimensions which are value and uniqueness. A firm demonstrates value of its resources when they allow for improvements in effectiveness, capitalization of opportunities and neutralization of threats (Larry Selden and Geoffrey Colvin, 2003) stated that 70 - 80% of acquisitions fail, meaning that they create no wealth for the share owners of the acquiring company. Successfully integrating the target and the acquirer's businesses after the transaction closes is critical to achieving the goal of the combination, which is, making the new entity worth more than the sum of its parts. One of the ways to accomplish this is to effectively implement the required changes and address the related dynamics occurring in the new entity. Most mergers and acquisitions deals fail to accomplish many of the strategic objectives so optimistically projected in the initial announcements. (Schmidt and Towers Perrin, 2002) has identified five major roadblocks to merger and acquisition success, the last three of which are HR issues: Inability to sustain financial performance (64%), loss of productivity (62%), incompatible cultures (56%), loss of key talent (53%) and clash of management styles (53%). According to Marks (1997), human resource professionals should take an active role in educating senior executives about HR issues that can interfere with the success of the merger and with meeting key business objectives. His work has stated the important role of HCD to smoothen the transition.

Figure 1.1: A compelling visual representation of mergers and acquisitions failure.



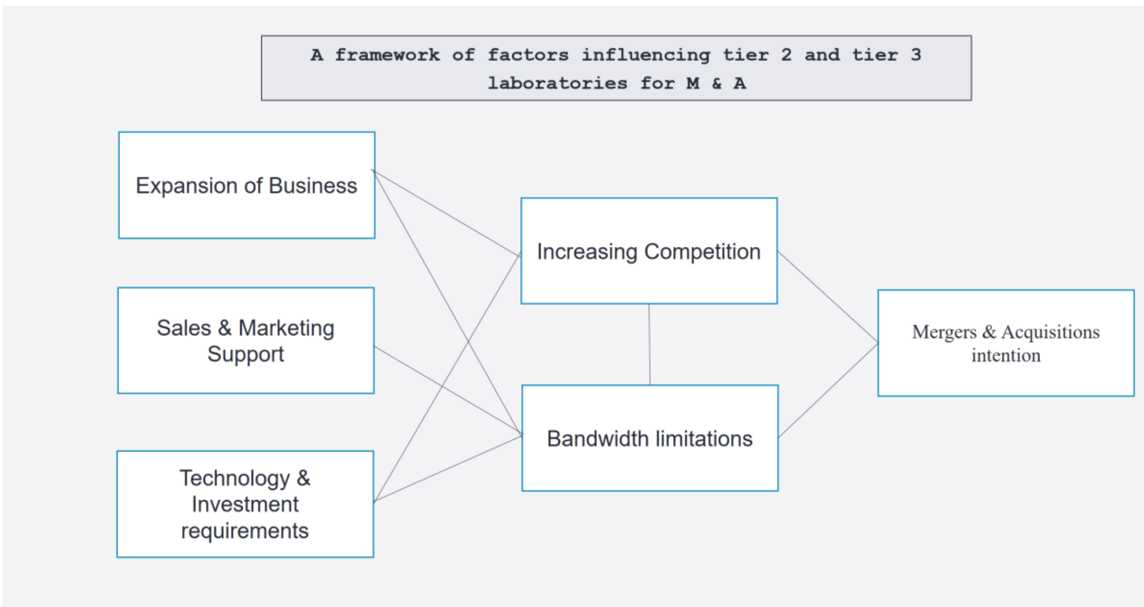
*Source: Author

As shown in Figure 1.1, the "failure reasons of the Mergers and acquisitions in Indian Diagnostic Industry (Tier 2 and 3 Labs). During Due Diligence there can be Incomplete Assessment **(**financial health, regulatory compliance, operational efficiency) of acquired labs. There can be hidden liabilities (undisclosed debts, legal issues, or operational problems). Inaccurate Valuation and Lack of Standardization Insight **(**different operational workflows or equipment in the acquired labs) that were not properly understood during due diligence can lead to failure of due diligence.

In the case of Integration Failure Operational Incompatibility (e.g., sample collection, testing, reporting) that don't align can lead to failure and factors like IT System conflict (two computers or software interfaces that are unable to communicate or share data) Lack of Standardized Protocols and communication breakdown can lead to integration failure.

In Case of Culture Misfit Value System Clash (e.g., innovation vs. tradition, speed vs. accuracy, employee empowerment vs. hierarchical control) that are in conflict can create problem along with Work style differences (e.g., a highly structured, formal lab vs. a more flexible, informal one), Resistance to Change and loss of key personnel like people leaving the organization, signifying dissatisfaction and cultural incompatibility.

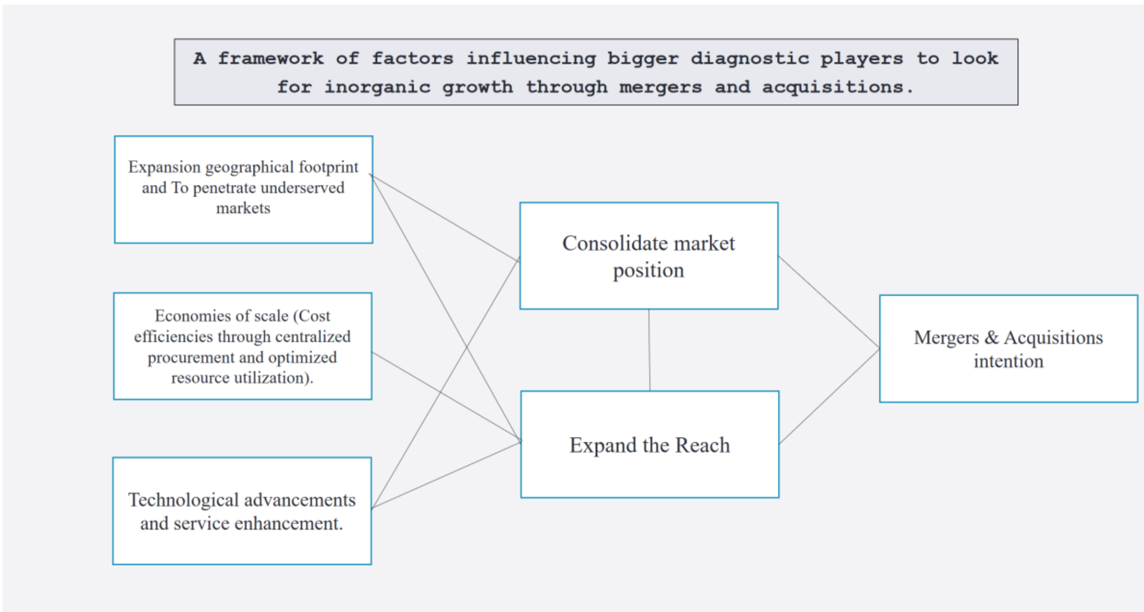
Figure 1.2: A framework of factors influencing tier 2 and tier 3 cities labs for mergers and acquisitions.



*Source: Author

The Indian diagnostic sector is experiencing strong consolidation, with small laboratories, especially those that are based in Tier 2 and Tier 3 cities, becoming more and more targets for acquisitions and mergers. A range of converging factors are making these smaller entities seek mergers and acquisitions as a strategic option. First and foremost, the desire for business growth outside of their immediate geographic location often requires considerable capital and infrastructure outlay. Partnering with a bigger organization gives access to wider networks, resources, and capabilities essential for expansion and penetrating new markets. Secondly, having strong sales and marketing capabilities is a major motivator. Most smaller labs lack the resources and specialized talent to compete strongly with established larger players in branding, reach, and acquisition of customers. As Figure 1.2 illustrates, Mergers and Acquisitions presents the potential of utilizing the acquirer's existing sales and marketing infrastructure. Technology is key. The diagnostic landscape is constantly evolving, requiring constant equipment upgrades, application of sophisticated testing methodology, and the installation of highly advanced Laboratory Information Systems (LIS). The sheer demand for these technologies is daunting to small labs, making mergers and acquisitions appealing to gain access to sophisticated technology without having to bear the complete cost burden on their own. In addition, growing competition from national and regional chains that have more resources and broader services is exerting enormous pressure on small labs. To stay in the market, share and competitive, these laboratories tend to find it convenient to collaborate with a larger group. Lastly, bandwidth constraint, both financial and managerial capacity, may inhibit the growth and viability of smaller laboratories. Mergers and Acquisitions offer a surge of funds, access to skilled management teams, and streamlined operational efficiencies, transcending the constraints. In summary, the intersection of these factors including the urge for business growth, requirement for greater sales and marketing support, necessity of technological upgrade with considerable investment needs, heightened competition, and inherent bandwidth constraints are all compelling smaller diagnostic laboratories in Tier 2 and Tier 3 Indian cities to pursue mergers and acquisitions actively as a strategic necessity for growth, survival, and competitive advantage.

Figure 1.3: A framework of factors influencing bigger diagnostic players to look for inorganic growth through mergers and acquisitions.



*Source: Author

As shown in Figure 1.3, Big Indian diagnostic players are increasingly embracing inorganic growth strategies in the form of mergers and acquisitions to enhance their market stronghold, expand their reach, and create more robust service offerings. The strategic decision is driven by a range of factors applicable in the Indian healthcare space. Expansion and consolidation in the market is one such driving reason. Biding for the smaller players, especially those having a strong reach in Tier 2 and Tier 3 cities, allows the larger ones to establish their footprint very fast and enter emerging markets. This brings in a larger pie of India's growing opportunity in diagnostic services. Economies of scale have become highly critical too. By consolidating smaller labs, the bigger players can achieve cost advantages on the back of centralized purchasing, shared operations, and improved utilization of resources. This translates into greater profitability and improved competitive position.

Mergers and Acquisitions creates access to a wider network and outreach. Acquiring labs that have established relationships with the local healthcare providers, hospitals, and patient pool can really enhance market access and reference base for a large player. Technological advancement and expansion of services are also major propellers. Bigger diagnostic firms augment their market share and competitive strength through acquisition and merger. Buying competitors or complementary firms can give them a great advantage in an evolving and competitive environment by enabling them to dominate market niches and have greater influence. A huge incentive is the desire for cost savings and synergies. By combining operations, streamlining processes, and eliminating overlaps, large operators can achieve huge cost benefits and increase overall efficiency. Leading players in diagnostics in India are strategically implementing mergers and acquisitions to achieve rapid market consolidation and growth, economies of scale, wider network coverage, technology upgradation, increased market share, and better synergies. All these put together drives the inorganic growth wave in Indian diagnostics.

1.2 Research Problem

Indian companies are using mergers and acquisitions more than ever to transform their business in the post-Covid world. Covid-19 has accelerated disruption across sectors; companies are responding by transforming their businesses through mergers and acquisitions and divestitures. Indian mergers and acquisitions is near an all-time high, with first-time buyers driving deal volumes. Mergers and Acquisitions by digital insurgents has hit never-seen-before highs –insurgents are buying to build scale rapidly, enter new geographical areas, launch new lines of business, and deliver a full Omni channel experience to customers. For example, edtech insurgent BYJU's has been on an acquisition spree with 11 plus acquisitions; OYO has been making several acquisitions globally to enter new geographies; and Pharm Easy, India's leading e-health player, has made multiple acquisitions globally to enter new verticals, including a 66% stake in Thyrocare to strengthen its high-margin testing vertical by tapping into Thyrocare's wide network of collection centers. Insurgents also realize that their stock is valuable currency; two-thirds of deals done by insurgents are stock-plus-cash transactions (Karan, S. and Vikram, C., 2021).

Private equity (PE) investment momentum had a massive spike in 2021 with a twofold increase over 2020. In addition to PE, venture capital activity also saw a threefold spike in 2021. Financial investors' confidence in the Indian market has been robust and resilient. Reliance has been aggressively growing emerging businesses through mergers and acquisitions, with recent acquisitions in retail, digital, and renewables. The Mahindra Group has reshaped its portfolio. The TATA Group is actively reshaping its portfolio and has done over 20 deals in the last two years, including multiple acquisitions (Big Basket, 1mg) to build its super app. Energy players – both domestic and international – are making big bets on renewable energy in India through mergers and acquisitions (Karan, S. and Vikram, C., 2021).

Table 1.1: Examples of mergers and acquisitions have failed due to reasons mentioned below.

Acquiring Company	Target Company	City	Tier	Deal Value (in millions)	Date of Acquisition	Reason for Failure
Medlab	HealthScan Labs	Jaipur	Tier 2	15	10-04-2023	Cultural Misalignment: Despite due diligence, the companies failed to integrate their cultures, leading to conflicts and loss of key talent.
Diagnotech	Pathcare Diagnostics	Bhopal	Tier 2	20	25-09-2022	Regulatory Compliance Issues: Pathcare had undisclosed regulatory violations, which resulted in legal challenges post-acquisition.
Scanplus	Wellness Diagnostics	Coimbatore	Tier 3	12	18-12-2023	Financial Overpayment: Scanplus overestimated the value of Wellness Diagnostics, leading to financial strain and inability to meet performance expectations.
HealthTech	CareLab	Kanpur	Tier 2	18	05-02-2024	Integration Challenges: HealthTech and CareLab struggled to integrate their operations and technologies, resulting in operational inefficiencies and loss of customers.
LabAlliance	Curewell Labs	Patna	Tier 3	10	14-07-2023	Undisclosed Liabilities: Curewell Labs had significant undisclosed liabilities, including pending lawsuits and debt, which negatively impacted LabAlliance's finances and reputation.
DiagnoPlus	MediScan	Lucknow	Tier 2	22	30-12-2022	Intellectual Property (IP) Risks: MediScan had unresolved intellectual property disputes, resulting in legal challenges and loss of key assets post-acquisition.

*Source: Author

No concrete research has been conducted in India on mergers and acquisitions in the diagnostics industry, different people have different theories on the outcome and how the business domain will change. Aggressive mergers and acquisitions are happening across India, which is completely changing the business trend. Small diagnostic players are experiencing many dilemmas regarding this move by regional and PAN India players. The current market is still 80% unorganized, as the industry is dominated by technician-run laboratories. A study on mergers and acquisitions will bring out a lot of clarity of thought from bigger as well as smaller players. As mentioned in Table 1.1, The impact post-mergers and acquisitions on the smaller players in tier 2 and tier 3 cities due to cultural gaps, Integration failure and due diligence is creating a lot of uncertainty among all stakeholders. The future of the diagnostics industry in India is changing rapidly owing to mergers and acquisitions. Therefore, it is very important to research this topic so that complete clarity can be achieved on how the business domain is changing. This will help society and governmental bodies to act and present new ideas. With the entrance of PE/VCs and investment banks and deep-pocket houses such as Pharma in the Indian diagnostics industry making moves with mergers and acquisitions, this will have a great impact on the industry. This study will provide new insights to all stakeholders and will focus on challenges arises in Mergers and acquisitions in smaller market of India due to Cultural gaps, Integration failure and due diligence. Despite the obvious increase in mergers and acquisitions, most of these transactions don't add value. Determining an acquisition strategy, finding, choosing, and evaluating acquisition candidates, contacting target firm managers and owners, valuing and pricing targets, structuring deals, negotiating with targets and other stakeholders, and integrating acquisitions are just a few of the many tasks involved in the acquisition process. Creating values through acquisitions continues to remain a major challenge facing top managers (Very and Schweiger, 2001).

There is a significant increase in mergers and acquisitions among American corporations, it is estimated that more than two-thirds of these mergers were unsuccessful primarily because of the failure to address the impact of merger activities on the employees (MacCann and Gilkey, 1988). There is often seen a big communication gap and lack of understanding between both the parties during mergers and acquisitions, tier 2 and tier 3 cities smaller players often have typical constraints during due diligence process as they fear to give complete downloads, they have fear if in case the deal did not materialized than what image they will have in market, their market valuation will go down and so on. My research will try to clarify these constraints for easier identification and modelling. One reason why the research on acquisition performance in several disciplines, such as industrial economics, strategic management, and finance, has not produced consistent results is that it has failed to account for the role of human resource(HR) practices mechanisms, such as development and training, during post-merger integration process (Weber, Tarba and Bachar, 2011; Öberg, 2014).

Researchers and counsellors from the field of organizational behavior maintain that the primary cause of failure in mergers and acquisitions is the lack of consideration of the human factor during the process of planning and implantation of the merger. Over 50% of mergers are considered failures, more than often not, the root cause of the problem is a failure to account adequately for the human factor and the hidden dimension that is culture, whereas economic and technical integration relate to explicit and measurable issues, cross-cultural integration relates to unconscious, implicit and often unspoken factors (Gancel, Rodgers and Raynaud, 2002).

Despite the attention mergers and acquisitions have received from financial and marketing strategies, the merger failure rate remains as high as ever. In light of the current wave of merger activity, it would seem an appropriate time to consider alternative explanations of merger failure, and assess the contribution which psychology can make to our understanding of mergers and acquisitions in addressing the essence of the activity; the positive combination of people and the fusion or organizational cultures (Cartwright and Cooper, 1990).

Diagnostic players operating in tier 2 and tier 3 cities often fail in due diligence and integration process, however one of the biggest issues remains is the cultural misfit. There is a huge gap between the bigger players who are getting into mergers and acquisitions with tier 2 and tier 3 city players at every level right from managerial to top management level, because both the parties feel this is a very tempting opportunity to grow.

This research will try and provide various factors responsible for mergers and acquisitions failure due to Cultural gaps, Integration failure and due diligence with possible solutions. The research will outline key issues, definitions, and areas of differences often arise when two or more firms ally or merge. It will ask why the issue of culture is neglected, interviews with senior managers, management of various diagnostic leaders who have direct experience with the impact of due diligence, cultural misfit and integration issues in this era of globalization. Yet there is no single recipe, method or process able to bridge cultures, or undergo perfect due diligence and integration process however the research will try and fills a gap in finding the answers to why mergers and acquisitions fails due to Cultural gaps, Due diligence and Integration failure.

1.3 Purpose of Research

The research objectives are to diagnose an approach to the issues of Integration failure, why due diligence process fails when it comes to tier 2 and tier 3 cities diagnostic players and the basic factors which lead to cultural misfit among the two partners, are the key success factors in the process of acquisitions. Particularly, the study has the following sub-objectives:

1. The role of leadership competencies during due diligence audit.
2. Non-appointment of integration team which can represent every transaction partner.
3. What cultural differences, attitudes and behaviour of acquired managers will affect mergers and acquisitions performance.
4. What level of degree of equilibrium is ideal in understanding mergers and acquisitions external and internal environment.
5. There is shortage of research on temporal dynamics within integration projects.

The result of this study will be valuable to the industry practitioners as well as related tier 2 and tier 3 diagnostic players, who are aiming at mergers and acquisitions for their inorganic growth, in developing better practice and tools for constraint management and look-ahead scheduling. A preliminary literature review shows that past studies are primarily focused on understanding and modelling a particular type of constraint, such as technological, contractual, resource, spatial, and information constraints. Limited progress has been made on classifying various constraints according to their characteristics in a comprehensive manner. In terms of modelling and resolving constraints, various approaches have been recommended. For example, many CPM-based methods are applied to deal with time-related constraints; knowledge-based systems were used to automate work plan generation; network-based optimization algorithms were developed to resolve constraints; and databases and visualization techniques, such as 3D, 4D, and Virtual Reality (VR), are used to communicate and visualize constraints. What is missing from past studies is a comprehensive and structured approach in managing constraints. What is missing from past studies is a comprehensive and structured approach in managing constraints.

Making an mergers and acquisitions deal "work "is one of the hardest tasks in business (Perry and Herd, 2004). A handful of best practices can reduce the risk and give the deal a fighting chance. The inherent danger in due diligence is not the companies fail to do it, but that they fail to do it well. The deals that are being struck today are far riskier than those of the 1990s. The study talks about 4 best practices separate the winners from the losers in the mergers and acquisitions playoff. 1) Call experts, 2) Trust but verify, 3) Rationalize the supply chain network and IT applications and create a shared services organization 4) Identify the high priority, complex, initiatives, determine the associated risk mitigation plans. My research will focus more on concern and issues related to tier 2 and tier 3 cities diagnostic players which they face during mergers and acquisitions process, by addressing integration challenges, increasing awareness, and taking proactive measures, smaller diagnostic players in India can navigate the complexities of the industry and contribute to improving healthcare outcomes in tier 2 and tier 3 cities. Organic growth is assumed to be the "normal" growth of a firm (Achtenhagen, Brunninge and Melin, 2017). At the end of an extensive review of firm growth literature, (McKelvie and Wiklund, 2010) concluded that many studies on small business growth use organic growth. It seems that SMEs do not pursue acquisitions-based growth. This explains why in Merger and Acquisitions literature, SMEs are usually discussed as the target and not as the acquirer (Achtenhagen, Naldi and

Melin, 2010). It is important to note that these two growth modes vary in interpretations and to a certain extent, in implementation (Delmar, Davidsson and Gartner, 2003). From an economic standpoint, organic growth makes sense because it creates new jobs. The picture looks quite different from the acquisition's growth perspective. This is because jobs from one business are simply moved to another (Davidsson, 2005). Because entrepreneurship's main focus is the creation of new value in the marketplace through the combination of resources, organic growth is deemed appropriate (Per Davidsson and Frédéric Delmar, 1997).

Analyzing the cause of mergers and acquisitions, the failure in the diagnostic sector, particularly in India's tier 2 and tier 3 cities, is of major importance due to a variety of reasons:

Industry Dynamics: Learning why mergers and acquisitions deals fail in the diagnostic industry offers information on the peculiar challenges and dynamics of this industry in tier 2 and tier 3 cities of India. The future planning and decision-making regarding mergers and acquisitions can be directed with this information.

Market Opportunities: The most promising emerging markets for diagnostic services growth are tier 2 and 3 cities. Knowing the reasons why mergers and acquisitions fail allows stakeholders to better identify and capitalize on market opportunities.

Investment Options: Domestic and foreign investors alike must balance the risks involved in mergers and acquisitions in India's diagnostics market. Understanding why merger and acquisition deals fail aids stakeholders better in identifying and grabbing market opportunities.

Investment Options: While looking out for mergers and acquisitions within the Indian diagnostic sector, both local and global investors must keep in mind the possibility of risks. Knowledge of past failure due to issues like due diligence errors, integration problems, and cultural incompatibility helps investors make informed investment decisions.

Regulatory Compliance: India's diagnostic sector is governed by several regulations and compliance laws. Knowing how regulatory problems lead to mergers and acquisitions failures would enable firms to move more smoothly through legal intricacies and ensure compliance after the merger.

Operational Efficiency: Mergers and acquisitions transactions can disrupt operations and cause integration challenges that affect customer satisfaction and service delivery. Identification of the underlying causes of failed integrations allows firms to establish ways of improving operational efficiency and reducing disruptions during the post-merger integration.

Talent Management: Talent management and employee retention are essential for successful mergers and acquisitions transactions. Awareness of the effect of cultural misfit on employee retention and morale enables organizations to come up with strategies to create a uniform organizational culture and retain talent during transition.

Strategic Planning: Lessons learned from mergers and acquisitions failures are of immense importance for strategic planning and implementation. Firms can learn from the past, improve their mergers and acqusiitons tactics, and prepare sound risk mitigation strategies to enhance the chances of successful mergers and acquisitions in the future. Knowledge of the causes of mergers and acquisitions failures in the diagnostic business in tier 2 and tier 3 cities of India is significant for stakeholders to be able to tackle the intricacies of mergers and acqusiitions deals, leverage market opportunities, and fuel sustainable growth in this fast-changing industry

The Indian diagnostic sector is witnessing a phase of high growth, which is fueled by trends such as, growing healthcare awareness, rising disposable income Increasing geriatric population and Government policies encouraging accessibility of healthcare. Knowledge of this industry can give useful information to different stakeholders such as Investors, Diagnostic Companies, Government Bodies and Patients. Learning from past mergers and acquisitions failures in the Indian diagnostic sector can keep companies away from such mistakes. Areas of major concern where study will concentrate is Due Diligence, Integration Failure and Cultural misfit. Why it is important to pay attention to tier 2 and 3 Cities, most of the Indian population is in tier 2 and 3 cities. Observing the diagnostic landscape for these cities can uncover Demand for diagnostic services, challenges and opportunities and tailored solutions. This study can enable firms to reach out wider, enhance access to healthcare for a wider segment of the population, and assist towards a more equitable Indian healthcare system. Learning from the Indian diagnostic sector offers rich insights to various stakeholders, enables sound decision-making, and stimulates industry growth.

1.5 Research Purpose and Questions

The Research has lot of importance and releavance as the diagnostics industry is booming in India, and many small diagnostic players in tier 2 and tier 3 cities are looking for Pan India Players so that they can stand against competition and grow at faster pace.

Few questions which came to my mind for research topic are.

1) What are the most common weaknesses observed in due diligence practices during mergers and acquisitions deals in the Indian diagnostic industry?

2) How can diagnostic companies improve the comprehensiveness and effectiveness of their due diligence processes?

3) What are the biggest challenges faced by diagnostic companies when integrating operations, logistics, and IT systems after a merger or acquisition?

4) What best practices can be implemented to ensure smoother post-merger integration in the Indian diagnostic sector?

5) How do cultural differences between merging companies in the Indian diagnostic space lead to integration issues and employee dissatisfaction?

6) What strategies can be adopted to promote cultural understanding and collaboration during merger and acquisitions processes?

The difficulties that smaller players in tier 2 and tier 3 cities face will be the main topic of this inquiry. Diagnostic businesses can learn from past mistakes and create more effective merger and acquisition strategies by examining merger and acquisition failures. This will help the industry grow and consolidate. Diagnostic firms can create focused solutions, increase access to healthcare for a larger population, and support a more equitable healthcare system in India by having a better understanding of the requirements and difficulties faced by tier 2 and tier 3 cities. To improve mergers and acquisitions procedures, increase diagnostic services in underserved areas, and encourage affordability in tier 2 and tier 3 cities, this research can help guide government policies.

Chapter-II:

REVIEW OF LITERATURE

2.1 Theoretical Framework

International mergers and acquisitions frequently fail in the integration phase, with cultural differences a major contributory factor. With reference to many European examples of mergers and acquisitions Rene Olie of Limburg University explores various obstacles to merger success and develops a dynamic model of merger stability. He concludes that the successful integration of an international merger is a very long process which is assisted by a sense of parity and common management programs, task and goals. Limited progress has been made on the constraints on closer of successful integration due to cultural gaps long process duration. What is missing from the past studies is a comprehensive and structured approach in managing constraints of reducing this long time process which is there due to cultural gaps in mergers and acquisitions(Olie, 1990).

The cultural element in the merger and acquisitions integration process has been identified as one of the key issues that may help explain the failure of many mergers and acquisitions. Yet what needs to be done to improve cultural integration to enhance mergers and acquisitions success has received relatively little attention. The study attempts to examine the role played by culture and provide a framework for enhancing the success of mergers and acquisitions. The study finds that culture differences between the merging firms are a key element affecting the effectiveness of the integration process and consequently the success of mergers and acquisitions. Furthermore, the study finds that, although managers agree that cultural differences create organizational challenges, the attention given to cultural integration issues during mergers and acquisitions is at best tenuous and in some cases reactive. The managerial implication of this finding is that cultural fit constitutes a key factor in mergers and acquisitions success and should be given the necessary attention at all stages of mergers and acquisitions. The tentative conclusion to be drawn here is that good pre-merger planning with culture placed at the heart of integration strategies and implementation and the creation of a positive atmosphere for the change – before initiating any actual consolidation of human and physical assets-are likely to contribute to acquisition success and value creation (Lodorfos and Boateng, 2006). This literature review shows that past studies are primarily focused on understanding and modelling a particular type of constraint population however there is no focus approach on tier 2 and tier 3 type of population as cultural difference with them will be completely different compared to other developed populations.

A preliminary literature review shows that past studies are primarily focused on understanding and modelling a particular type of constraint, such as technological, contractual, resource, spatial, and information constraints. Limited progress has been made on classifying various constraints according to their characteristics in a comprehensive manner. In terms of modelling and resolving constraints, various approaches have been recommended. For example, many CPM-based methods are applied to deal with time-related constraints; knowledge-based systems were used to automate work plan generation; network-based optimization algorithms were developed to resolve constraints; and databases and visualization techniques, such as 3D, 4D, and Virtual Reality (VR), are used to communicate and visualize constraints. What is missing from past studies is a comprehensive and structured approach in managing constraints. What is missing from past studies is a comprehensive and structured approach in managing constraints.

Making an mergers and acquisitions deal “work “is one of the hardest tasks in business (Perry and Herd, 2004). A handful of best practices can reduce the risk and give the deal a fighting chance. The inherent danger in due diligence is not the companies fail to do it, but that they fail to do it well. The deals that are being struck today are far riskier than those of the 1990s. The study talks about 4 best practices separate the winners from the losers in the mergers and acquisitions playoff. 1) Call experts, 2) Trust but verify, 3) Rationalize the supply chain network and IT applications and create a shared services organization 4) Identify the high priority, complex, initiatives, determine the associated risk mitigation plans. My research will focus more on concern and issues related to tier 2 and tier 3 cities diagnostic players which they face during mergers and acquisitions process. This study can be grounded in several theoretical frameworks that examine the complexities of mergers and acquisitions and their success factors, particularly in the context of the Indian diagnostic industry with a focus on tier 2 and 3 cities. Here's a breakdown of some key frameworks:

1. Institutional theory:

According to this theory, the institutional environment in which businesses operate in India shapes them, and mergers and acquisitions strategies and results can be influenced by regulatory frameworks, cultural norms, and industry practices. The study can look at how due diligence procedures or cultural integration during mergers and acquisitions in the diagnostic industry may be impacted by regulatory quirks or cultural norms in India. Institutional theory sheds light on how the institutional environment shapes mergers and acquisitions practices and outcomes in the Indian diagnostic industry, particularly when considering tier 2 and 3 city tie-ups.

The various Institutional theory concepts are:

Isomorphism: Organizations strive to conform to prevailing institutional norms to gain legitimacy and social acceptance within the industry. These norms can be:

Regulative: Formal rules and regulations set by government bodies. (e.g., accreditation standards, licensing requirements)

Normative: Industry best practices and professional standards established by associations or informal agreements. (e.g., ethical guidelines, quality control procedures)

Cognitive: Shared beliefs, values, and understandings within the industry. (e.g., patient-centric care, focus on innovation)

Due diligence weaknesses: Due diligence might prioritize adherence to formal regulations over in-depth financial assessments, reflecting a cultural emphasis on trust and relationships. This could lead to overlooking potential financial risks and Regulatory frameworks specific to the Indian diagnostic sector, especially in tier 2/3 cities, might not be fully captured in due diligence and as per me this can result in unforeseen compliance hurdles post-merger.

Integration failure: Merging companies from different regions in India might operate under distinct institutional fields. This can lead to clashes in:
Established tier 1 companies might have more standardized processes compared to tier 2/3 city firms, causing integration difficulties, Communication styles could differ, impacting information flow and decision-making during integration, varying leadership styles and approaches to employee relations can create friction.
Cultural misfit: Cultural norms around professionalism, hierarchy, and decision-making can vary across regions in India. This can lead to employee dissatisfaction and hinder collaboration if not addressed, Expectations around patient interaction and service delivery might differ between tier 1 and tier 2/3 cities. This necessitates cultural sensitivity training to ensure a smooth integration process, Institutional environments in tier 2/3 cities might differ significantly from tier 1 cities.
Here's how it can impact mergers and acquisitions- Regulatory enforcement might be less stringent in tier 2/3 cities. Due diligence needs to account for these variations to assess compliance risks, Workforce skills and training standards could be lower in tier 2/3 cities. Integration plans should address these disparities through training programs, Cultural expectations around patient interaction and service delivery might differ. Sensitivity training can help bridge these gaps and foster a unified approach; by understanding the institutional environment in both merging companies and the target tier 2/3 city market, companies can identify potential pitfalls and develop effective strategies.

Here are some key considerations, expand due diligence to encompass not just regulatory compliance but also a comprehensive assessment of financial health, cultural norms, and workforce capabilities in tier 2/3 cities, develop integration plans that address potential cultural clashes, promote open communication across teams, and establish clear expectations around work practices and best practices, Implement training programs to foster cultural sensitivity among employees from both companies, ensuring a smooth integration process, by incorporating institutional theory into the research framework, the study can provide valuable insights to improve mergers and acquisitions practices in the

Indian diagnostic industry. When growing into tier 2 and tier 3 cities, this will be especially helpful for managing the difficulties of mergers and acquisitions.

Cognitive: Industry-wide shared values, beliefs, and understandings. (For instance, patient-centered care and an emphasis on innovation)

Due diligence weaknesses: Due diligence might prioritize adherence to formal regulations over in-depth financial assessments, reflecting a cultural emphasis on trust and relationships. This could lead to overlooking potential financial risks and Regulatory frameworks specific to the Indian diagnostic sector, especially in tier 2/3 cities, might not be fully captured in due diligence and as per me this can result in unforeseen compliance hurdles post-merger

2. Resource dependence theory:

This theory emphasizes a company's need to acquire resources and capabilities to sustain a competitive advantage. Mergers and Acquisitions can be a tool to gain access to new technologies, market share, or expertise in tier 2 and 3 cities, the study can explore how effective due diligence helps identify critical resources in target companies and how successful integration leverages these resources for growth in these underserved markets, resource dependence theory offers another lens to examine mergers and acquisitions failures in the Indian diagnostic industry, particularly focusing on tier 2 and 3 city tie-ups. Here's a breakdown of its application:

Core tenets of resource dependence theory:

Organizations rely on critical resources and capabilities to achieve a competitive advantage, these resources can be tangible (e.g., technology, equipment) or intangible (e.g., brand reputation, expertise). Mergers and Acquisitions can be a strategic tool to acquire resources and capabilities that a company lacks internally.

To know how resource dependence theory will explain mergers and acquisitions Failures are mentioned below:

Due diligence and resource identification:

Ineffective due diligence might lead to overlooking crucial resources possessed by the target company in tier 2/3 cities, this could be underestimating the value of Established distribution networks in these regions, local market knowledge and patient relationships, expertise in navigating regulatory hurdles specific to tier 2/3 cities.

Integration failure and resource leveraging:

Post-merger integration challenges can hinder the effective utilization of acquired resources, knowledge transfer issues or communication breakdowns can prevent the merging companies from capitalizing on the combined resource pool, integration plans that fail to address differences in IT systems or lab operation procedures in tier 2/3 cities can impede resource optimization.

Cultural misfit and resource sharing:

Cultural differences can create resistance to sharing resources and expertise. Employees from tier 1 companies might hesitate to share knowledge with their tier 2/3 city counterparts due to cultural biases or a perception of lower skill levels. Cultural misfits can hinder collaboration and prevent the merged entity from fully leveraging the combined resource pool. Mergers and Acquisitions in the diagnostic industry can be particularly relevant in the context of tier 2 and 3 cities due to the need for established players to access these growing markets, the potential for tier 2 and tier 3 city companies to possess valuable resources like – local market expertise and established patient networks, Cost-effective operational models suited to these regions and understanding of regulatory nuances specific to tier 2 and tier 3 cities. By understanding the resource landscape, companies can improve mergers and acquisitions success, due diligence should go beyond financial assessment to identify and value critical resources in the target company, especially those relevant to tier 2/3 city operations. Develop integration plans that focus on knowledge transfer, resource sharing, and optimize the combined resource pool for maximum benefit. Implement training programs to promote collaboration and address cultural biases that might hinder resource sharing across teams from tier 1 and tier 2/3 cities.

3. Upper echelons theory:

This theory is concerned with how the attributes of top management teams affect strategic decision-making. Success in mergers and acquisitions may depend on leadership teams' capacity to overcome cultural differences and deal with integration complexities. The research may investigate how cultural differences among management teams could result in due diligence failures or effective communication breakdown during integration, affecting success in mergers and acquisitions, especially in tier 2 and 3 city deals where cultural sensitivities may be heightened. Upper echelons theory investigates how strategic decision-making, such as mergers and acquisitions activity in the Indian diagnostic sector, is shaped by the composition of top management teams, i.e., tier 2 and 3 city tie-ups. A summary of its application is as follows:

Key concepts of upper echelons theory: Cognitive skills, experience, and values of top management teams influence their strategic decision-making, and diversity in the top management team may result in more innovative and integrated decision-making but also with difficulties.

Due diligence and strategic decision-making: Biased or blind spots within the top management teams may cause one to miss out on key considerations in due diligence. A lack of experience in working in tier 2/3 city markets may cause one to underestimate cultural sensitivities or regulatory differences. Overconfidence in the strength of the team of the acquiring company may lead to not considering potential integration issues.

Integration failure and leadership: Top management team capability to successfully handle the integration process plays a critical role in achieving success. Leadership style or communication style variations between merging firms can drive strife and slow integration efforts. Lack of cultural awareness among the top management can result in decisions that disenfranchise tier 2/3 city employees, thwarting integration attempts.

Cultural misfit and top management teams: Integration issues may be made worse by cultural differences among top management teams. Misunderstandings and disputes may arise from different risk tolerances, decision-making processes, or communication techniques. For integration to be successful, top management teams must be able to overcome cultural differences and promote teamwork. In order to appreciate the value of local expertise and market knowledge held by tier 2 and tier 3 city companies, top management teams may need to take particular considerations into account when evaluating mergers and acquisitions in the diagnostic industry that involve tier 2/3 city players. Regretfully, there is a dearth of publicly accessible information on specific tier 2 and 3 diagnostic players in India.

4. Transaction cost economics (TCE):

TCE emphasizes transaction costs that arise from coordinating economic transactions in or out of the firm. Success in Mergers and Acquisitions depends on the capacity to reduce integration-related transaction costs. The research may examine how effective due diligence assists in the identification of potential integration issues and related costs early on. It can also examine the extent to which effective cultural integration strategies lower communication failures and knowledge transfer problems, subsequently lowering transaction costs in merger and acquisition activities in the Indian diagnostic industry. Transaction cost economics provides a theoretical basis to study how mergers and acquisitions decisions in India's diagnostic industry, especially for tier 2 and 3 city mergers, are affected by the costs of coordinating economic transactions in or out of the firm.

Due diligence and transaction costs: Poor due diligence may result in unforeseen integration issues, which would escalate post-merger transaction costs.

This may happen if: Cultural differences are not recognized, resulting in communication failure and knowledge exchange problems. Regulatory differences in tier 2/3 cities are not recognized, and compliance issues arise. The actual nature of integration complexities is not well understood, resulting in cost overruns.

Integration failure and transaction costs: Poor integration processes have the potential to escalate transaction costs substantially. This may occur because of challenges in integrating IT systems and harmonizing operational practices across tier 1 and tier 2/3 city sites. Resistance brought about by culture conflicts among employees, causing interdependence and knowledge exchange impediments. Unclearness in communication, resulting in redundancy of effort and inefficiencies

Cultural misfit and transaction costs:

Cultural differences are likely to increase transaction costs through communication barriers and impediments in collaboration. This could be as a result of: Differing expectations for decision-making, which causes delays and inefficiencies. Disparities in work ethics and communication lead to inefficiencies and miscommunications. It is hard to establish trust and rapport between culturally different teams. Tier 2 and 3 city players' mergers and acquisitions in the Indian diagnostic industry may have TCE considerations, The potential tier 2/3 city companies' market access and distribution network benefit could be balanced against the tier 2/3 city companies' integration cost. Disparities in operational procedures and regulatory atmospheres in tier 1 and tier 2/3 cities can result in higher integration cost of bureaucracy. The worth of local market information and established contacts in tier 2/3 cities must be included in the transaction cost formula, as with other approaches, it may be difficult to find data on specific tier 2 and 3 diagnostic players in India. Nevertheless, certain sources can offer inputs such as Reports on transaction costs in mergers and acquisitions in the Indian healthcare industry could present useful case studies or data points. Merger and acquisition consulting companies may have proprietary data on transaction costs for healthcare mergers in India. Published studies of mergers and acquisitions transactions in the Indian diagnostic sector, especially tier 2/3 city players, may provide useful insights into transaction cost considerations. TCE can prove to be a useful tool in examining the economic logic behind mergers and acquisitions moves in the Indian diagnostic sector, particularly considering the unique challenges and opportunities of tier 2 and 3 city mergers. Companies can enhance the efficiency and effectiveness of their merger and acquisitions plans by staying committed to reducing transaction costs.

5. Organizational learning theory:

This theory stresses the significance of learning and adaptation in organizational success. Success in Mergers and Acquisitions largely relies on the capacity of merging firms to learn from one another and adjust to new procedures and culture. The research may look at how cultural misfits who are identified during due diligence can assist in the design of cultural sensitivity training for learning and adaptation during integration, particularly in tier 2 and 3 city partnerships where the cultural disparity may be greater. The model can further be strengthened with inputs from emerging economy studies and Indian healthcare management-specific studies. The research must take into account the unique challenges and opportunities of tier 2 and 3 city healthcare markets, such as infrastructure constraints and patient affordability issues, by incorporating these theoretical models, the research is able to offer a holistic knowledge of the success factors of mergers and acquisitions in the Indian diagnostic sector, specifically on overcoming cultural misfits, integration issues, and due diligence weaknesses when expanding to tier 2 and tier 3 cities.

2.2 Theory of Reasoned Action.

As postulated by the Theory of Reasoned Action (TRA), the intention of a person to perform a specific behavior is determined by two factors: their attitude towards the behavior and the subjective norms on the behavior. When conducting research, TRA can be used to comprehend the goals and choices made by Tier 2 and Tier 3 city diagnostic laboratory owners and stakeholders regarding the pursuit or avoidance of mergers and acquisitions. TRA framework can be applied as mentioned below. The behavior under consideration is the decision of a Tier 2 or 3 city diagnostic laboratory owner/stakeholder to pursue or not pursue a merger or acquisition. The intention is the owner's/stakeholder's readiness or willingness to engage in mergers and acquisitions. A strong positive intention increases the likelihood of pursuing mergers and acquisitions, while a weak or negative intention decreases it. The attitude toward the behavior refers to the owner's/stakeholder's positive or negative evaluation of mergers and acquisitions. Positive Beliefs attitude is shaped by their beliefs about the consequences of mergers and acquisitions. Mergers and acquisitions will lead to business growth, access to better technology, increased market share, and financial stability. The negative attitude for Mergers and Acquisitions will lead to loss of control, cultural clashes, integration difficulties, and financial risks. The owner/stakeholder assigns value or importance to each of these potential outcomes (positive or negative)

4. Subjective Norms: This refers to the owner's/stakeholder's perception of the social pressure to engage or not engage in mergers and acquisitions. It is influenced by their beliefs about what important referent groups (e.g., family, other lab owners, industry experts) think they should do. Normative Beliefs- The owner/stakeholder believes that certain referent groups approve or disapprove of mergers and acquisitions. Motivation to Comply- The owner/stakeholder's willingness to conform to the perceived norms of these referent groups. TRA can be employed to examine the extent to which the factors you have identified (problems encountered by Tier 2 and Tier 3 city labs, failure reasons behind mergers and acquisitions) affect laboratory owners/stakeholders' attitudes and subjective norms, and then their intention to undertake mergers and acquisitions example, Problems Encountered by Tier 2 and Tier 3 City labs such problems (e.g., scarce resources, rising competition) may influence the owner's/stakeholder's belief regarding the outcome of non-adoption of mergers and acquisitions (e.g., business failure, loss of competitiveness), resulting in positive attitudes towards mergers and acquisitions. Knowledge of the causes of failure in mergers and acquisitions (e.g., due diligence done wrongly, failure at integration) may lead to negative attitudes toward mergers and acquisitions (e.g., heightened risk, possibilities of failure). TRA can provide a deeper understanding of the decision-making process of Tier 2 and 3 city diagnostic laboratory owners/stakeholders in the context of mergers and acquisitions. It can help explain why some labs choose to pursue mergers and acquisitions while others don't, even when facing similar challenges

2.3 Human Society Theory

Human Society Theory (HST) isn't a commonly used framework for analyzing merges and acquisitions failures. Nonetheless, there are related social science disciplines that provide insightful information. The study of social identity theory (SIT) looks at how people assign themselves and other people to social groups and how these group identities affect attitudes and actions. It can be applied to mergers and acquisitions in the Indian diagnostic industry, Differences in social identities between employees from acquiring and target companies (tier 1 vs. tier 2/3 cities) can lead to in-group favoritism and out-group prejudice. This can hinder collaboration and knowledge sharing during integration.

2. Institutional Theory:

Institutional theory, already discussed, remains highly relevant and can be seen as an overarching framework encompassing social norms and cultural expectations within a society.

Table 1.2: Framework explained in context of mergers and acquisitions failures

Framework	Explanation in Context of mergers and acquisitions Failures
Social Identity Theory (SIT)	Analyzes how group identities influence behavior; highlights potential challenges due to cultural differences between employees from tier 1 and tier 2/3 cities.
Institutional Theory	Examines how institutional norms and regulations influence mergers and acquisitions practices and outcomes. Identifies potential challenges due to differences in regulatory environments and cultural expectations between tier 1 and tier 2/3 cities.

*Source: Author

While SIT offers a specific lens on group identity, consider Institutional Theories a broader framework encompassing social norms and cultural expectations. By combining these perspectives, one can gain a richer understanding of the challenges associated with mergers and acquisitions in the Indian diagnostic industry, particularly when focusing on tier 2 and 3 city tie-ups.

2.4 Summary

No concrete research has been conducted in India on mergers and acquisitions in the diagnostics industry, different people have different theories on the outcome and how the business domain will change. Aggressive mergers and acquisitions are happening across India, which is completely changing the business trend. Small diagnostic players are experiencing many dilemmas regarding this move by regional and PAN India players. The current market is still 80% unorganized, as the industry is dominated by technician-run laboratories. A study on mergers and acquisitions will bring out a lot of clarity of thought from bigger as well as smaller players. The impact post-mergers and acquisitions on the smaller players in Tier 2 and Tier 3 cities due to Cultural gaps, Integration failure and due diligence is creating a lot of uncertainty among all stakeholders. The future of the diagnostics industry in India is changing rapidly owing to mergers and acquisitions. Therefore, it is very important to research this topic so that complete clarity can be achieved on how the business domain is changing. This will help society and governmental bodies to act and present new ideas. With the entrance of PE/VCs and investment banks and deep-pocket houses such as Pharma in the Indian diagnostics industry making moves with mergers and acquisitions, this will have a great impact on the industry. This study will provide new insights to all stakeholders and will focus on challenges arises in mergers and acquisitions in smaller market of India due to Cultural gaps, Integration failure and due diligence. I would like to make a strong case that Culture Gaps, Integration Failure and Due Diligence as a major component of the mergers and acquisitions success for Diagnostic players who are targeting Tier II and Tier III players. There is a huge understanding gaps and lack of knowledge between small players who because of competition fear are looking for Mergers and Acquisitions with major bigger players, however due to lack of knowledge and understanding between both the parties, the failure chances percentage are very high.

In Smaller city because of lack of language communication and bigger pictures shown by acquirer there is always a gap in Culture understanding and integration process. I would like to connect with key stakeholders of the Diagnostic Industry and Government officials and to figure out the right Theory so that the Percentage failure due to Culture Gaps, Integration failure and Due Diligence reduces, and the society and the community around does not suffer. The literature on mergers and acquisitions does not provide a thorough theoretical explanation for

- **(a)** Why and how cultural differences, whether national or corporate, may cause integration problems that eventually determine mergers and acquisitions performance.
- **(b)** What factors are important for the integration of people into mergers and acquisitions, which may be affected by cultural differences; or
- **(c)** What possible relationships between cultural differences and other factors, such as the attitudes and behavior of acquired managers, affect mergers and acquisitions' performance.

Prior to a merger or an acquisition, each firm's management usually achieve some degree of equilibrium in understanding its external and internal environment. In mergers and acquisitions, when one management culture is exposed to another, as happens in the process of acculturation, the state of equilibrium is disturbed, which may lead to communication problems between the cultures.

The conflict that results from cultural differences and communication problems lead to various effects such as tension, distrust and annoyance on the part of the acquired management and employees in working with the acquiring management and employees. Similarly, it may cause negative attitudes on the part of the acquired people toward both the acquiring and its management. Finally, all these cause negative attitudes toward cooperating with the acquiring management. The success or failure of mergers and acquisitions depends not only on how much synergy is potentially available from the combination but, more importantly, on whether the synergy can be realized through effective integration. Schweiger and Weber have found that cultural differences in mergers and acquisitions are positively related to the acquired top management turnover, and also that cultural differences are negatively related to acquired top management commitment. This is consistent with findings of previous studies in the field of organizational behavior that point out that low level of commitment is associated with high rates of voluntary turnover.

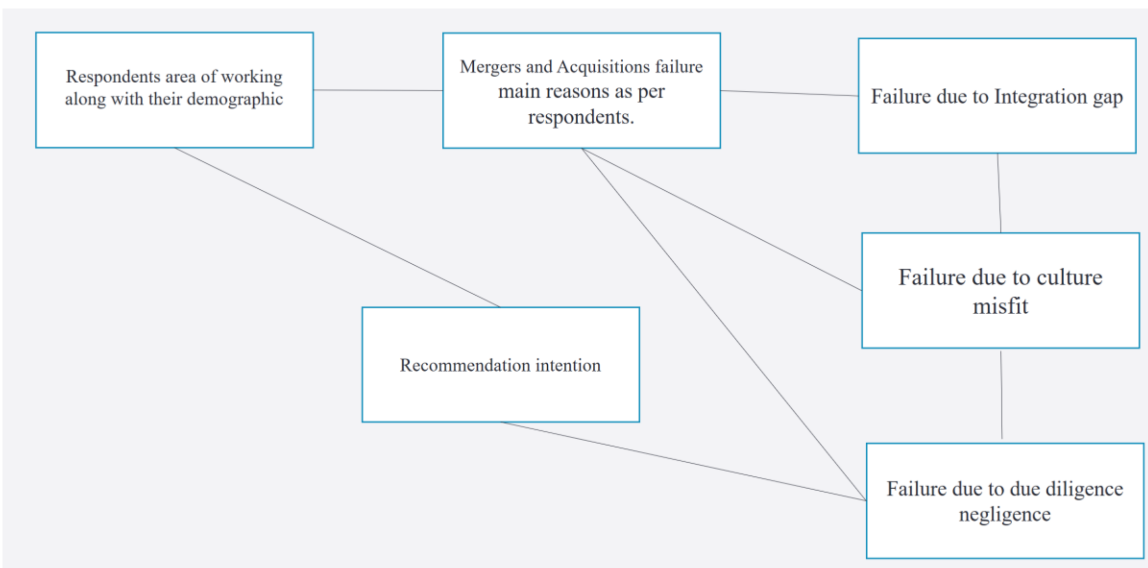
The Culture element in mergers and acquisitions integration process has been identified as one of the key issues that may help explain the failure of many mergers and acquisitions. Yet what needs to be done to improve culture integration to enhance mergers and acquisitions success has received relatively little attention. The managerial implication is that cultural fit constitutes a key factor in mergers and acquisitions success and should be given the necessary attention at all stages of mergers and acquisitions.

Chapter-III

METHODOLOGY

The purpose of descriptive survey research investigates the failure of mergers and acquisitions and challenges faced by tier 2 and tier 3 cities diagnostic players when they go for mergers and acquisitions. Questionnaire method used for collecting data from respondents. The questionnaire will include socio-demographic to find respondents background profile as per their job role and department along with their experience as how they feel mergers and acquisitions fail, how often the reason is due diligence, integration failure and culture misfit. Face-to-face interviews with the stakeholders will be conducted during the questionnaire distribution process.

Figure 1.4: Mergers and Acquisitions failure main reasons as per respondents.



Methodology

The sample size of 150 industry experts and participants working from the industry was selected to ensure statistical significance and represent diverse departments and working areas. A stratified random sampling method was employed to account for variability across the diagnostic industry. Stratification also includes a sales team to capture a comprehensive perspective on the subject.

3.1 Overview of the Research Problem

Mergers and acquisitions are on the rise in the Indian diagnostics sector, as well-established firms look to expand into tier 2 and tier 3 cities. But a sizable portion of these mergers and acquisitions fall short of their desired outcomes. With an emphasis on the difficulties posed by tier 2 and tier 3 city tie-ups, this study explores the elements that lead to mergers and acquisitions failing in the Indian diagnostic sector. Key areas of Investigation will be 3 main reasons of mergers and acquisitions failure, Due diligence weaknesses, Integration failure and Cultural misfit. Ineffective due diligence can overlook crucial aspects specific to tier 2/3 cities such as Regulatory variations compared to tier 1 cities, the financial health of target companies and local market dynamics and cultural nuances. Merging companies from tier 1 and tier 2/3 cities can face integration challenges due to differences in operational procedures, IT systems, and work cultures. Ineffective communication and knowledge transfer across teams can create failure integration. Clashing leadership styles or management philosophies sometimes create hurdles in the integration process. Cultural differences between acquiring and target companies can significantly hinder mergers and acquisitions success, particularly in tier 2/3 city contexts, varying expectations around patient interaction and service delivery, resistance to knowledge sharing or collaboration due to cultural biases. Difficulty building trust and rapport across teams from diverse backgrounds.

Mergers and Acquisitions failures in the diagnostic industry can be highly complex and multifaceted, Pre-Merger Stage- Overly Financial Focus in Due Diligence - Due diligence might prioritize financial aspects and overlook cultural compatibility, regulatory variations specific to tier 2/3 cities, or the target company's local market expertise. Unrealistic Integration Plans - Integration plans might underestimate the complexity of merging work cultures, communication styles, and IT systems from tier 1 and tier 2/3 city companies.

Due diligence may place too much emphasis on the financial indicators of the tier 2/3 city player at the expense of essential factors such as regulatory subtleties, differences in regulatory environments between tier 1 and tier 2/3 cities may result in unintended compliance challenges after the merger. Downplaying the unique market dynamics and entrenched networks of the tier 2/3 city player may impede effective integration in the host market. Not evaluating the culture of the target company and its possible compatibility with the acquiring company's culture may result in communication disrepair and resistance to integration. Mergers and acquisitions for Indian diagnostic firms have potential for growth, but some important issues can result in failure, particularly when tier 2 and 3 city players are involved. Targeting only the financial figure in due diligence ignores the essential elements for tier 2 and 3 city players, such as regulatory differences in relation to tier 1 cities, Local market factors and established networks also the cultural environment of the target company is significant. Losing essential details because of lack of access or expertise can pose unexpected problems after the merger. These are a few weaknesses in due diligence. Integration of work cultures, IT infrastructures, and communication styles between tier 1 and tier 2/3 cities may be challenging and result in inefficiency and delay. Forcing changes without effective communication or cultural considerations may induce resistance and hamper cooperation. Lack of training and support can generate knowledge gaps that hinder productive knowledge transfers between teams. Communication styles, patient interaction expectations, and workplace culture can create misunderstandings and conflict. Employees in tier 2/3 city organizations may not accept changes from the acquiring entity (typically from tier 1 cities) based on the perceived loss of autonomy or cultural insensitivity. Disgruntled or underappreciated employees, particularly those who possess valuable local market expertise, may quit the merged organization. Among these, some of the major issues for tier 2 and 3 city diagnostic players in mergers and acquisitions with larger corporations, which in general is not dealt with seriously in the integration of mergers and acquisitions. Apprehension in losing control of their operations, decision-making, and in certain cases even the local brand identity. Apprehensions related to whether the acquiring firm has understanding and appreciation of the tier 2/3 city market as well as work culture. Job security uncertainty after the merger and potential limited opportunities for career advancement within the larger organization. Fears of disruption of day-to-day operations, workflows, and patient services in the integration period. Fears of unequal gains or compensation from employees of the acquiring firm, by addressing these concerns and issues, both acquiring firms and tier 2 and 3 city players can undertake mergers and acquisitions with a more aware and empathetic mindset. This can increase the chances of a successful merger that leverages the strengths of both entities and fosters a collaborative, culturally aware working environment. Integration strategies may be derived from a one-size-fits-all model, neglecting the specific challenges involved in integrating IT systems, business processes, and communication paradigms applicable to tier 2/3 city businesses. The duration, resources, and effort necessary to properly integrate two firms with possibly disparate cultures and work habits may be undervalued, causing delays and cost blowouts. Poor communication among teams, particularly by cultural differences, may thwart knowledge transfers and weaken the realization of the synergies among the merged operations. Workers from the target firm may reject imposition of changes by the acquiring firm, generating conflicts and driving morale downward. Unhappy workers from the target firm, especially those possessing beneficial local market expertise, may quit the merged firm, causing its failure. Changes implemented or communicated poorly by the acquiring firm may cause confusion, resistance, and morale loss in the tier 2/3 city firm. Insufficient training and assistance to both companies' employees may result in knowledge gaps that hinder them from cooperating and bringing synergy to the success of the merged firm. The coming together of these companies may bog down in integration problems, losing focus on their primary diagnostic services and losing market share to rivals. Integration-related inefficiencies can result in increased costs of operation, which can affect profitability. Mergers and acquisitions may not succeed in broadening their market share in tier 2 and 3 cities because cultural differences were underestimated and local market forces were not taken into consideration. The acquiring companies may be too preoccupied with ironing out integration problems at the expense of their diagnostic services and patient care. This may result in a deterioration in service levels and customer satisfaction. Time and energy of senior management can be spent on addressing issues of integration, thereby preventing them from planning for strategic growth initiatives of the merged corporation. Poor integration can result in redundancy in efforts and administrative activities in the merged corporations, resulting in higher operation expenses. Cost-cutting to compensate for integration problems may result in redundancies and job losses, affecting employee morale and productivity. The acquiring firm may overlook the significance of local market understanding and cultural awareness while making inroads into tier 2 and 3 city markets via mergers and acquisitions. This may result in poor marketing strategies and an inability to engage with local patients.

3.2 Operationalization of Theoretical Constructs

Operationalization refers to the process of defining and measuring the theoretical constructs involved in this research study. In this context I will operationalize the theoretical constructs of mergers and acquisitions failure in the Indian diagnostic industry, with a focus on tier 2 and 3 city players. The key constructs include mergers and acqusiitions failure due to due diligience, integration failure and aculture misfit when a bigger company acquire small labs from tier 2 and tier 3 cities. These constructs will measure how often the mergers and acquisitons fails and what are the challenges faced by smaller diagnostic players of tier 2 and tier 3 cities labs using quantifiable indicators derived from established theories such as the Theory of Reasoned action and Human Society Theory.The key aspects for operationalizing the theoretical constructs of mergers and acquisitions failure in the Indian diagnostic industry, with a focus on tier 2 and 3 cities are.

1. Due Diligence Weaknesses:

It’s very important to review due diligence reports for emphasis on the aspects like Shift from purely financial metrics to include a comprehensive assessment of Regulatory variations between tier 1 and tier 2/3 cities, Local market dynamics and established networks of the target company, Cultural context and potential integration challenges.

2. Integration Failure:

To address resistance and build trust there must be well-defined integration, Compatibility of IT systems and communication protocols between acquiring and target companies, training and support programs for employees from both companies, with sensitivity to cultural differences.

3. Cultural Misfit:

Promote cultural sensitivity and understanding through Pre-merger cultural assessments to identify potential clashes in communication styles and expectations. Integration teams with representatives from both companies to foster collaboration and address cultural concerns. Training programs that promote cultural awareness and appreciation of diverse work styles.

Data Collection Methods

The operationalization of these constructs will involve the use of structured questionnaire and surveys; The Surveys will include a mix of multiple – choice questions and answers. **Likert Scale ratings and open –ended questions** to capture comprehensive data on mergers and acquisitions from the industry experts and concern departments working in diagnostic industry.

Analysis

Statistical methods will be used to analyze the data gathered to determine the correlations between the mergers and acquisitions failure reason in context with due diligence, integration failure and culture misfit. **Descriptive statistics** will be used to summarize the data, while **inferential statistics like Regression analysis** will be employed to assess how exactly mergers and acquisitions fail due to due diligence, integration failure and culture misfit. The research seeks to translate these theoretical ideas into practical actions to help the diagnostic industry.

3.3 Research Purpose and Questions

This research aims to investigate the key factors contributing to mergers and acquisitions failures in the Indian diagnostic industry, with a specific focus on tier 2 and 3 city players entering deals with larger companies. By understanding the challenges associated with due diligence, integration, and cultural misfit, the research will provide valuable insights for both acquiring and target companies to navigate the mergers and acquisitions process more effectively and increase the chances of a successful merger.

Key Questions:

1) To what extent do current due diligence practices adequately address regulatory variations, local market dynamics, and cultural considerations in tier 2 and 3 city diagnostic mergers and acquisitions deals in India.
2) What specific due diligence flaws caused mergers and acquisitions involving tier 2 and tier 3 city diagnostic players in India to fail?
3) In mergers and acquisitions involving tier 2 and tier 3 city diagnostic players, how can the due diligence process be improved to efficiently detect and handle possible risks?
4) What are the major issues of tier 2 and 3 city players in the process of integration of mergers and acquisitions deals with large organizations in India?
5) To what extent do the integration plans need to be tailored for dealing with the special requirements and issues of the tier 2 and 3 city players in the Indian diagnostic market?
6) What are the best practices that can be adopted to make the mergers and acquisitions process smoother and more effective in case of tier 2 and 3 city diagnostic players?
7) How do cultural differences among tier 1 and tier 2/3 city diagnostic companies lead to failure in mergers and acquisitions in the Indian marketplace?

8) What are the strategies that could be adopted to foster cultural awareness and sensitivity in mergers and acquisitions transactions of tier 2 and tier 3 city diagnostic players?

9) How could acquiring firms implement a more inclusive work culture that encourages cooperation and uses the best capabilities of both the acquiring and target companies, with special reference to acquisitions of tier 2 and tier 3 cities?

These research questions delve deeper into the specific challenges faced by tier 2 and 3 city players during mergers and acquisitions in the Indian diagnostic industry. By addressing these questions, the research can provide valuable recommendations for improving merger and acquisitions practices and increasing the success rate of mergers involving smaller players in non-tier cities. The research will Identify the key weaknesses in current mergers and acquisitions practices that contribute to failures in the context of tier 2 and 3 city diagnostic companies. It will try and understand the challenges faced by these smaller players during integration with larger companies. This research will also examine the role of cultural differences between tier1 and tier 2/3 city companies in mergers and acquisitions failures, ultimately this research will also provide valuable insights to Improve mergers and acquisitions practices and will recommend strategies to address weaknesses in due diligence, enhance integration processes, and foster cultural sensitivity during mergers and acquisitions deals involving tier 2 and 3 city diagnostic players.

Research Hypothesis

The study will examine the hypothesis in accordance with the research questions. Research aims to shed light on the specific reasons behind the failure of mergers and acquisitions involving smaller diagnostic players in tier 2 and 3 cities of India when they merge with larger companies, by focusing on the critical areas of due diligence, integration, and cultural misfit, this hypothesis investigates the reasons for mergers and acquisitions failure due to due diligence, integration gaps and culture misfit. The study aims to explore how due diligence; integration gaps and culture misfit impacts mergers and acquisitions failure in Indian diagnostic industry.

3.4 Research Design

The research design establishes the plan for conducting a study to achieve the desired goals and address the research inquiries. It offers organized methods for gathering, analyzing and understanding data. This research will employ a mixed-methods approach to investigate the reasons behind mergers and acquisitions failures involving smaller diagnostic players in tier 2 and 3 cities of India when merging with larger companies. The Research objectives is to Identify weaknesses in current mergers and acquisitions due diligence practices that contribute to failures in tier 2 and 3 city diagnostic deals, understand the challenges faced by tier 2 and 3 city players during integration with larger companies. Research will also examine the role of cultural differences between tier 1 and tier 2/3 city companies in mergers and acquisitions failures.

1)Research Approach.

Quantitative Research Approach.

The research utilized a quantitative approach to analytically examine numerical data on participant views on failure of mergers and acquisitions failure due to due negligence in due diligence, integration gaps and culture misfit.

2)Research Methods.

Survey Methods.

The main method of data collection was a well-organized survey. Survey is employed to collect feedback from randomly selected industry opinion team and various other departmental heads regarding their views of reason of mergers and acquisitions failure due to negligence in due diligence, Integration gaps and Culture misfit. This approach is appropriate for gathering extensive amounts of information from a variety of participants allowing for a thorough examination of factors that impact mergers and acquisitions failure outcome.

3)Sampling.

Sampling Technique:

The research utilized a method of stratified random sampling to guarantee a diverse representation of participant demographic and the industry. Stratification will depend on variables like Top management, geographical areas and participant characteristics (age, gender etc.) The sampling technique used is likely a convenience or stratified random sampling method, which ensures that different categories of participants are adequately represented. This approach is appropriate for healthcare research, where participant availability and willingness to participate are significant factors. The selected sampling method enables the inclusion of diverse opinions while maintaining feasibility in data collection. Since diagnostic Industry has different key departments who play a very important role in the industry, simple random sampling might overlook key differences. To address this the population was divided into specific groups (Strata) based on important departments like (Owners, Pathologists, Top Management, Various functional department, Sales department etc.) These factors were chosen because they directly impact the outcome of mergers acquisitions outcome. Once the population was divided, participants were randomly selected from each group to maintain fairness and eliminate bias.

Sample Size:

A sample size of approximately 135 is targeted to achieve statistical significance and ensure results. The chosen sample size ensures that the study captures diverse perspective and provides reliable and generalizable results. It balances practically with the need for statistical significance, allowing the study to draw meaningful insights about merger and acquisitions failure reasons. A large enough sample size to represent the target population minimizes sampling error and provides results representative of the larger population. 135 was the sample size of respondents calculated based on statistical principles for guaranteed accurate and reliable results. The Cochran formula was used, taking a 95% confidence level ($Z = 1.96$) and an assumed population proportion ($p = 0.5$) to ensure maximum variability. The margin of error ($e = 0.05$) was chosen to keep the findings precise. The sample size aligns with previous studies in healthcare research and provides sufficient data for statistical analysis. Practical considerations such as resource availability and respondent accessibility were considered to maintain a balanced and effective study sample. The Cochran formula is especially effective for calculating an optimal sample size when the total population is large or even unlimited. It assists in ensuring that the sample chosen is statistically representative of the population at large while ensuring that the margin of error is maintained within the required limits. Since the total number of respondents in Industry is very large, the Cochran formula for an infinite population is used.

$n0 = (z2 \cdot p \cdot (1-p)) / e2$

Were

Z = 1.96 (for a 95% confidence level)

p = 0.5 (assumed proportion for maximum variability)

e = 0.05 (margin of error)

Therefore

$n0 = ((1.96)2x\ 0.5x0.5)/ (0.05)2$

= 384

This gives 384 respondents, but since we are working within practical constraints (time, budget, and accessibility of respondents), we adjust this number based on feasibility while maintaining statistical reliability.

4.Data collection

Survey Instruments:

A structured survey created to assess the exact reason of mergers and acquisitions failure due to negligence of due diligence, Integration failure and culture misfit. The survey will consist of closed questions and Likert scale statements to evaluate different reasons for mergers and acquisitions failure in the diagnostic industry when a larger company acquired tier 2 and tier 3 cities smaller laboratory.

Before the test:

The survey tool will be tested with a limited number of respondents beforehand to check for clarity, reliability and validity. Feedback from the pretest will be used to refine the questionnaire before full scale data collection.

Procedure for collecting data:

Respondents will receive surveys either in person or electronically through Google Sheet link. Participants will receive information on the study's goal and be guaranteed that their answers will remain confidential.

5.Data Analysis

Data analysis will entail a variety of statistical methods such as summary of various working departments of respondent in diagnostic Industry. Statistical analysis is used to examine the research hypothesis and understand the connections among due diligence, Integration Gaps, Culture misfit and mergers and acquisitions failure. The study will begin with descriptive statistics to summarize key findings related to challenges faced by smaller players from tier 2 and tier 3 cities during mergers and acquisitions. This step provides a clear understanding of how the industry experts feel about merger and acquisitions failure.

6.Regression Analysis:

Regression analysis is suitable for this study as it identifies the relationship between mergers and acquisitions failure and due diligence, Integration gaps and culture misfit. It quantifies the effect of independent variables (e.g., tangibility, reliability, responsiveness) on dependent variables (respondent and mergers and acquisitions failure). This statistical tool provides a clear understanding of negligence during due diligence, Integration gaps and culture misfit. Regression analysis is used in this study to measure the impact of due diligence, Integration Gaps and Culture misfit during mergers and acquisitions.

Table 1.3: Variables Entered/Removed.

Variables Entered/Removed[a]			
Model	Variables Entered	Variables Removed	Method
1	(D) Do you think language barriers play an important role in understanding culture for both the parties?[b]	.	Enter
a. Dependent Variable: (A) What is your post or title within your esteemed organization?			
b. All requested variables entered.			

6.1 Model Summary:

Table 1.4: Model Summary.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.132[a]	0.017	0.01	0.846
a. Predictors: (Constant), (D) Do you think language barriers play an important role in understanding culture for both the parties?				

Tools for software:

SPSS (Statistical Package for the Social Sciences) now known as IBM SPSS Statistics is a powerful and widely used software for statistical analysis in various fields. These instruments make complex statistical modeling easier and offer understanding into the connections among variables. The Study is using **T-Test, ANOVA Test and Chi Square test** as the chosen tests.

6.2 ANOVA TEST:

Table 1.5 : ANOVA Test

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.662	1	1.662	2.324	.130[b]
	Residual	94.397	132	0.715		
	Total	96.06	133			
a. Dependent Variable: (A) What is your post or title within your esteemed organization?						
b. Predictors: (Constant), (D) Do you think language barriers play an important role in understanding culture for both the parties?						

Table 1.6: Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.029	0.191		10.616	0
	(D) Do you think language barriers play an important role in understanding culture for both the parties?	0.135	0.089	0.132	1.525	0.13
a. Dependent Variable: (A) What is your post or title within your esteemed organization?						

Interpretations:

The aim of this regression analysis was to look at whether the perceptions of language barriers, i.e., whether people think that language barriers are a crucial factor in both understanding culture for both sides, have an effect on their post or title within their organization. For the model summary, R value was 0.132 and the R Square (R^2) was 0.017. This shows that a mere 1.7% of the variance of the dependent variable (post/title within the organization) is explained by the independent variable (perception of language barriers). The Adjusted R Square was even lower at 0.010, again affirming a very weak relationship between the two variables. The standard error of the estimate was 0.846. We used the **ANOVA table to determine the overall significance of the regression model**. The F-statistics were 2.324 and had a significance (p-value) of 0.130. Since the p-value is more than the traditional 0.05 value, the model is not statistically significant. This is to say that the independent variable does not predict the dependent variable reliably. The unstandardized constant coefficient (B) for the constant, the base value of the dependent variable when the independent variable is zero, was 2.029 from the coefficients table and was statistically significant ($p = 0.000$). The independent variable (perception of language barrier) had a coefficient of 0.135 but a p-value of 0.130 and was therefore not statistically significant. This means that there is no firm evidence connecting an individual's occupation or position in their firm to any so-called language barrier. In conclusion, regression analysis suggests that an individual's organizational title or position is not significantly influenced by their perception of language barriers. The independent variable is not a statistically significant predictor of the model's very poor explanatory power.

6.3 One Sample T- Test:

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
(H) Do you feel the smaller players from Tier 2 & Tier 3 cities are scared to share or purposely don't provide the data for integration?	134	1.72	0.709	0.061

One-Sample Test						
	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
(H) Do you feel the smaller players from Tier 2 & Tier 3 cities are scared to share or purposely don't provide the data for integration?	28.161	133	0	1.724	1.6	1.84

INTERPRETATIONS:

One-sample t-test was used to find out if the mean answer to the question "Do you believe the smaller players from Tier 2 and Tier 3 cities are afraid to give or deliberately do not give the data for integration?" is different from a test value of 0. The test was carried out with 134 respondents. The findings reveal that the mean response was 1.72, standard deviation was 0.709, and the standard error was 0.061. The degrees of freedom were 133, and the computed t-value was 28.161. At $p < 0.05$, the test's computed p-value of 0.000 indicates significance. This confirms that the mean response differs significantly from 0 statistically. The mean difference was 1.724, with a 95% confidence interval of 1.60 to 1.84. Because the whole confidence interval is greater than 0, we may safely say that respondents overall concur with the statement that Tier 2 and Tier 3 city smaller players are unwilling or reluctant to share data for integration. In conclusion, the test shows clear evidence that respondents have the perception that there is fear, distrust, or deliberate withholding of information among small players in rural areas not to share data.

6.4 One-way Anova Test:

ANOVA					
(K) Is it true that Mergers and Acquisitions fails due to wrong due diligence between both the parties?					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.125	2	1.063	1.767	0.175
Within Groups	78.8	131	0.602		
Total	80.925	133			

INTERPRETATIONS:

One-Way ANOVA was used to test whether there are significant differences in response to the sentence "Is it true that mergers and acquisitions (M&A) collapse because of improper due diligence between both the parties?" between groups (the group variable isn't mentioned in the given data but is assumed to be a categorical variable with 3 levels due to degrees of freedom). The ANOVA value shows the sum of squares between the groups was 2.125 and the degrees of freedom were 2, while the sum of squares within the groups was 78.800 with 131 degrees of freedom. The p-value (Sig.) was 0.175 and the F-statistic was 1.767. The findings are not statistically significant as the p-value is more than 0.05. This means that there is no difference in the viewpoints of groups as to whether lack of proper due diligence by the parties to the merger and acquisition is the reason behind the failure in such deals. In summary, the analysis indicates that opinions on mergers and acquisitions failures owing to insufficient due diligence do not largely differ among the various groups in this test.

6.5 Descriptive Analysis:

Statistics		
(G) Is there a huge gap of understanding between the expectations of both the parties while integrating with each other?		
N	Valid	134
	Missing	0

(G) Is there a huge gap of understanding between the expectations of both the parties while integrating with each other?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sometimes	63	47	47	47
	Mostly	46	34.3	34.3	81.3
	May be	25	18.7	18.7	100
	Total	134	100	100	

INTERPRETATIONS:

The descriptive analysis was conducted to understand participants' perceptions regarding the statement: "Is there a huge gap of understanding between the expectations of both the parties while integrating with each other?" A total of 134 valid responses were recorded, with no missing data.

The frequency distribution shows that 47.0% of respondents selected "Sometimes", indicating that nearly half of the participants believe there is occasionally a gap in understanding during integration. Additionally, 34.3% responded with "Mostly," suggesting that over one-third perceive this gap as a frequent issue. The remaining 18.7% chose "May be," reflecting uncertainty or conditional agreement about the presence of such a gap. In terms of cumulative responses, approximately 81.3% of the participants indicated either “Sometimes” or “Mostly,” highlighting that the majority recognize the existence of understanding gaps to some degree during integration processes between parties.

In conclusion, the descriptive analysis reveals that most respondents acknowledge at least occasional misunderstandings between the parties involved in integration, with a substantial portion believing it happens frequently. This suggests a potential area for improvement in communication, clarity of expectations, and mutual understanding during collaborative efforts.

Ethical Considerations:

Consent with knowledge:

Few Participants were given a consent form that presented the study’s objectives, methods and privacy protections.

Privacy:

All information gathered will be kept private and utilized only for research objectives. Personal details are stripped of to protect the confidentiality of participants.

Acceptance:

The research was carried out following ethical guidelines and will be submitted for approval to an institutional review board (IRB) or ethics committee.

7.Limitations:

The research encountered constraints like response bias, where participants might give answers that are socially acceptable, the findings may only be applicable to the individual’s experience and knowledge. To overcome these constraints, the research includes a varied and inclusive sample and utilizes approved survey tools. Attempts to reduce prejudice by strategically designing surveys and utilizing various data analysis methods. Availability of data specific to tier 2 and 3 cities for mergers and acquisitions deals might be limited. This research will provide valuable insights into the specific challenges faced by tier 2 and 3 city diagnostic players in mergers and acquisitions deals, leading to recommendations for, Improved due diligence practices that better address regulatory variations, local market dynamics, and cultural considerations in tier 2 and tier 3 city mergers and acquisitions deals. It will also enhance integration strategies that acknowledge the specific challenges faced by tier 2 and 3 city players. This research will provide strategies for promoting cultural sensitivity and understanding during mergers and acquisitions deals involving tier 2 and 3 city diagnostic players, by addressing these challenges, the research can contribute to a higher success rate for mergers and acquisitions deals in the Indian diagnostic industry, particularly for tier 2 and 3 city players seeking growth opportunities through mergers with larger companies.

8. Population and Sample

The population and sample components of a research plan determine the individuals from whom data is gathered and the technique for choosing participants. To ensure the accuracy and dependability of findings, it is essential to accurately define the target population and select a representative sample when conducting a study on target population to find out reasons of merges and acquisitions failure.

8.1 Population:

The group of people who works in diagnostic industry at various level, various functional department, the people who have relevant knowledge and experience of diagnostic industry are included for survey.

8.2 Sample:

Sampling Technique

A method of selecting a diverse sample from the industry using stratified random sampling. Stratification will involve important factors like their experience, focus area of working department in the diagnostic industry. This method allows for more accurate and generalizable results by including diverse respondent perspectives.

Sample Size:

To achieve statistical significance and ensure reliable results, the study aims to collect data from approximately 135 (Diagnostic Industry professionals). The determination of sample size will be based on the following factors.

Confidence level: Usually established a 95%, signifying a strong assurance that the sample findings accurately represent the entire population.

Margin of Error: Typically, a margin of error of 5% or lower is employed to guarantee precision in the findings.

Population Size: The sample size taken for the study is 135.

Gathering Data:

Attendees are requested to fill in the formal questionnaire either online (Google Sheet) or hardcopy. The questionnaire will inquire about their experience regarding what they feel about mergers and acquisitions failure reasons and how much due diligence, Integration gaps or culture misfit plays role.

8.3 Criteria for inclusion:

The working professionals who are currently working in the diagnostic industry or who have worked earlier with diagnostic company.

8.4 Criteria for exclusion:

The working professional who has not engaged with diagnostic industry.

8.5 Instrumentation:

Instrumentation pertains to the instrument and techniques utilized in gathering data for the study. In this research the main tool will be specified survey created to collect data from the working professionals from the diagnostic industry. Following is the in-depth explanation of the process of instrumentation.

Development of a questionnaire:

The working professional survey will be created to assess their views and opinion regarding the reason of mergers and acquisitions failure because of negligence in due diligence, Integration Gaps and Culture misfit. The survey will consist of closed-ended questions, Likert scale questions.

Sections and examples of items in the questionnaire:

The survey will be split into multiple parts. The working professional working in different department and 14 different questions will be asked pertaining to due diligence, Integration gaps and Culture misfit because of which mergers and acquisitions fails.

Administration of the Questionnaire:

The mode of administration will vary to working professionals who are in different locations will be approach using Google Sheet, and the participants who are in nearby location will be approach face to face and in person and they will be requested to fill their response accordingly.

Ethical factors to consider:

Participants will have the guarantee of their responses being confidential and anonymous, before taking feedback individuals will be briefed on the research aim, in some cases consent form will be also filled if required, if they don't want to participate then they will not be forced. By adhering to these specific steps, the process of instrumenting will guarantee the gathering of dependable and accurate data to effectively tackle the research inquiries and hypothesis.

CHAPTER IV

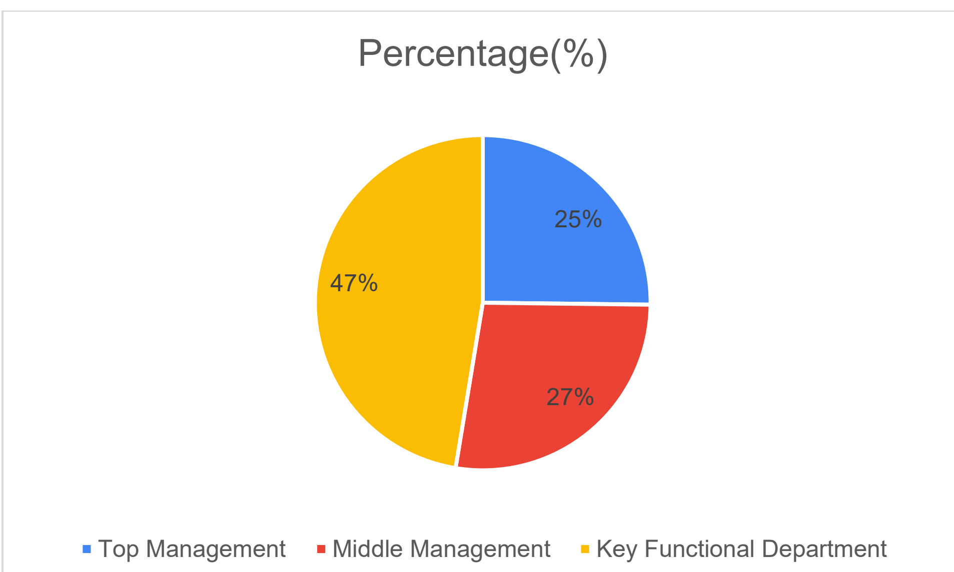
RESULTS

Table No 1.7 : Analysis of Responses from the working professional from the Diagnostic Industry.

Sr.No	Grade Level	Designation	No.of Respondents	Percentage(%)
1	Top Management	Owners, CEO, COO, CBO	34	25%
2	Middle Management	Pathologist,B2B Head, B2C Head, Sales Head	37	27%
3	Key Functional Department	Finance Dept, HR Dept, Ops Dept, Logistic Dept, Supply Chain, Marketing Dept, Customer Service, IT	64	47%
		Total	**135**	**100%**

Figure 1.5:

Breakup of Respondents from the diagnostic industry.



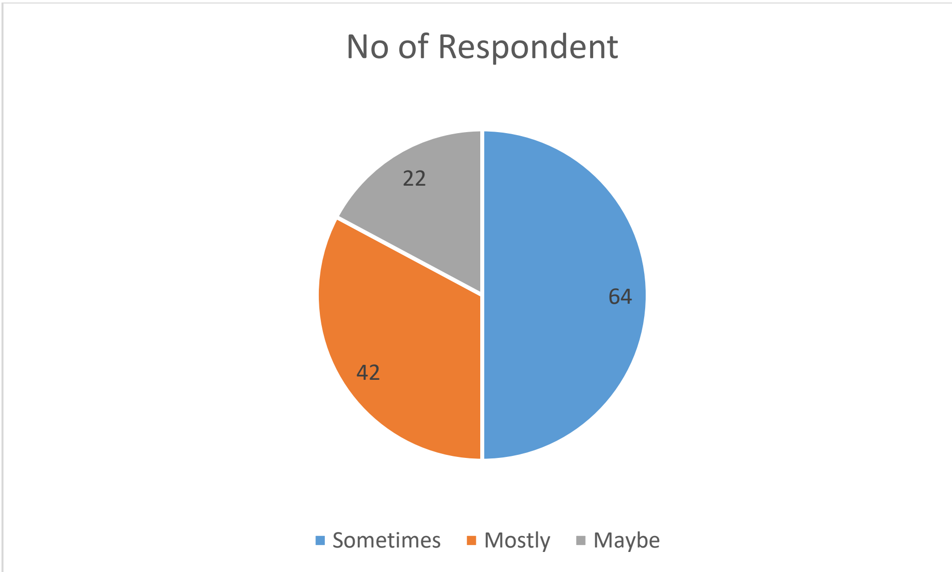
Findings:

The percentage of owners and top management is 25%, middle management is 27% while key functional department from diagnostic industry is 47%. Inference: The poll gathered feedback from a broad spectrum of stakeholders in the diagnostic sector. With 47% of them hailing from Key Functional Departments, the poll probably attracted in-depth, grassroots views on the operational highs and lows about due diligence, integration, and cultural fit amidst mergers and acquisition procedures. These people are usually closely engaged in the daily operations and can offer useful insights into the operational side of mergers and acquisitions. The 27% Middle Management adds an important depth to the understanding, as these individuals usually act as the bridge between strategic choices and implementation. Their answers may indicate to a certain extent how successfully the merger and acquisition strategies were implemented and where problems were encountered bring together various departments and teams, the 25% contribution from Top Management and Owners gives a strategic impression of the reasons why merger and acquisition is thought to fail. Their opinion is essential since they are usually party to the first decisions of mergers and acquisitions and ultimately answer for their success. Their opinions may be concerned with grander strategy misalignments or overarching due diligence and cultural integration issues. Respondent distribution indicates an in-depth picture of the factors of merger and acquisition failure within the diagnostic industry, including opinions from multiple organizational levels and functional areas.

Figure 1.6

Question 1:

Do you think mergers and acquisitions failure in tier 2 and tier 3 cities is due to cultural gaps between both the parties?



Findings:

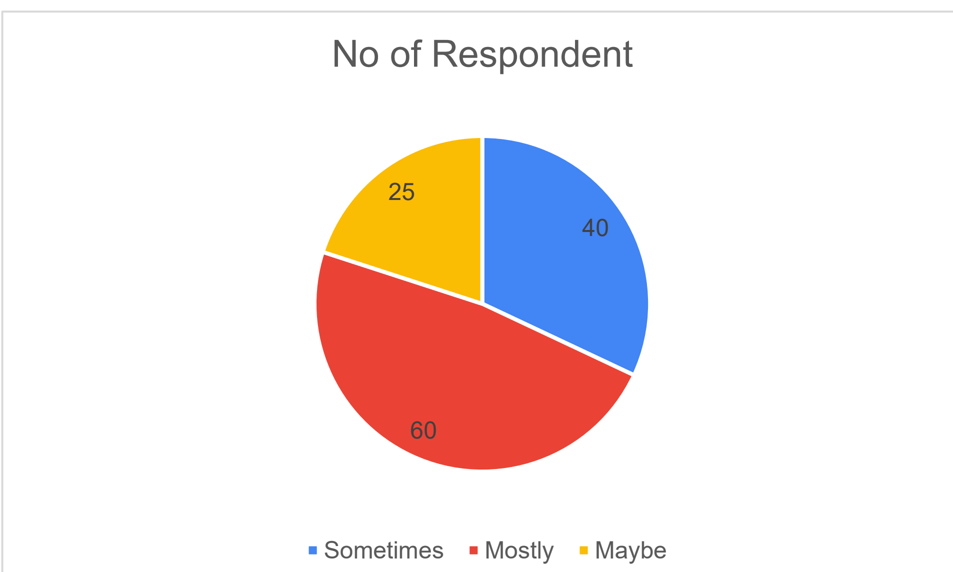
Out of Total Respondents 64 (50%) shared their opinion that Sometimes mergers and acquisitions fail in tier 2 and tier 3 cities due to cultural misfit between both the parties. 42 (32.81%) shared their opinion that Mostly the reason is Culture misfit and 22 (17.19%) believe that May be the reason is culture misfit. Inference: This indicates a strong perceived link between cultural differences and merger and acquisitions challenges in these regions. A combined 67.19 % of respondents either feel “may be” or “sometimes” cultural gaps are the problem. This shows there is not a strong universal agreement, but that it is a factor that must be considered. The largest group (50%) selected "sometimes," suggesting that cultural gaps are seen as a contributing factor, but not necessarily the sole or primary reason for merger and acquisitions failures. The 17.19% "May be" response indicates that some people are unsure of the actual effects of cultural differences. In merger and acquisition transactions involving Tier 2 and Tier 3 cities, the survey highlights the importance of cultural sensitivity and due diligence. Businesses should closely monitor any possible cultural differences between the merging entities, including language barriers, local customs and traditions, work ethics and practices, and communication styles. Multifaceted Factors are the high percentage of "sometimes" responses indicate that merger and acquisitions failures are likely caused by a combination of factors, not just cultural gaps.

Other potential factors could include economics conditions, integration challenges, management issues and logistical problems. Need for Further Research is also an imp as the survey results suggest a need for more in-depth research to understand the specific cultural gaps that contribute to failure of mergers and acquisitions in Tier 2 and Tier 3 cities. Training and Integration In order to bridge cultural differences and effect a seamless integration, Training and Integration Companies should invest in training and integration exercises. This can include cross-cultural communication workshops, language classes, and team-building exercises. Although cultural gaps are not seen as the only reason for the failure of mergers and acquisitions in Tier 2 and Tier 3 cities, they are one key factor that should be considered by companies. The survey calls for the necessity of cultural awareness, extensive due diligence, and efficient integration planning to enhance the success rate of mergers and acquisitions deals in these markets.

Figure 1.7:

Question 2:

Is it true that the bigger players who are acquiring smaller diagnostic players often don't focus on culture differences during mergers and acquisitions?



Findings:

Out of Total Respondents 40 (32%) shared their opinion that **Sometimes** It is true that bigger players who are acquiring smaller diagnostic players often don't focus on culture differences during mergers and acquisitions. 60 (48%) shared their opinion that **Mostly** the reason is Culture misfit and 25 (20%) believes that **May be** the reason is culture misfit.

Inference:

This survey data paints a clear picture of a perceived issue regarding cultural integration in mergers and acquisitions within the diagnostic sector in Tier 2 and Tier 3 cities.

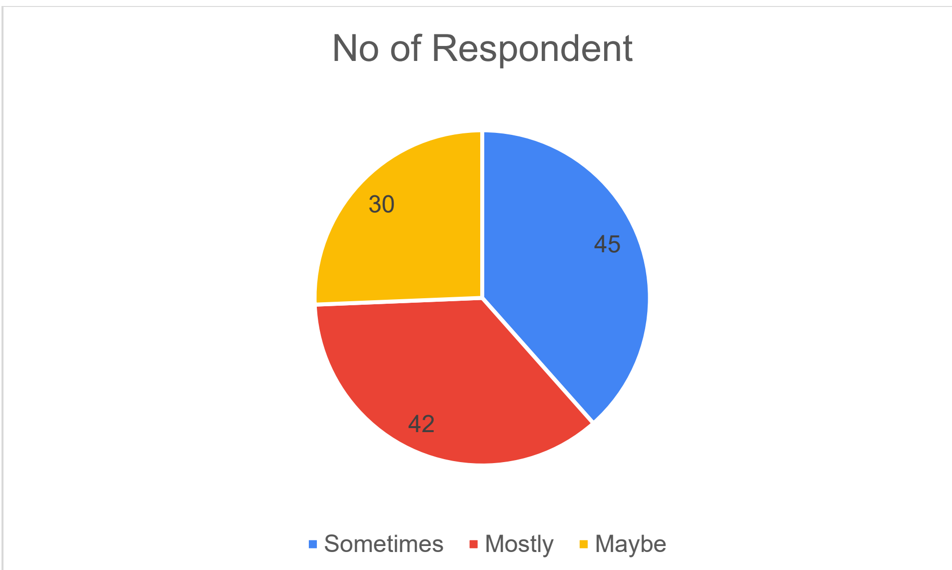
Key Findings: Strong Perception of Neglect - A significant 48% of respondents believe that bigger players **Mostly** neglect cultural differences during these acquisitions. This indicates a strong belief that this is a prevalent problem. "Sometimes" Dominance -The largest segment, 32%, believes this neglect happens **"Sometimes."** This reinforces the idea that cultural differences are frequently overlooked, even if not always. "May Be" Uncertainty- 20% responded **"May be,"** suggesting a level of uncertainty or perhaps a lack of direct experience, but also an acknowledgement that it is possible. Overall Trend- when the "mostly" and "sometimes" answers are combined, then 80% of people believe that cultural differences are not focused on during mergers and acquisitions. This is a very high percentage. The findings strongly indicate that cultural differences are seen as being insufficiently handled by bigger players taking over smaller diagnostic businesses in Tier 2 and Tier 3 cities. Cultural differences being overlooked result in serious integration issues, such as Employee dissatisfaction and turnover, Decreased productivity, Communication breakdowns, Loss of local market knowledge, Damage to local brand reputation. The survey underlines the requirement of bigger players to carry out extensive cultural due diligence prior to and in the middle of acquisitions. This entails knowledge of the culture, values, and working practices of the target firm. Integration plans must be customized to deal with cultural differences and facilitate an easy transition. This can include Cross-cultural training of employees, Open feedback and communication channels, Respect for local customs and traditions, Retention of local management. Tier 2 and Tier

3 cities tend to possess different cultural nuances than those in major urban areas. These differences are sometimes overlooked by larger players, and this can lead to integration issues. Cultural differences not addressed can harm the reputation of the acquiring company in the target market.

Figure 1.8:

Question 3:

Do you think language barriers play an important role in understanding culture for both the parties during Mergers and Acquisitions?



Findings:

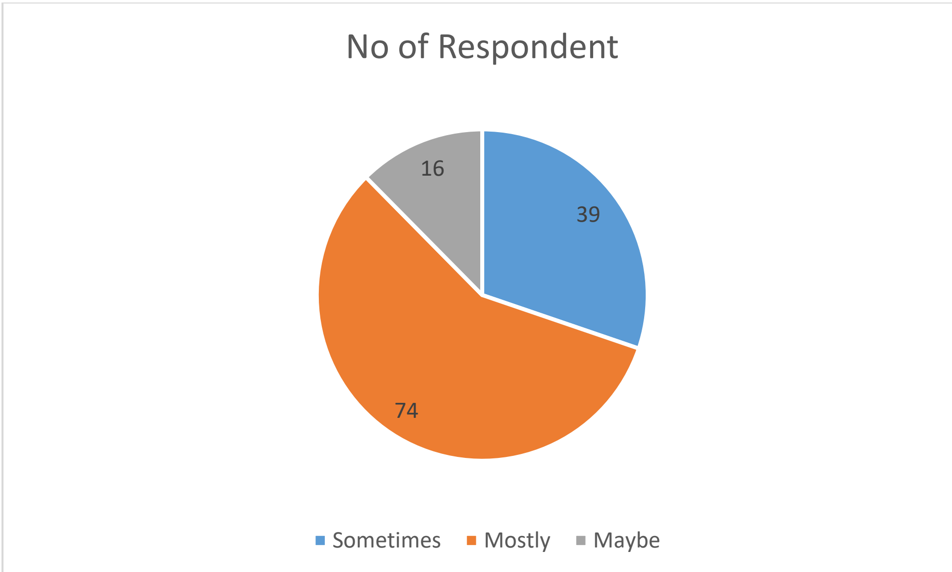
Out of Total Respondents 45 (38.46%) shared their opinion that **Sometimes** language is the barriers which play an important role in understanding culture for both the parties during mergers and acquisitions. 42 (35.90%) shared their opinion that **Mostly** the reason is Language barriers and 30 (25.64%) believes that **May be** the reason is language barrier.

Inference:

This survey clearly points to language barriers as a significant factor in the cultural challenges of mergers and acquisitions. **Key findings:** Significant Impact- 35.90% of respondents believe language barriers **Mostly** play an important role. This is the second largest single response, indicating a strong perception of the issue's importance. Combined Significance- When the **"mostly"** and **"sometimes"** responses are combined 74.36%, a clear majority of respondents acknowledge that language barriers are a relevant issue. Lack of Strong Disagreement - The findings point to the foundational role of language in embracing and coping with cultural differences in mergers and acquisitions. Interaction Poor communication creates misunderstandings and misinterpretations, prevents communication and collaboration, makes it harder to establish rapport and trust, and makes local markets and customers more difficult. When there is poor communication, it becomes difficult for both sides to comprehend each other's beliefs, values, and methods of work. Language barriers may slow the smooth joining of teams and processes. Firms that engage in mergers and acquisitions must formulate responses to language differences, e.g., through language education for employees, employing bilingual employees, utilizing professional interpretation and translation services and implementing clear communication procedures. Language differences could be especially high in Tier 2 and Tier 3 cities, where local dialects and languages can differ greatly.

Figure 1.9:
Question 4:

Do you think mergers and acquisitions fail due to an improper integration process between both the parties?



Findings:

Out of Total Respondents 39 (30.23%) shared their opinion that **Sometimes** mergers and acquisitions fail due to improper integration process between both the parties. 74 (57.36%) shared their opinion that **Mostly** the reason is improper integration process and 16 (12.40%) believes that **May be** the reason is improper integration process between the acquired and acquiring company.

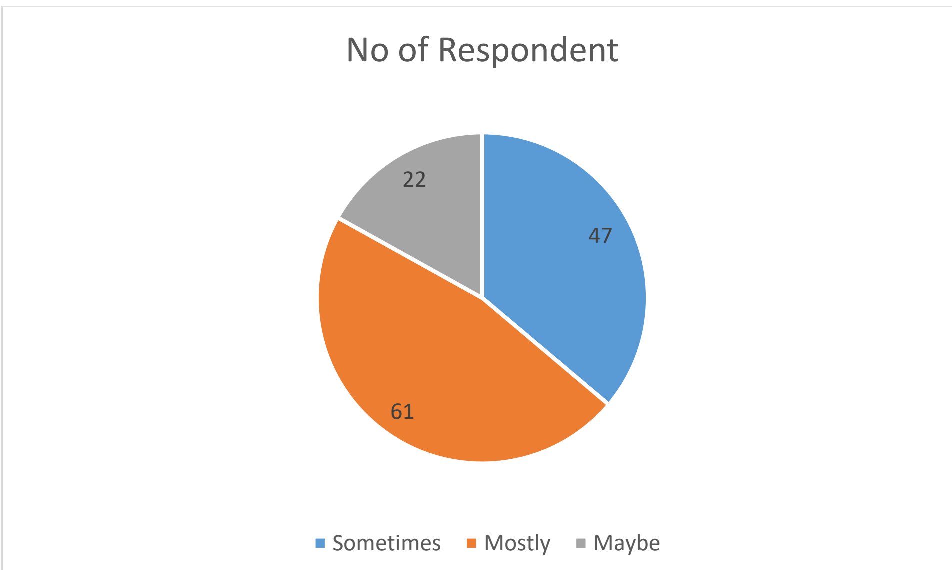
Inference:

"Mostly" (57.36%) This indicates a strong consensus among the respondents that inadequate integration is frequently the primary reason for mergers and acquisitions failures. This suggests that the process of combining the operations, systems, and teams of the merging entities is perceived as critical and often mishandled. **"Sometimes" (30.23%)** A notable portion of respondents also think that improper integration is a contributing factor, although they might believe other reasons also play a significant role in mergers and acquisitions failures. **"Maybe" (12.40%)** This lesser group indicates that although the failure is a reason due to improper integration, they are not as confident about its occurrence or impact as the other respondents. Overall, the poll reflects a very strong belief in the Indian diagnostic sector that emphasizing and handling properly the integration process is key to mergers and acquisitions' success. The high number of respondents selecting "Mostly" indicates the significance of strong integration planning and implementation in this industry.

Figure 2.0:

Question 5:

Are you of the opinion that the smaller players from tier 2 and tier 3 cities fails to provide relevant data for integration during Mergers and Acquisitions?



Findings:

Out of Total Respondents 47 (36.15%) shared their opinion that **Sometimes** smaller players from tier 2 and tier 3 cities fails to provide relevant data for integration during mergers and acquisitions process. 61 (46.92%) shared their opinion that **Mostly** the smaller players fail to provide and 22 (16.92%) believes that **May be** the smaller players fails to provide during mergers and acquisitions.

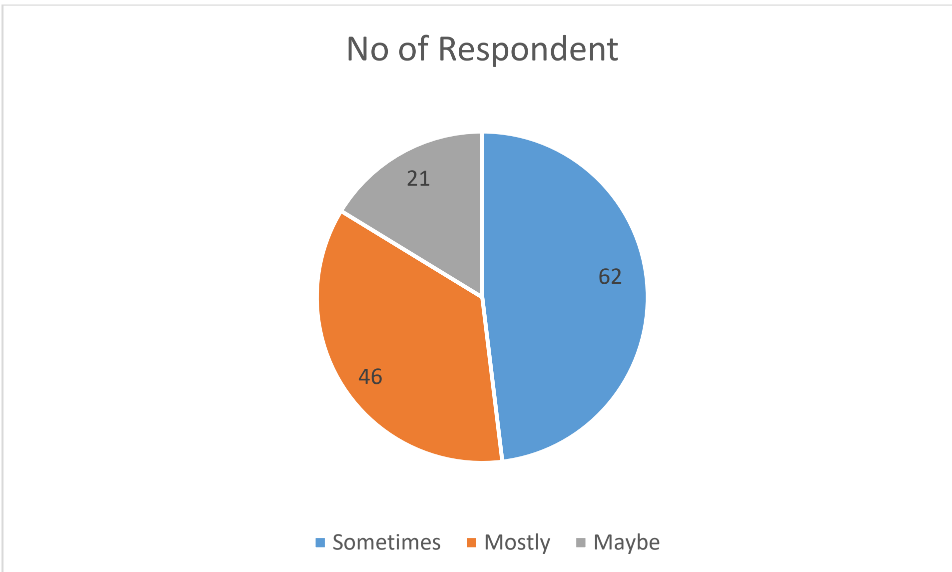
Inference:

"Mostly" (46.92%) This is the largest group, indicating a strong belief that smaller players in these cities frequently struggle to provide the necessary data for successful integration. This suggests potential issues with data management, standardization, or availability within these organizations. **"Sometimes" (36.15%)** A significant number of respondents also feel that this is a recurring problem. This means that although it may not be an ongoing problem, it is a recurring issue that must be taken into consideration when there are mergers and acquisitions of smaller players in these regions. **"Maybe" (16.92%)** This lesser segment indicates some ambiguity, but they still accept that there is a likelihood of smaller players having trouble with sharing relevant integration data. Overall, what the survey findings point to is an anticipated risk as far as data availability and quality are concerned while making acquisitions or mergers with smaller diagnostic players in India's tier 2 and tier 3 cities. This deduction speaks of the need for stringent due diligence procedures, especially on data readiness and compatibility, when contemplating such mergers and acquisitions endeavors.

Figure 2.1:

Question 6:

Is there a huge gap of understanding between the expectations of both the parties while integrating with each other during Mergers and Acquisitions?



Findings:

Out of Total Respondents 62 (48.06%) shared their opinion that **Sometimes** there is a gap of understanding between the expectations of both the parties while integrating with each other during mergers and acquisitions. 46 (35.66%) shared their opinion that **Mostly** there is a gap of understanding and 21 (16.28%) believes that **May be** there is a gap of understanding between the expectations.

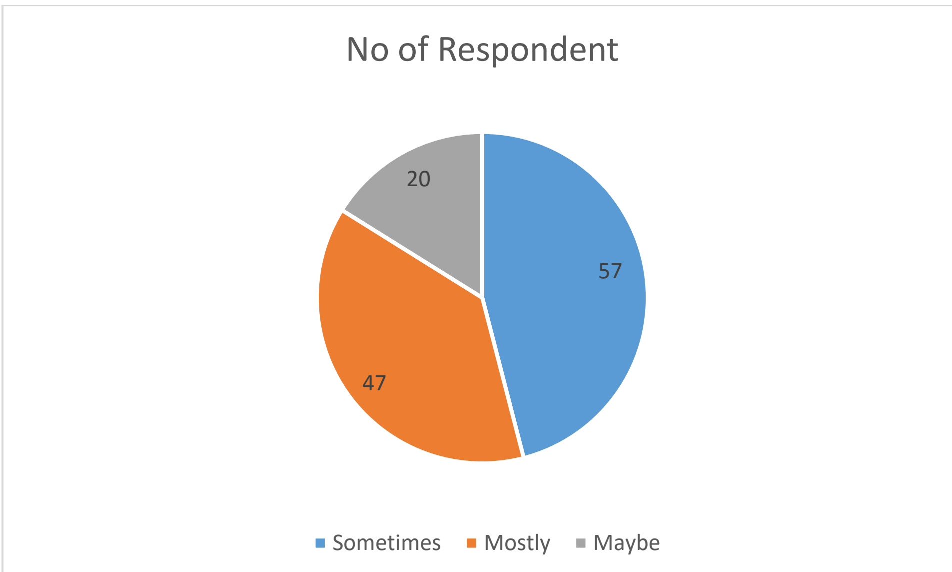
Inference:

An overwhelming majority of the working professionals interviewed recognize that an expectation gap of understanding does exist between the merging and acquiring parties in mergers and acquisitions integration. **"Sometimes" (48.06%)** This is the highest response, and it means that almost half of the respondents are of the opinion that a mismatch in expectations is something that happens from time to time in mergers and acquisitions integration processes. **"Mostly" (35.66%)** A good number of respondents are of the opinion that a knowledge gap is something that happens normally in the course of mergers and acquisitions integration. This implies that varying expectations are a major obstacle which must be overcome in most integration contexts. **"Maybe" (16.28%)** This lower percentage shows that there is some doubt but also recognizes the possibility of a difference in understanding between the combining parties. Overall, the findings of the survey indicate that differences in expectation among the parties are a significant issue in mergers and acquisitions integration in the Indian Diagnostic industry. This reflects the need for good communication, detailed planning, and active expectation management to have a smoother and more effective integration process s of tier 2 and tier 3 cities of India. This deduction refers to the necessity for strict due diligence processes, particularly on data preparedness and compatibility, while considering such mergers and acquisitions activities.

Figure 2.2:

Question 7:

Do you feel smaller players from tier 2 and tier 3 cities are scared to share or purposely don't provide the data for integration during Mergers and Acquisitions?



Findings:

Out of Total Respondents 57 (45.97%) shared their opinion that **Sometimes** smaller players from tier 2 and tier 3 cities are scared to share or purposely don't provide the data for integration during mergers and acquisitions. 47 (37.90%) shared their opinion that **Mostly** they are scared or purposely don't provide and 20 (16.13%) believes that **May be** this can happen during mergers and acquisitions.

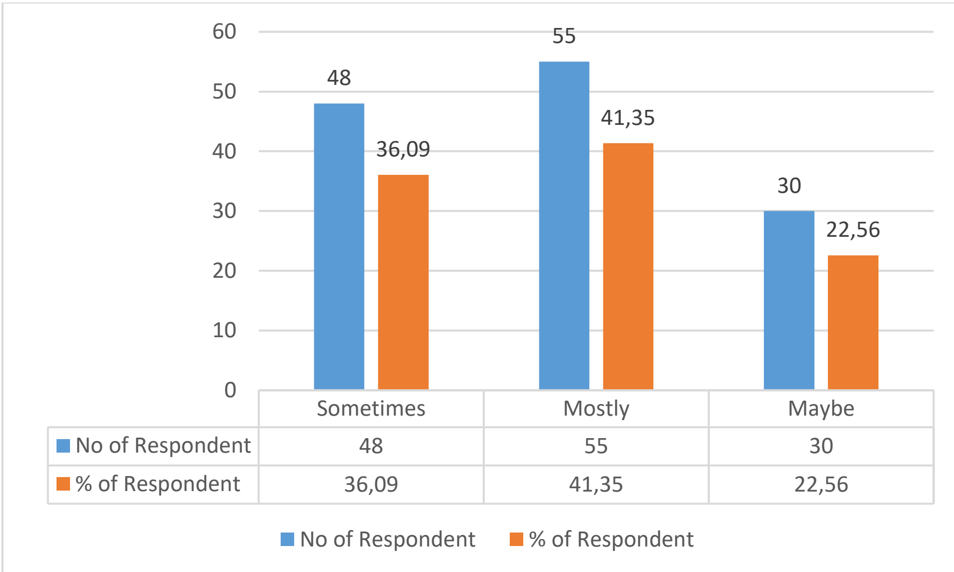
Inference:

An overwhelming majority of working professionals in the diagnostic sector feel that smaller players in tier 2 and tier 3 cities are unwilling or reluctant to share data for mergers and acquisitions integration. **"Sometimes" (45.97%)** This is the most common response, indicating that close to half of the respondents think that the unwillingness or reluctance of smaller players to provide integration data is a problem that arises at times during mergers and acquisitions procedures. **"Mostly" (37.90%)** A very high percentage of respondents also think that this is a frequent occurrence. This reflects a deep-seated belief that smaller players within these markets tend to be fearful or deliberately withhold information when there are mergers and acquisitions**. "Maybe" (16.13%):** This smaller category indicates that though they are less confident, they also appreciate the likelihood of small players being intimidated or simply refusing to provide data when there is a merger or acquisition. In aggregate, the survey findings reveal a widespread concern among the Indian diagnostic industry on the practice of transparency and data sharing of smaller players in tier 2 and tier 3 cities during mergers and acquisitions. This implication suggests potential difficulties acquirers can encounter when it comes to getting essential information for an efficient and seamless integration process. It could be a sign of trust issues, data misuse apprehension, or unfamiliarity with the significance of data sharing in mergers and acquisitions.

Figure 2.3:

Question 8:

Is it true that smaller players take the integration documentation process very lightly during Mergers and Acquisitions?



Findings:

Out of Total Respondents 48 (36.09%) shared their opinion that **Sometimes** it is true that smaller players take the integration documentation process very lightly during mergers and acquisitions. 55 (41.35%) shared their opinion that **Mostly** it is true and 30 (22.56%) believe that **maybe** it is true.

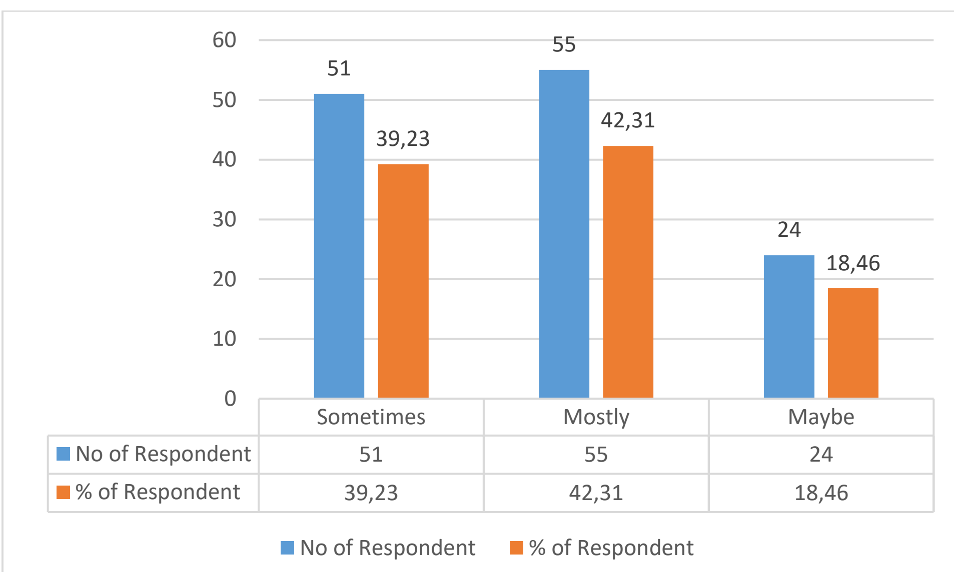
Inference:

A significant majority of the working professionals surveyed believe that smaller players often do not prioritize the integration documentation process during mergers and acquisitions. **"Mostly" (41.35%)** This is the largest group, indicating a strong sentiment that smaller players generally treat the integration documentation process with a lack of seriousness. This could stem from various factors such as limited resources, lack of expertise in merger and acquisitions processes, or a lower perceived importance of documentation compared to other aspects of integration. **"Sometimes" (36.09%)** A substantial portion of respondents also believe that this is an issue that arises occasionally. This suggests that while it might not be a universal practice, it is a recurring concern when dealing with smaller players in this industry during mergers and acquisitions. **"Maybe"**

(22.56%) This segment represents those who are less certain but still acknowledge the possibility that smaller players might not give due importance to integration documentation. The survey's overall findings point to a possible difficulty in the Indian diagnostic industry's mergers and acquisitions process, especially when smaller firms from tier 2 and tier 3 cities are involved. The post-merger integration phase may experience inefficiencies, delays, and possible complications as a result of the apparent lack of attention paid to integration documentation. This conclusion emphasizes how acquiring businesses must be especially careful to stress the value of comprehensive documentation and possibly offer assistance or direction to smaller participants throughout the integration process.

Figure 2.4:
Question 9:

Do you agree that an Integration process fails within bigger organizations as multiple stakeholders apply their minds during Mergers and Acquisitions?



Findings:

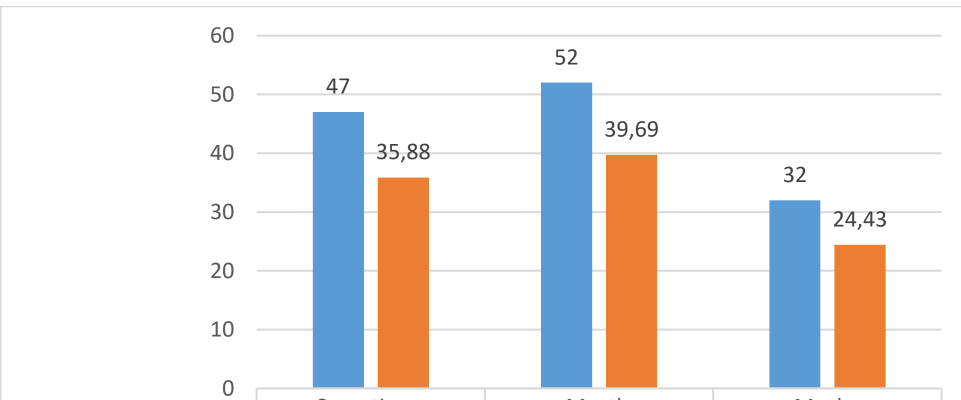
Out of Total Respondents 51 (39.23%) shared their opinion that **Sometimes** the integration process fails within bigger organizations as multiple stakeholders apply their minds during mergers and acquisitions deal. 55 (42.31%) shared their opinion that **Mostly** it is true and 24 (18.46%) believes that **Maybe** it is true.

Inferences:

The findings from the survey on the integration process in mergers and acquisitions in the diagnostic sector are insightful regarding the views of professionals within the industry. A considerable percentage of respondents **(42.31%)** assert that the integration process. Mostly fail because many stakeholders are involved. This reflects an overwhelming consensus that complexity and disagreements among different parties may impede successful integration. The largest minority **(39.23%)** acknowledges that failures do happen Sometimes, implying that they accept that challenges can occur but also believe they can see where integration has worked. This is a sophisticated perspective and implies that though problems are a frequent occurrence, they are not obligatory. A minority opinion **(18.46%)** is that it May be true that the process of integration fails. This reflects doubt or ambiguity regarding the influence of various stakeholders on success in integration, perhaps due to personal experience or variations in how organizational dynamics are viewed. (Complexity of mergers and acquisitions) The findings accentuate the complexity of mergers and acquisitions, especially in large organizations where various stakeholders are present. This may give rise to conflicting interests, which can make decision-making more difficult and undermine concentration on integration strategies. (Opportunity for Improvement) Since most think that the integration process is not ideal, this is an opportunity for organizations to enhance their integration plans. Emphasis on sharper communication, alignment of stakeholders, and successful change management may eliminate these issues. (Need for Strategic Planning) The recognition that there can be failure indicates that there is a need for more strategic planning when it comes to mergers and acquisitions processes. Organizations can contemplate creating frameworks that enable more effective stakeholder engagement and collaboration to better drive integration effectiveness. (Variability in Experiences) The high percentage of respondents who think integration sometimes fail indicates variability in experiences across the industry. Various organizations might succeed to different extents depending on their specific situations and internal dynamics.

Figure 2.5:
Question 10:

Is it true that mergers and acquisitions fails due to wrong due diligence between both the parties during Mergers and Acquisitions?



	Sometimes	Mostly	Maybe
No of Respondent	47	52	32
% of Respondent	35,88	39,69	24,43

Findings:

Out of Total Respondents 47 (35.88%) shared their opinion that **Sometimes** it is true that mergers and acquisitions fails due to wrong due diligence between both the parties during mergers and acquisitions. 52 (39.69%) shared their opinion that **Mostly** it is true and 32 (24.43%) believes that **Maybe** it is true.

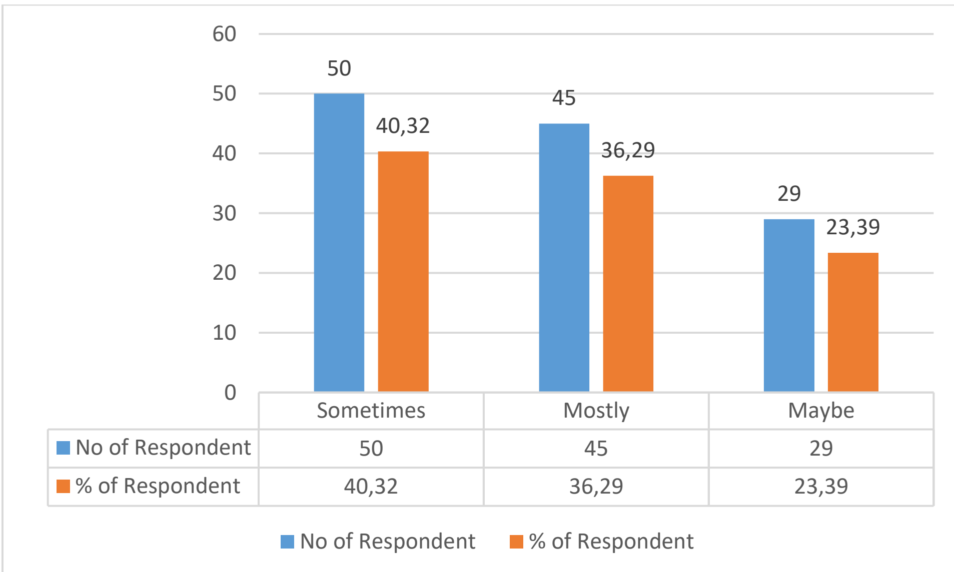
Inferences:

The majority of the respondents (39.69%) think that mergers and acquisitions primarily fail as a result of insufficient or wrong due diligence. This reflects a great concern that proper examination of all factors involved by both parties is essential for the success of merger and acquisitions deals. The second largest group (35.88%) concurs that failure could, on occasion, be due to wrong due diligence. This indicates that although they are aware of the necessity of due diligence, they might also perceive variability in outcomes based on the context of a given merger or acquisition. A smaller segment (24.43%) believes that maybe it is indeed true that failures are the cause of failures due to due diligence errors. This is indicative of some ambivalence or uncertainty over the success of mergers and acquisitions depending on the function of due diligence, perhaps because of varying experiences or perceptions on the matter. The most compelling evidence for the importance of due diligence indicates that when pursuing mergers and acquisitions, companies should give top priority to carrying out investigative procedures to examine operational, legal, financial, and cultural aspects. Businesses may be able to enhance their due diligence procedures since the majority of respondents recognize the dangers associated with inadequate due diligence. This could entail educating employees involved in mergers and acquisitions, developing checklists, or deploying specialized teams to carry out in-depth evaluations. The findings of the survey emphasize that due diligence is a shared problem experienced in the process of mergers and acquisitions, influencing the results considerably. Organizations can be required to do this by making sure that all due diligence matters are thoroughly done, and by having involved parties collaborate throughout the process of acquisition. The high-level minority who are unsure of the effect of due diligence refers to the varied experiences in the industry as proof that although the importance of due diligence is the assumed belief, different cases could be the reality. This diversity implies the fact that the results of mergers and acquisitions can be very situational. In short, the survey shows a great confidence that poor due diligence is a major contributor to the failure of mergers and acquisitions in the Indian diagnostic sector.

Figure 2.6:

Question 11:

Do you believe that smaller players do not trust the bigger players and hence do not share proper data which results in due diligence failure during Mergers and Acquisitions?



Findings:

Out of Total Respondents 50 (40.32%) shared their opinion that **Sometimes** smaller players do not trust the bigger players and hence do not share proper data which results in the due diligence failure during mergers and acquisitions. 45 (36.29%) shared their opinion that **Mostly** they do not trust and 29 (23.39%) believes that **Maybe** they do not trust.

Inferences:

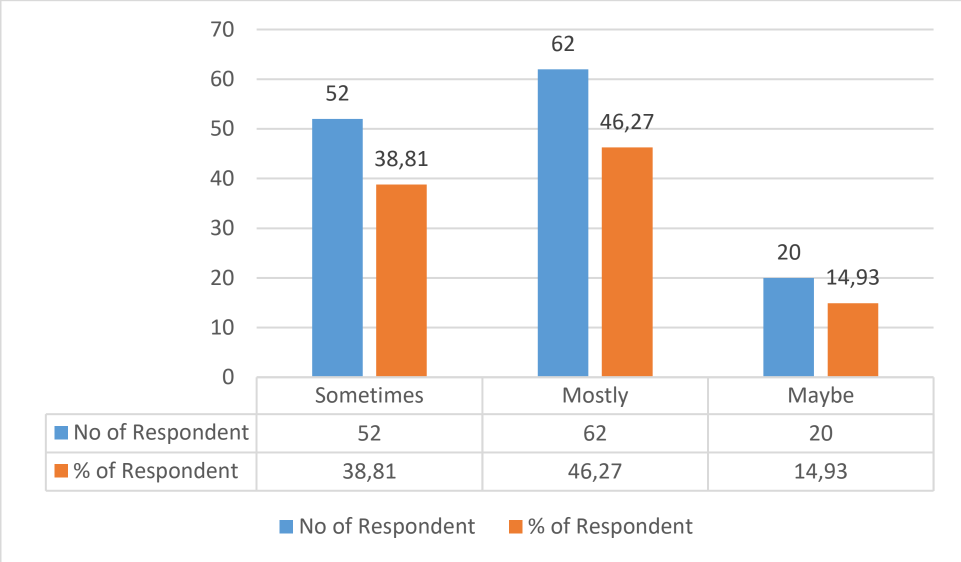
A significant portion of respondents (36.29%) believe that smaller players mostly do not trust larger players, leading to improper data sharing. This highlights a strong perception that mistrust is a substantial barrier to effective collaboration in mergers and acquisitions scenarios. A large group (40.32%) acknowledges that this lack of trust occurs sometimes, indicating that while it is a common issue, there may be instances where trust is established, allowing for better data sharing and due diligence processes. The smallest segment of respondents (23.39%) expresses uncertainty, believing that smaller players may not trust larger ones. This reflects a less definitive stance on the issue, pointing to variability in experiences or perspectives among industry professionals. The results suggest that building trust between smaller and larger players is critical for successful mergers and acquisitions. Trust issues can impede the flow of necessary information, leading to inadequacies in due diligence processes. The connection between trust and data sharing underscores that the perceived lack of transparency can significantly impact the success of mergers and acquisitions transactions. Organizations may need to proactively address these perceptions and foster an environment of transparency and collaboration during negotiations.

Smaller players may feel vulnerable when sharing sensitive data with larger corporations. To address this, larger companies could implement strategies to reassure smaller partners, such as offering clearer communication about how the data will be used, demonstrating integrity in negotiations, and engaging in relationship-building efforts that emphasize mutual benefit. The different levels of agreement regarding trust issues suggest that experiences may vary widely among industry players. Some smaller companies may have had positive interactions with larger counterparts, while others have encountered challenges that foster negativity. Understanding these dynamics could help organizations tailor their approaches to partnerships more effectively.

Figure 2.7:

Question 12:

Do you think most of the time the smaller players fail due diligence as they are unable to provide relevant documents.



	Sometimes	Mostly	Maybe
No of Respondent	52	62	20
% of Respondent	38,81	46,27	14,93

Findings:

Out of Total Respondents 52 (38.81%) shared their opinion that **Sometimes** smaller players fail for due diligence as they are unable to provide relevant documents. 62 (46.27%) shared their opinion that **Mostly** they do not provide and 20 (14.93%) believes that **May be** they do not provide.

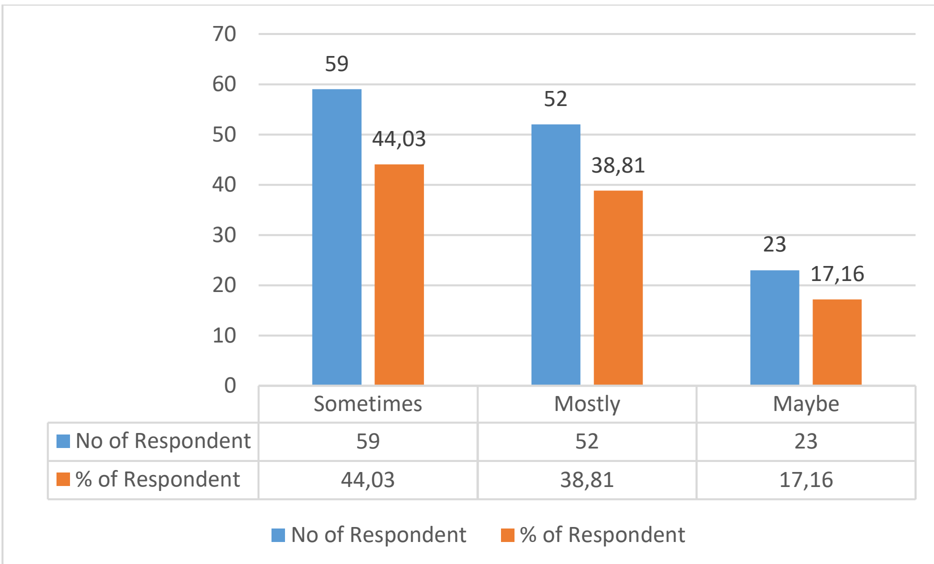
Inferences:

The survey results strongly suggest a perception among working professionals in the Indian diagnostic industry that smaller players frequently face challenges in providing the necessary documentation for due diligence. Most respondents, 85.08% in total (**46.27% "Mostly** they do not provide" + 38.81% "Sometimes smaller players fail"), think that smaller diagnostic companies either frequently or sporadically have trouble providing pertinent documents during due diligence procedures. Just **14.93%** of respondents had a less firm opinion, indicating some hesitancy but not a complete rejection of the premise ("Maybe they do not provide"). The information points to a possible systemic problem in the Indian diagnostics sector, where smaller firms might not have the infrastructure, resources, or know-how to regularly satisfy the due diligence documentation requirements. This might affect their capacity to obtain financing, partnerships, or successfully handle regulatory procedures. Investigating the reasons behind smaller players' documentation difficulties would be beneficial. This might be the result of things like a lack of standardized procedures and record-keeping systems, a lack of administrative staff or experience, a lack of awareness of the requirements for due diligence, or financial limitations that prevent the purchase of essential systems. The results of the survey clearly show that smaller companies in the Indian diagnostics sector are thought to have a weakness in their ability to regularly supply pertinent documents for due diligence. To comprehend the root causes and possible remedies, more research is necessary.

Figure 2.8:

Question 13:

Do you believe that smaller players understanding about the due diligence process is very limited?



Findings:

Out of Total Respondents 59 (44.03%) shared their opinion that **Sometimes** smaller players understanding about the due diligence process is limited. 52 (38.81%) shared their opinion that **Mostly** their understanding is limited and 23 (17.16%) believes that **May be** their understanding is limited.

Inferences:

The findings of the survey conclusively indicate a near-consensus among professional workers in the Indian diagnostic industry that the smaller players have a limited conception of the due diligence process. A clear majority of **82.84%** (38.81% "Mostly their understanding is limited" + 44.03% "Sometimes smaller players understanding about the due diligence process is limited") of the respondents are of the view that smaller diagnostic companies often or sometimes have a limited comprehension of due diligence. A relatively modest number of **17.16%** respondents ("May be their understanding is limited") only presented a less sure opinion with a possibility of limited understanding but no firm conclusion. The statistics show that there may be a knowledge gap in due diligence processes among the Indian diagnostic players who are lesser in size. This limited understanding would help explain the problems emphasized in your earlier survey on the ability of the group to present suitable documentation. Investigating why this perceived lack of understanding exists would be worthwhile. Possible reasons might be Lack of formal training or resource on due diligence, emphasis on core operational areas versus strategic or compliance ones, Low exposure to due diligence procedures in relation to larger businesses, Cost restraints when bringing relevant expertise or consultancy to bear. Poor due diligence can have several negative impacts on smaller participants, including, Inability to attract investors or partners, Greater chance of non-compliance with the law, Merger and acquisition problems. Possibility of operational inefficiency resulting from poor risk assessment. Filling this knowledge gap may include such measures as Industry-specific workshops and due diligence training programs, Development of easily accessible resources and guidelines specific for smaller players and Mentorship programs matching smaller businesses with their more experienced counterparts.

CHAPTER – V:

SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS

9.0 Summary:

The presence of divergent organizational cultures in mergers and acquisitions within the Indian diagnostic industry poses a considerable risk of integration challenges and adverse effects on employee morale and productivity. Poor due diligence in mergers and acquisitions within the Indian diagnostic industry, characterized by an inadequate assessment of a target company's financial health and operational capabilities, can result in a failure to identify critical liabilities and risks. Insufficient planning and execution of post-merger integration strategies within the Indian diagnostic industry can significantly impede the realization of intended operational efficiencies and strategic goals. A lack of effective leadership and communication during the merger transition phase in the Indian diagnostic industry often results in unclear directives and conflicting messages, fostering confusion and resistance among employees, thereby hindering the integration process. Failure to adequately anticipate changes in market conditions and the regulatory environment within the Indian diagnostic industry during mergers and acquisitions can lead to an inability to adapt to evolving industry trends and customer preferences, negatively impacting the merged entity's competitiveness. Overestimation of synergies and underestimation of integration costs in mergers and acquisitions within the Indian diagnostic industry can create substantial financial strain and hinder the ability to achieve projected cost savings and revenue enhancements post-merger.

9.1 IMPLICATIONS:

The Implications of this study are significant in terms of mergers and acquisitions outcome within Indian diagnostic industry. The survey findings would likely lead to increased scrutiny and potentially greater caution among diagnostic companies considering mergers and acquisitions in Tier 2 and Tier 3 cities. Investors and stakeholders might demand more robust due diligence processes and clearer integration plans before approving such deals. The identified issue of culture misfit would necessitate a greater emphasis on developing and implementing effective cultural integration strategies during mergers and acquisitions in these regions. Diagnostic companies might need to invest more resources in understanding and bridging cultural differences between merging entities to improve employee morale and productivity. The survey suggests that standard due diligence practices might not be sufficient for the unique dynamics of Tier 2 and Tier 3 cities. Diagnostic companies may need to adopt more localized and nuanced due diligence approaches that specifically address the financial health, operational capabilities, and potential liabilities of targets in these markets. This could involve deeper understanding of local market dynamics, patient behavior, and regulatory nuances. The prevalence of integration gaps highlights the need for developing and sharing best practices for post-merger integration specifically tailored to the challenges of Tier 2 and Tier 3 cities. This could include strategies for streamlining operations, aligning IT systems, and ensuring effective communication across geographically dispersed locations with potentially diverse work cultures. If a significant number of mergers and acquisitions deals in Tier 2 and Tier 3 cities are perceived as failures due to these factors, it could lead to a slowdown in consolidation activity in these markets. Diagnostic chains might become more hesitant to acquire smaller players in these regions unless they have strong confidence in their due diligence and integration capabilities. Investors may perceive mergers and acquisitions in Tier 2 and Tier 3 diagnostic markets as riskier, potentially leading to higher costs of capital or reduced investment appetite for such ventures. This could particularly affect smaller diagnostic chains looking to expand their footprint through acquisitions in these areas. If mergers and acquisitions failures lead to disruptions in healthcare services or compromise patient care in these regions, regulatory bodies might take a closer look at mergers and acquisitions activities in the diagnostic industry, potentially leading to stricter guidelines or oversight. Failed mergers can negatively impact on the local healthcare ecosystem in Tier 2 and Tier 3 cities by creating instability, disrupting services, and potentially leading to job losses. This could affect patient trust and access to quality diagnostic services. There is a need for cultural sensitivity, thorough due diligence, and effective integration strategies to improve the success rate of mergers and acquisitions transactions in these regions. Tier 2 and Tier 3 cities often have unique cultural nuances that may differ significantly from those in larger metropolitan areas. Larger players may underestimate these differences, leading to integration problems. Failure to address cultural differences can damage the acquiring company's reputation in the local market. Companies involved in mergers and acquisitions should develop strategies to address language barriers, such as providing language training for employees, hiring bilingual staff, using professional translation and interpretation services and establishing clear communication protocols. Language differences may be particularly pronounced in Tier 2 and Tier 3 cities, where local dialects and languages may vary significantly. Companies should adopt a structured and systematic approach to integration, with clear goals, timelines, and responsibilities. Open and transparent communication is essential for building trust and facilitating smooth integration, effective management strategies are needed to address employee concerns and manage resistance to change. Integration efforts should focus on both people and processes, ensuring that employees are supported and that systems are aligned. The survey highlights the need for clear governance structures and decision-making processes in mergers and acquisitions integration. A centralized integration team with clear authority can help streamline the process and manage stakeholder expectations and It is important to set clear goals and objectives for the integration process.

9.2 RECOMMENDATIONS FOR FUTURE RESEARCH:

There are few things that future research can be done, to generalize upon our findings. To assess the evolution of mergers and acquisitions failure due to negligence of due diligence, Integration gaps and culture misfit a longitudinal study would be necessary. It might be possible to better design programs if the long-term impact were understood for several variables that contribute to mergers and acquisitions failure. Conduct in-depth case studies of specific mergers and acquisitions failures in Tier 2 and Tier 3 cities within the Indian diagnostic industry will be required. This research could explore the specific due diligence shortcomings, the nature of integration challenges encountered, and the precise cultural clashes that contributed to the negative outcomes. Undertake quantitative research to analyze the performance metrics (e.g., revenue growth, profitability, employee turnover, patient satisfaction) of merged diagnostic entities in Tier 2 and Tier 3 cities compared to those in Tier 1 cities or those that pursued organic growth. This could help statistically validate the anecdotal evidence of higher failure rates. Research specifically focuses on the current due diligence practices employed by diagnostic companies targeting acquisitions in Tier 2 and Tier 3 cities. This might examine the extent of financial, operational, legal, and cultural reviews being undertaken and seek out widespread points of negligence or shortfalls. Undertake ethnographic or qualitative research to better comprehend the organizational cultures found in smaller diagnostic companies in Tier 2 and Tier 3 cities. Leadership approaches and communication tactics most likely to succeed in managing the complexities of mergers and acquisitions in Tier 2 and Tier 3 diagnostic markets can be examined. Research on market dynamics (e.g., local competition, pricing sensitivities, patient mix) and the regulatory landscape in Tier 2 and Tier 3 cities determines the success or failure of diagnostic mergers and acquisitions. This may include examination of how regional health policies and competitive forces affect it. Study can be done based on the experiences and viewpoints of target diagnostic firm owners and staff in Tier 2 and Tier 3 cities at and after acquisition. It could give useful information about what challenges they encounter and what makes integration work or not work in their perception

9.2 Conclusion

In Conclusion this research has provided valuable insights into the factors of mergers and acquisitions failure due to negligence in due diligence, Integration gaps and culture misfit and challenges faced by smaller diagnostic players from tier 2 and tier 3 cities of Indian diagnostic market. There is a clear indication of an increasing demand for diagnostic services in tier 2 and tier 3 cities, driven by rising awareness about mergers and acquisitions. Despite the growing demand, there exist significant infrastructure challenges such as the lack of modern equipment and skilled professionals, which hinder the delivery of quality diagnostic services, hence smaller players from tier 2 and tier 3 cities are looking for mergers and acquisitions and find the right partner to grow their business. The market is characterized by a mix of small-scale diagnostic centres competing on price and larger chains gaining traction due to their reliability and comprehensive services. While there is slow adoption of digital platforms, there is potential for growth in telemedicine services, especially in remote areas, indicating an opportunity for technological advancement in the industry. Smaller diagnostic players from Tier 2 and Tier 3 cities are looking for bigger players to help in upgrading their technology. Regulatory compliances remain a concern, particularly for smaller diagnostic facilities which can become hindered during mergers and acquisitions processes. Involvement of multiple stakeholders having different perceptions can delay the mergers and acquisitions tie ups. Overall, the survey underscores the importance of addressing infrastructure gaps, fostering technological innovation, and implementing effective management strategies to meet the growing demand for diagnostic services in tier 2/3 cities, while also highlighting the critical factors for successful mergers and acquisitions in the industry. In merger and acquisition transactions involving Tier 2 and Tier 3 cities, the survey highlights the importance of cultural sensitivity and due diligence. Businesses should closely monitor any possible cultural differences between the merging entities, including language barriers, local customs and traditions, work ethics and practices, and communication styles. Although cultural gaps are not seen as the only reason for the failure of mergers and acquisitions in Tier 2 and Tier 3 cities, they are one key factor that should be considered by companies. The survey calls for the necessity of cultural awareness, extensive due diligence, and efficient integration planning to enhance the success rate of mergers and acquisitions deals in these markets. The survey underlines the requirement of bigger players to carry out extensive cultural due diligence prior to and in the middle of acquisitions. This entails knowledge of the culture, values, and working practices of the target firm. Integration plans must be customized to deal with cultural differences and facilitate an easy transition.

When there is poor communication, it becomes difficult for both sides to comprehend each other's beliefs, values, and methods of work. Language barriers may slow the smooth joining of teams and processes. Firms that engage in mergers and acquisitions must formulate responses to language differences, e.g., through language education for employees, employing bilingual employees, utilizing professional interpretation and translation services and implementing clear communication procedures. Overall, what the survey findings point to is an anticipated risk as far as data availability and quality are concerned while making acquisitions or mergers with smaller diagnostic players in India's tier 2 and tier 3 cities. This deduction speaks of the need for stringent due diligence procedures, especially on data readiness and compatibility, when contemplating such mergers and acquisitions endeavors. The potential difficulties acquirers can encounter when it comes to getting essential information for an efficient and seamless integration process. It could be a sign of trust issues, data misuse apprehension, or unfamiliarity with the significance of data sharing in mergers and acquisitions. The post-merger integration phase may experience inefficiencies, delays, and possible complications because of the apparent lack of attention paid to integration documentation. This conclusion emphasizes how acquiring businesses must be especially careful to stress the value of comprehensive documentation and possibly offer assistance or direction to smaller participants throughout the integration process. The findings accentuate the complexity of mergers and acquisitions, especially in large organizations where various stakeholders are present. This may give rise to conflicting interests, which can make decision-making more difficult and undermine concentration on integration strategies. (Opportunity for Improvement) Since most think that the integration process is not ideal, this is an opportunity for organizations to enhance their integration plans. Emphasis on sharper communication, alignment of stakeholders, and successful change management may eliminate these issues. (Need for Strategic Planning) The recognition that there can be failure indicates that there is a need for more strategic planning when it comes to mergers and acquisitions processes. The high-level minority who are unsure of the effect of due diligence refers to the varied experiences in the industry as proof that although the importance of due diligence is the assumed belief, different cases could be the reality. This diversity implies the fact that the results of mergers and acquisitions can be very situational. In short, the survey shows a great confidence that poor due diligence is a major contributor to the failure of mergers and acquisitions in the Indian diagnostic sector. Smaller players may feel vulnerable when sharing sensitive data with larger corporations. To address this, larger companies could implement strategies to reassure smaller partners, such as offering clearer communication about how the data will be used, demonstrating integrity in negotiations, and engaging in relationship-building efforts that emphasize mutual benefit. The different levels of agreement regarding trust issues suggest that experiences may vary widely among industry players. Some smaller companies may have had positive interactions with larger counterparts, while others have encountered challenges that foster negativity. Understanding these dynamics could help organizations tailor their approaches to partnerships more effectively. The results of the survey clearly show that smaller companies in the Indian diagnostics sector are thought to have a weakness in their ability to regularly supply pertinent documents for due diligence. To comprehend the root causes and possible remedies, more research is necessary.

APPENDIX A

SURVEY COVER LETTER

I am conducting a comprehensive research study on the challenges and opportunities associated with mergers and acquisitions in the Indian diagnostic industry, with a particular focus on the dynamics between larger diagnostic chains and smaller players operating in Tier 2 and Tier 3 cities. By understanding the factors contributing to mergers and acquisitions failures, including due diligence shortcomings, integration challenges, and cultural misfits, the study aim to identify best practices and strategies for successful merger. It is a comprehensive research study on the challenges and opportunities associated with mergers and acquisitions in the Indian diagnostic industry, with a specific focus on the integration of smaller diagnostic players from Tier 2 and Tier 3 cities into larger diagnostic chains. The healthcare landscape in India is rapidly evolving, and mergers and acquisitions have become a strategic imperative for many diagnostic service providers. However, the complexities of integrating smaller, often regionally focused diagnostic centres into larger organizations can present significant challenges. The study will be focusing on understanding the experiences of diagnostic centres operating in Tier 2 and Tier 3 cities, as these regions often present unique challenges and opportunities.

The success of mergers and acquisitions deals in the diagnostic sector is often influenced by a complex interplay of factors, including effective due diligence, seamless integration, and cultural alignment. However, the unique characteristics of Tier 2 and Tier 3 city diagnostic centres present specific challenges that require tailored strategies for successful integration. This research aims to identify the key factors contributing to mergers and acquisitions failures in this context, including the effectiveness of due diligence processes in assessing regulatory, market, and cultural risks. The challenges encountered during the integration of operations, systems, and personnel. The role of cultural differences in hindering or facilitating successful mergers. The Indian diagnostic industry is undergoing rapid transformation, driven by advancements in technology, changing healthcare needs, and evolving regulatory landscapes. Mergers and acquisitions have emerged as a strategic imperative for many diagnostic service providers, particularly as smaller players seek to expand their reach and compete effectively in a dynamic market. This research study aims to delve deeper into the complexities of mergers and acquisitions in the Indian diagnostic industry, with a specific focus on challenges faced by diagnostic centres operating in Tier 2 and Tier 3 cities. By understanding the factors that contribute to mergers and acquisitions failures, including due diligence shortcomings, integration challenges, and cultural misfit.

Appendix B: Informed Consent:

Study Title: "Challenges faced by diagnostics companies from Tier 2 and Tier 3 cities during mergers and acquisition in India."

Researcher: Rupesh Dagar

Affiliation:

Purpose of the study:

The purpose of study is to find out challenges faced by diagnostic companies from tier 2 and tier 3 cities during mergers and acquisitions in India.

Procedures:

IF you agree to participate, you will be asked to complete a survey/ interview that will take approximately 1 day. The survey will cover aspects of your opinion regarding mergers and acquisitions failure reason.

Voluntary Participation:

Your participation in the study is entirely voluntary, you may choose not to participate or withdraw at any time without consequence.

Confidentiality:

All responses will be kept confidential and used only for research purposed. Your identity will not be revealed in any published results.

Risk and benefits:

There is no significant risk associated with participating in this study, your feedback will improve the merger and acquisitions success percentage in the industry.

Consent:

By signing below, your consent to participate in this study

Participant name: ---

Signature: ---

Date: ---

APPENDIX C:

INTERVIEW GUIDE

QUESTIONNAIRE

ASSESSMENT OF MERGERS AND ACQUISITIONS FAILURE DUE TO NEGILIENGNCE IN DUE DILIGENCE, INTEGRATION GAPS AND CULTURE MISFIT.

Basic Information:

1.What is your Post or Title within your current organisation:

1.CEO
2.COO
3.CBO
4.Chairman/Owners
5.B2B Head
6.B2C Head
7.Customer Service Department

8.Finance Department

9.IT Department

10.Marketing Department

11.Operation Department

12.Pathologist

13.Sales Department

14.Supply chain Department.

2. Do you think mergers and acquisitions fail in tier 2 and tier 3 cities is due to cultural gaps between both the parties?

a. Mostly

b. Sometimes

c. May be

d. Others

3. Is it true that the bigger players who are acquiring smaller diagnostic players often don't focus on culture differences during mergers and acquisitions?

a. Mostly

b. Sometimes

c. May be

d. Others

4. Do you think language barriers play an important role in understanding culture for both the parties during Mergers and Acquisitions?

a. Mostly

b. Sometimes

c. May be

d. Others

5. Do you think mergers and acquisitions fail due to an improper integration process between both the parties?

a. Mostly

b. Sometimes

c. May be

d. Others

6. Are you of the opinion that the smaller players from tier 2 and tier 3 cities fails to provide relevant data for integration during Mergers and Acquisitions?

a. Mostly

b. Sometimes

c. May be

d. Others

7. Is there a huge gap of understanding between the expectations of both the parties while integrating with each other during Mergers and Acquisitions?

a. Mostly

b. Sometimes

c. May be

d. Others

8. Do you feel smaller players from tier 2 and tier 3 cities are scared to share or purposely don't provide the data for integration during Mergers and Acquisitions?

a. Mostly

b. Sometimes

c. May be

d. Others

9. Is it true that smaller players take the integration documentation process very lightly during Mergers and Acquisitions?

a. Mostly

b. Sometimes

c. May be

d. Others

10. Do you agree that an Integration process fails within bigger organizations as multiple stakeholders apply their minds during Mergers and Acquisitions?

a. Mostly

b. Sometimes

c. May be

d. Others

11. Is it true that mergers and acquisitions fails due to wrong due diligence between both the parties during Mergers and Acquisitions?

a. Mostly

b. Sometimes

c. May be

d. Others

12. Do you believe that smaller players do not trust the bigger players and hence do not share proper data which results in due diligence failure during Mergers and Acquisitions?

a. Mostly

b. Sometimes

c. May be

d. Others

13. Do you think most of the time the smaller players fail due diligence as they are unable to provide relevant documents.

a. Mostly

b. Sometimes

c. May be

d. Others

14. Do you believe that smaller players understanding the due diligence process is very limited?

a. Mostly

b. Sometimes

c. May be

d. Others

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