Knowledge Management at the Service of Enlightened Merger and Acquisition (M&A) Behavior

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Abstract. The author of this article views as her major challenge and ambition doing research in the area of knowledge management (KM) with the emphasis on its key role in carrying out cross-border mergers and acquisitions (M&As). Proceeding from a number of authoritative economics thinkers, the project seeks to demonstrate that KM is an instrument of change that facilitates pursued of intelligent knowledge economies. In trying to achieve her conclusions, the author departs from a number of theoretical and pragmatic assumptions, such as that the world is flat, in Friedman`s sense of the word; M&As are mostly carried out for achieving a better control of the market, and KM approach has become rather a must than a choice in the current economic circumstance. The main thrust of the project is on KM application with the purpose of boosting a company growth. The deep-going analysis allows the author to conclude that in the area of her enquiry, there tends to be a lot of improvisation and imperfection due to the neglect of KM beliefs and values. One of the ideas of the project is to recognize and put together a helpful package of KM tools and suggestions applicable primarily in Slovakia. Metaphorically speaking, the author refers to M&As restructuring processes in terms of "pouring new wine in the old bottles." The metaphor points to a well of opportunity typically opening up in M&As thanks to new combinations of people, products, company cultures, and all sort of synergies. On the whole, this evaluative analysis has as its aim to demonstrate the benefits of a KM approach within M&As over the outdated "zombie" beliefs that, for example, buying cheap and selling expensive are the smartiest possible strategies. Rather, the author suggests that the motto of the day seems to go: merge and take over intelligently, with reliance on KM philosophy and its system of values.

1 Knowledge management and information society

"For the first time in history, the human mind is a direct productive force, not only a decisive element of the production system." [2] Paraphrasing a little bit, one could say that knowledge management is a decisive element of knowledge-based economy for the first time in human history. Moreover, knowledge management has become a system of approach to economic activities that features philosophy and conception of its own. The author Mokyr of the book insists that "Economic change in all periods depends, more than most economists think, on what people believe." [6] "One could just add, also what people know. This is one the one hand. On the other one, "the potential of acquisitions [is] a means of gaining access to new knowledge." [5]

Thus, this paper is being written at the time of the unprecedented change and breakthrough, yet the equally unprecedented global economic crisis, primarily a financial one. For a start, no wonder, then, that the paper will be seeking to contribute to understanding the reasons for the current economic plight, with the emphasis on knowledge management. The latter has lately been and will increasing continue being a key solution to economic stability. Having mentioned the crisis makes it almost necessary looking back and remembering the final days of the Bush Administration as described by Nouriel Roubini and Stephen Mihm in their revealing *"Crisis Economics: A Crash Course in the Future in Finance."* When Vice-president Dick Cheney was enquired why he and his people had not been able to foresee the financial crisis, the biggest since the Great Depression, he answered that "nobody anywhere was smart enough to figure [it] out." [9] The authors of the book do not think it is quite true. The point is that Nouriel Roubini himself was warning against the crisis back in 2006.

The relevance of the above example to our theme is primarily due to the fact that an enlightened approach to economy can only be secured by a knowledge management approach that is alone capable of forecasting economic disasters and reasonably securing smooth run of businesses.

The idea of knowledge management seems intimately connected with understanding the notions of "information society" and "knowledge society." Some believe both terms to be interchangeable, while others, including Sally Buch who proceeds from the World Summit on the Information Society terminology, maintains that "information society" has, without a doubt, been confirmed as the hegemonic term." [2] Historically, as she claims, the term was introduced by the United States sociologist Daniel Bell in his book *"The Coming of Post-Industrial Society,"* where he suggests that "the main axis of this society will be theoretical knowledge" and warns that "knowledge-based services will be transformed into the central structure of the new economy and of an information-led society, where ideologies will end up being superfluous.” [2] Simply said, Daniel Bell is on the opinion that thus define core of future society will be constituted by theoretical knowledge. He also accurately predicts that knowledge-based services are going to become the central element of the economy of future. Needless to say, Daniel Bell clearly points to the area of knowledge management.

Further, the term “information society” reappears strongly in the 1990`s, within the context of the development of the World Wide Web besides, according to Buch, as of 1995, the term was circulated in the agenda of the G7 meetings; it was addressed by the forum of the European Community on the OECD, and was adopted by the United States Government., as well as various UN agencies and the World Bank Group. She also mentions that the term. Most importantly, as of 1998, the term was first picked out by the International Telecommunication Union (ITU) and then by the UN as the reference to the World Summit held in 2003 and 2005. [2]

Why, however, so much pre-occupation with the terminology? Sally Buch concludes that the concept of “information society” was intimately linked to neo-liberal values and globalization, “whose main goals [have] been to accelerate the establishment of an open [society] and self-regulated world market.” [2] This stance generates a need to also collaborate with the multilateral organizations such as the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO), etc.. In a word, the objective was to make the world “flatter” through narrowing the gap between the wealthy countries that had already adopted the information age values and technologies, on the one hand, and the developing countries on the other one. You can readily see, then, that the new technologies have played an important role in promoting globalization. It is in this sense that Sally Buch compares information society to a “good-will ambassador“ for globalization.

More to the point of knowledge management, though, is Sally Buch`s reference to Manuel Castells, one of the researchers who have most considerably contributed to the clarification of the topic. His approach to the notion of knowledge and information is quite nuanced, in Sally Buch words, he believes that “what characterizes the current technological revolution is not the central personage“ of knowledge and information, but rather the application of this knowledge and information to knowledge generation and information/communication processing devices, in a cumulative feedback loop between innovation and the uses of innovation.” [2] So, then, Castells maintains that “the diffusion of technology infinitively amplifies its power when its users appropriate it and redefine it.” [2] He further argues that the new information technologies are not just tools to be employed, but rather processes to be further developed. [2] Hence, he is convinced that the current technological revolution is not exactly about knowledge or information. He believes that it is, first of all, about the application of the knowledge and information to the production of fresh knowledge and information. He further warns against a narrow understanding of new information technologies, claiming that there are much more than just neat tools to be used. In his opinion, there are rather processes to be developed.

The terminology dispute finally led to the “division of balance” between the two terms: “knowledge society” that accentuates the economic agents who should be excellently qualified to do their work [2], which is almost a direct reference to knowledge management. In the context of this paper, knowledge society requires from managers an innovative, flexible and complex approach to decisions, especially when these touch on the existence of a company. Such decisions might be dramatically vital when it comes to M&As behavior.

The matter is that nowadays one can rudely identify two trends in business activities. On the one hand, some companies seek to be increasingly individualized and customized, which would enable them to provide tailor-made services for increasingly idiosyncratic target groups of customers. At the same time, however, one cannot help seeing that many companies tend to be integrated in order to strengthen their position on the marketplace and get a competitive edge through acquiring new knowledge and skills. That will enables business, for example, to produce more cheaply and get an advantage at the global marketplace. True, it is not easy to statistically delineate both trends, they just go hand in oscillations.

Those received truths, though, do not seem to accurately reflect today`s complex economic developments and their various nuance. Obviously, businesses do integrate in order to get stronger and ensure a bigger market share for themselves. Companies will merge in order to get robust and secure a competitive edge. Yet, nowadays, being bigger has its flipside and means being involved in what Tom Peters calls “madness of mergers.“ [7] According to him, deciding for a merger should not always be the best solution. For example, it might not be a good option, if you take over a company from an unrelated area. Also, it is widely accepted that mergers push up efficiency, but, again, as Tom Peters humorously remarks, “you do not put two turkeys together and make an eagle.“ [7] In short, “mergermania“ quite often ends up not so much in restructuring but just in “new re-mergers, de-integration and disaggregation.“ [7]

2 M&As as pursued of growth

For centuries, both economists and lay entrepreneurs have busied themselves with a pursue it of growth. Their joint effort has promoted a better grasp of the sources of and means towards economic growth. M&As are examples of the above-mentioned new awareness. Recently, what with the global economic crisis, one could see a new surge of M&As aimed, above all, at survival and better performance. The authors of the article *The New M&A Playbook* have embarked on a deep-going analysis of the phenomenon, sensitizing acquisition teams to the multiple aspects of various stages and expected synergies. Their article seeks to set down a number of enlighted rules for making an intelligent acquisition. The authors claim an intuitive truth that chief stimuli for mergers and acquisitions tend to be a desire to boost corporate performance or set off long-term growths. Companies spend more than 2 trillion US on acquisition every year. The relevant statistics show that the failure rate in terms of synergies delivered is ´abysmal´. The failure rate is somewhere between 70% to 90 %. The cause of the difficulty at issue in the absence of a "robust theory that identifies the causes of those successes and failures." [3]

What they propose is this: "So many acquisitions fall short of expectations because executives incorrectly match candidates to the strategic purpose of the deal, failing to distinguish between deals that might improve current operations and those that could dramatically transform the company`s growth prospects. As a result, companies too often pay the wrong price and integrate the acquisition in the wrong way." [3]

In sum, their theory suggests that most failures are due to inability to differentiate a deal that could better the current position of the company and its performance from a such one that might take a given company up to a higher tier in the market. In other words, there may be two goals in acquiring a company which are frequently confused by executives:

1. To increase the current corporate performance of your company – by holding on to a premium price and cutting costs; this sort of acquisition never radically changes the company`s ´trajectory´ (because investors count on certain performance hiker, practically discounting it.)
2. You may also want to aquire a company in order to re-model the business orientation of your company and change it entirely. In such acquisition, no one understands how to identify the best company for achieving the best goals or how much to pay for this target and how to successfully integrate it. Despite all this uncertainty, in the final run, it can pay off amazingly.

In the following section of the article, entitled What Are We Acquiring, the authors look into the implications of their theory, in a bid to provide guidance for executives in how to select, price and integrate acquisitions. In order to meet their aim, the authors unfold the nuts and bolts of integration. Clearly, the first thing to do is to be fully aware of what you are buying. Herein, the article urges to see the target as best characterized by the latter`s business model. The model comprises four elements important for the creation and deliverance of value:

1. the customer value proposition, or an optimal offering which helps customers do important job more effectively and with more convenience, not to be found anywhere else;
2. the profit formula, consisting of a revenue model and cost structure that reflects company´s policy in securing profit and cash necessary for the run of the company;
3. the resources (including employees, customers, products, and cash) requisite for meeting the customer expectations (customer value proposition);
4. the processes, such as manufacturing, (R&D), budgeting, and sales. [3]

A clear vision and awareness of the afore-mentioned four elements are critical for the grasp of the distinction the authors draw between "leverage my business model" (LBM) acquisitions and "reinvent my business model" (RBM) acquisitions. The point is that, normally, one of the four constituents (e.g., resources) can be taken away from an acquisition and plugged into the parent business model. Even if the firm disappears, then, its resources stay on. Such acquisition deals are dubbed by the authors as "leverage my business model" (LBM) acquisitions.

And what about the remaining three elements for the creation and deliverance of value? They do not seem transferrable into your own business, as they cannot exit separately from the maternal institution. In order not to waste the accumulated potential of an acquisition`s business, the authors suggest that a company can acquire another target`s business model, using the latter as a springboard for ´transformative growth´, this sort of growth will routinely presupposes a radical re-think of your company and its reposition into a higher position in the market. The authors refer to such acquisitions as "reinvent my business model". In the remainder of the article, they are trying to demonstrate that the second model contains much more growth potential than the model realized through the purchase and innovation of resources. Paradoxically, as the authors claim, executives tend not to be fully aware of the fact and are prepared to pay top dollar for acquistions that are potentially more inferior, thus, incapable of "reinventing my business model" acquisitions. Perhaps, the snag is that "leverage my business" (LBM) acquisitions model looks immediately successful, while "reinvent my business model" (RBM) one does not. The latter rarely exhibits its potential at the stage of negotiating a deal. In plain language, "my leverage business model" (LBM) acquisitions are good tools for companies that want to boost the performance of their profit formulas. More pragmatically, as the authors advise, in case of "leverage my business model" (LBM) acquisitions you need incorporate the acquired resources into your existing business. The authors do not fail to warn acquirers against routinely high prices for such LBM agreements. [3]

3 M&As for success and sustainable development

On the other end of the spectrum, however, there do exist possibilities allowing for the reinvention of your business, which involves an acquisition (or sometimes in-house development) of a new business model to improve or replace the old one. In such "reinvent my business model" (RBM) acquisitions, the authors recommend to plug the best resources of your company into the target. Your successful business model stands to very good chances of making a lot of money. Yet, the authors do not stop at general ideas, digging ever deeper into the mergers and acquisition processes and identifying conceivable pitfalls.

Specifically, in the part Boosting Current Performance*,* they concern themselves with the conditions under which an acquisition`s resources can really help the acquirer to command higher prices or reduced costs. Firstly, as the safest way towards commanding price premium, the authors cite betterment of a product or service via obtaining more superior components. As for the second conceivable reason for "leverage my business model" (LBM) acquisitions, namely lowering cost, the authors caution that a resources acquisition is only viable and makes sense if the acquiring company has high fixed costs. The point the article seeks to bring home is, then, that not each and every acquisition helps lower costs. The proposition only goes for companies whose cost structures are dominated by fixed costs. The same applies to the benefits of scale. The article reads that these benefits tend to be most significant in businesses that have a high percentage of fixed costs (manufacturing, distribution or sales). Such line of argument leads the authors to conclude that, by and large, "the best-case result is a jump in share price to a new plateau." [3] Apparently, the authors hold the view that LBM acquisitions cannot typically trigger unexpected growth.

So much for "my leverage business model" LBM acquisitions, which allow you to move over to a more exciting type of acquisitions in terms of prospective growth namely "reinvent my business" (RBM) acquisitions. As for me, this section of the article is especially insightful and thought-provoking. What I also quite appreciate about this particular part of the article in question is its attempt at helping raise – and sometimes answer – the following questions:

- Can this particular acquisition re-direct your company`s growth trajectory?
- Are the products of the target company good enough to suit the needs of a variety of customers?
- Does the acquired company re-position you to be able to gain the most attractive future profits?

In this light, "reinvent my business" (RBM) acquisitions are meant to help managers lay foundations for long-term growth, since the position and value of any business model is likely - over time - to get down (owing to competition and technological advances which nullify the initially estimated profit potential).

It is common, then, that investors urge their executives to embark on a re-invention path, since it is not immediate profit itself that determines growth of the acquirer`s share price. As the authors neatly identify, the above may happen as growth expectations of share prices are typically factored into their current levels. "Reinvent my business model" (RBM) acquisitions are needed, as the article reads, "to persistently create shareholder value at a greater rate." [3] In fact, "managers must do something that investors have not already taken into account – they must do it again and again." [3] In practical terms, managers are to come up with something that investors have not yet factored.

What is to be done to achieve the above-mentioned challenging goals? The authors maintain that "the most reliable sources of unexpected growth in revenues and margins are disruptive products and business models." [3] The explanation of the innovative notion of `disruptive companies` may be helpful. To begin with, the authors name as `disruptive` such companies "whose initial products are simpler and more affordable than the established players` offerings." [3] What makes this sort of companies highly welcome acquisitions is the fact, that they establish themselves in the lower end of the market, gradually moving to higher performance levels and higher market tiers. This is exactly what the authors want to get across, for even an investment analysts typically "fail to foresee how a disruptor will move upmarket as its offerings improve. So they persistently underestimate the growth potential of disruptive companies." [3]

In next part of the article, Paying the Right Price, the authors share with acquisition executives and managers another caution. Namely, despite the "reinvent my business model" (RBM) acquisitions being so effective in creating shareholder value, acquirers typically underpay for such targets, while paying top dollar for "leverage my business model" (LBM) acquisitions, which are, as we have already mentioned, potentially less promising. As the authors stress, it is critical to correctly determine the right price for a companys` share. To do so, one has to recognize the right comparables. The attributes for those, however, are not the same, when it comes to LBM and RBM acquisitions. While for LBM acquisitions, adequate comparables are firms that manufacture similar products in similar industries, for RBM acquisitions exactly disruptive companies prove the right comparables. As the authors put it, "in reality, the right comparables for disruptive companies are other disruptors, regardless of industry." [3] The authors complete their penetrating analysis by putting forth a seemingly paradoxical proposition that the “right” price for an acquisition is not something to be set by the seller. It is the buyer who can determine the right price, since the latter depends on his/her understanding of idea of the purposes of each particular acquisition and its growth potential.

4 Avoiding M&A mistakes

In the ensuing part of the article entitled, Avoiding Integration Mistakes, the authors concern themselves not only with adding new bricks to their insightful theory, but also with the practical consequences of adopting their recommendations. True to this commitment, they try to shed a lot of additional light on the pitfalls hidden in underestimating the principles of adequate integration. Herein, they view as a sin “failing to understand where the value resides in what`s been bought, and therefore integrating incorrectly.” [3] To put it otherwise, the point they are trying to make is that your approach to an given integration should be basically derived from the type of acquisition you are going to make. If your primary goal was improving current business models` effectiveness, you have just to fold the target` resources into your company, dismissing the rest. Yet, if you acquired a company for its effective business model, the integration should not touch the model, leaving it intact.

That takes us to the last dilemma concerning acquisitions. So far, we could have agreed with the authors that acquisitions are tend to be commonly viewed as means exploited for reaching the ends which are not attainable in-house. At first sight, the idea seems perfectly logical and without an alternative. As elsewhere in the article, the authors lose no time to refute the proposition by suggesting that ”there is no magic in buying another company.” [3] In other words, they insist that the same goals are achievable in-house. In the final run, the right question to ask when contemplating an acquisition is whether acquisition is faster and more economical than developing a new business.

As the authors of the article suggest, “every day, the wrong companies are purchased for the wrong purpose, the wrong measures of value are applied in pricing the deals, and the wrong elements are integrated into the wrong business models. Sounds like a mess – and it has been a mess. But it need not be.” [3] So, the main ambition of the article is to take a closer look at M&A process with the purpose of helping acquisition managers “to predict with greater accuracy whether the company on offer is a dream deal or a debacle.” [3]

This said, we see the rationale of the discussion in focusing on M&A behavior, for example, in banking sector, and in highlighting the importance of knowledge-based approach to all sorts of restructuring policy. Our ambition in researching into mergers and acquisitions is, then, examining and challenging some of traditional and as often as not outdated approaches, still quite common in Slovakia. Put differently, this evaluative research is looking into the Slovakia`s banking sector, its restructuring principles and accommodation of knowledge management approach and values in the process. When one thinks of economic behavior, including that of companies, one cannot help seeing the interaction between what people believe and know, on the one hand, and their economic action on the other. So, if they are not guided by an enlightened business ethics and basic human solidarity, which are also elements in a knowledge management approach, they might have no headache in deciding whether or not to buy cheap a company which has gone belly up. Their decision might be equally ethically and economically run. In short, as Mokyr believes, the growth and application of advanced knowledge have always been at the center of each story of economic success.

5 M&As in the flat world

Back to the subject-matter of our project. The analysis of the history of M&A integration clearly shows that there tends to be a lot of improvisations and imperfections as well as express failures in carrying out integrative processes between businesses. The above has led us to the idea of working on a thesis that deals with an immediate and intimate relationship between succesful mergers/acquisitions and knowledge management approach. The point is that between integrative processes of businesses on marketplace are much more than an arithmetics of addition. In fact, M&A decisions involve the right appreciation of the market demand, quality of the workforce taken over as well as the right estimate of the size of the resulting company. In short, all the challenges involved can be only met if one adopts an enlightened, knowledge management inspired approach.

What does that clearly mean? Obviously, one cannot overlook that our world has been changing quite rapidly. Many CEOs, entrepreneurs and all those involved in business will often say: "Just in the last couple of years..." The phrase is supposed to express the idea that in our time individuals and businesses are able to do things they thought impossible a couple of years ago. Indeed, you have seen how the world has become flat, to use Thomas L. Friedman`s celebrated phrase, in just a couple of years. His book “*The World Is Flat”* claims that CEOs and executives are responding to the flattening of the world, the "flat" implying “accessive” and “democratic.” [4] In this new world, "each was figuring out a strategy for his or her company to thrive or at least survive in this new environment." [4] The above naturally calls for a survival strategy. Hence, the idea is that everybody, individuals and businesses, need a survival blue print or a change. It is commonly known that companies both need a change and dread it. In this context, Friedman notices that everybody wants a growth, but nobody wants a change. [4] So, the ambition of this paper is to address knowledge management as a vehicle of change and see how it facilitates revolution through intelligent mergers and acquisitions. In doing our research, we have been looking up to new technologies and globalization opportunities which make mergers and acquisitions a powerful means towards a new type of corporate integration, resulting in better national economies. Equipped with knowledge management principles and rules, one can enter Friedman`s interconnected, globalized and interdependent world with more certainty of and hope for survival. Merged companies make a better use of the situation where there are less borders and "everything that can be done, will be done." [4] The only questions remains, however, whether *you* will do it or someone will do it to *you* or instead of *you*. The message sounds quite simple: if you have an idea, pursue it as soon as possible because somebody else might have a similar idea and she/he might be faster than you. Being fast almost equals to being equipped with knowledge management principles.

What is knowledge management, then? As a new interdisciplinary model, "knowledge management within an organization involves people, technology and processes." [1] It is also about how to run companies in a way when *you* will do things, not things will be done to *you*, its when *you* are the first. Moreover, knowledge management is about correct timing; it is equally about not being afraid of change, and instead, celebrating it as an opportunity. Besides, knowledge management is about creating partnerships all over the world and collaborating as much as possible. Is not it too much hazard to put your own money into a culturally different environment, though?

Of course, knowledge management is also about making a good use of technological connectivity. For our purposes, M&A should result in new companies with knowledge management strategies, providing complex services that take customers more seriously by offering them more space for their specifications, demands and requirements. Simply said, such companies have no fear of informed customers. Furthermore, and more to the point of our work, knowledge management views mergers and acquisitions as a possibility to delocalise businesses, which opens up new vistas. In plain words, knowledge management is about producing everywhere and looking for workers everywhere.

So then, mergers and acquisitions are a sort of response to the flattening of the world in Friedman`s sense of the phrase and the crisis economics characteristic of the current global status quo. Quoting Roubini again and adopting a knowledge management position, the current financial crisis can be viewed as a new norm, something which has been with us, so we have to get ourselves ready "to love crises and changes brought in by them." [9] For those equipped with knowledge management principles, crises "operate in a relatively predictable fashion but can change direction." [9] For our evaluative purpose, it is almost safe to say that it is exactly mergers and acquisitions wherein knowledge management can make a difference. Looking back, it was in mid-90`s of the 20th century, when we could see the most rapid and considerable increase in the number of all sorts of partnership and integration. The main reason for the trend was the resulting competitive edge on the marketplace. Naturally, the combination of businesses has changed in favor of entering mergers or carrying out acquisitions. No doubt, the vital element in such processes is the right choice of an M&A target. This is where knowledge management comes into play as its guidelines and values offer a new and enlightened approach to company`s growth. As a result, the marriage between knowledge management and strategic partnerships turns out to be an optimal strategy allowing to set ambitious goals. Accommodation of a knowledge management approach by integrated businesses and partnerships will open up new development and growth opportunities, which makes this system of running companies indispensable in the Slovak business environment.

Also, the paper seems as one of its goals examining the mix and mash of various types of businesses as well as technologies, innovations and markets through the optics of a knowledge management conception. Such optics means that companies will be challenged to equip their workforce and customers with more knowledge, discovering thus new ways of doing business successfully. More metaphorically and quoting Jan Truneček, knowledge management suggests delivering "the right knowledge to right people at the right time and in the right format." [11] Relying on the experience and expertise used by M&A activities in the Slovakian banking sector, this research will be trying to identify the adequate package of rules and instructions for mergers and acquisitions. In other words, we will be trying to demonstrate that knowledge management alone can create streamlined partnerships; in Albert Einstein`s phrase, "changing difficulty into opportunity." [4] To put it otherwise, knowledge management helps mergers and acquisitions pour new wine into old bottles, i.e., to put together a new combination of people and their expertise in order to arrive at amazing, unexpected synergies.

What we are trying to do, thus, is providing an analysis of M&A behavior as well as that of the role of knowledge management as a vehicle of M&A optimalization. Examining the above indicative issues, we have proceeded from Slovakia`s current economic situation. In order to reach, the above set conclusions, we depart from a number of theoretical and pragmatic assumptions:

a) the world is flat, in Friedman`s sense of the word;
b) banks are currently operating under the pressures of crisis economics;
c) Slovakia has become a player in the global marketplace;
d) mergers and acquisitions are mostly carried out for better controlling market through knowledge management principles;

e) a knowledge management approach has become a requirement.

Next, we would like to focus on mergers and acquisitions with an emphasis on knowledge management application in the optimalization of company`s growth. The research looks into the bottlenecks involved in creating business partnerships as well as points out to their causes. The paper also seeks to evaluate a number of considerations concerning sound and future-oriented mergers and acquisitions. Part of the project is also a an attempt to examine the pragmatics and theory of mergers and acquisitions in their relation to knowledge management conception. Eva Smolkova`s work *Strategické partnerstvá ako fenomén globálnej doby (Strategic Partnerships as a Phenomenon of Global Age) [10]* quite neatly captures our ambition. The author believes M&As to really have become a mechanism of promoting a company`s competitive edge. Yet, does the claim hold for the circumstances of the contemporary economic recession and global financial crisis? We are inclined to answer in the positive. If pursue it of knowledge management insights, in all areas of a national economy will make businesses considerably more robust. In this connection, we do hope that our conclusions will be locide and down-to-earth enough to get inspired and encouraged Slovakia`s small-and-medium-size companies to consider one of the formats of future-oriented integration. Moreover, our hope is that our evaluative analysis helps to fight dead ideas standing in the way of future-oriented economic behavior. This is particularly urgent in economically troubled times. John Quiggin "Zombie Economics" contains a neat reflection to this point: "In the history of economics, there can be no more durable zombie ideas (neither not dead) than that of a New Era, in which full employment and steady economic growth would continue indefinitely. Every sustained period of growth in the history of capitalism has led to the proclamation of a New Era. None of these proclamations has been fulfilled." [8]

On the whole, this evaluative analysis has as its aim showing the benefits of a knowledge management position over the outdated beliefs, including the one that buying cheap and selling expensive will be the smartest decision. Rather, the motto of the day seems to go: merge or take over intelligently with reliance on knowledge management philosophy and its society-oriented system. Despite the fact that quite a number of economics authorities and theoreticians claim, not entirely incorrectly, that the volume of M&A in troublesome economic times is necessarily lower, [12] the conclusion of this research calls not so much for dismissing the idea as for accommodating a new view of company`s growth through M&A. We are trying to show that it is exactly economic crisis that may well require from companies a knowledge management wisdom about survival and even flourishing by means of smart mergers and acquisitions. Our belief is, then, that the findings and conclusions of this research stand good chances to demonstrate the advantages and disadvantages of M&A under the conditions of the a crisis economic. Our analysis of knowledge management system, its principles and methodology has been trying, and will continue doing so taking them a bit further and applying to the circumstances of economic recession and other kinds of economic turmoil. Our theoretical message goes like "have no fear of mergers or acquisitions at any times," while our pragmatic urge is "start immediately making use of knowledge management enlightened methods."

By and large, we will be carrying on the evaluation with a view of making it evident that the new, flat world has left behind all businesses with no choice but adoption of knowledge management strategies, whose message is anything but optimistic: everything can be done, if there is a way.

Closer to our predicament, in knowledge management optics, the still ongoing "Great Recession" is by no means one of those "black swan" economic turmoil mentioned by Roubini in his *"Crisis Economics: Crash Course in the Future of Finance"*.[9] Rather, crises seem remain with us as systemic economic phenomena to be reckoned with and managed intelligently. Indeed, information society we live in, is the first one where economics is immediately dependent not only on cutting edge technologies and high productivity but, primarily, on intellectual breakthroughs and business ethics. Besides, knowledge management principle implies no fear of change and chance but, rather, accommodation of uncertainty of free market economy as opportunities for enriching community. While carrying on our inquiry into policies and strategies pursued, for example, in banking sector and the area of mergers and acquisitions, we are trying to show that history may not repeat itself but it certainly comes back with new guises. In our context, that involves treatment of knowledge management revolution as something that once propelled Industrial Revolution in Britain, and making the country an unrivaled power house for centuries. With this in mind, the main part of our research focuses on the question, what is "the coal" of knowledge management revolution of the 21st century?

Proceeding from quite a number of suggestions made by Tom Peters, we have been anxious to reach the conclusion that if a company intends to "thrive on chaos", its management should consider fresh, seemingly trivial matters, such as combining competition with cooperation, taking momentous decisions with a view of public good, sharing innovative experience with the players in other fields, as well as promoting responsibility and transparency in doing business. Obviously, a knowledge management approach involves a wealth of pragmatic rules, prescriptions and suggestions. Optimal for the 21st century might be these streamlining measures: evaluating everyone on their "love of change"; managing by example; delegating and empowering; more listening to others. The knowledge management revolution has also been shown as a revolt against outdated, inefficient and as often as not embarrassing forms of control.

In Tom Peters phrase, “performance evaluation, objective setting, and job descriptions are three staples of management “control“. He maintains, however, that these stand in the way of fluidity. To abolishing job descriptions or reviewing them, thus, not mean promoting “anarchy”. He believes that “control, in service to the new business requirements, is brought about through a shared and inspiring vision...“ [7]

6 M&As as the vehicle of change and weapons against zombie ideas

In sum, this evaluative paper has been anxious to discern such aspects of a knowledge management position that prove most relevant to a clearer appreciation of ideas and processes occurring in mergers and acquisitions. We have been trying to point to the aspects which teach managers an art of the achievable, as Tom Peters puts it. Though he does believe in the necessity of setting “urgent goals,“ the real art of being a genuine manager lies not in creating urgent challenges but achievable targets. He refers to this idea as “degree of winning“ rather than “winners and losers.“ We only might add that the idea is crucial in today`s world, what is “turned upside down“, whose economic, political and social foundations have to be re-visited. An increasingly horizontal world calls for a new type of the Manager who is more “affiliator“ instead of a “cop“; a manager who stops “emphasising the volume and enhances the quality“; a manager who is capable of running a “flexible organization“ instead of a “stable” one. [7]

The new economic and political conditions for the 21st century, including mergers and acquisitions behavior, constitute the theme of our research, call upon companies to embark on strategies of long-term success and sustainable growth by learning and teaching new skills as well as setting intelligent, “tailor-made“ targets that are underpinned by considerations of communal values and public prosperity. Theoretically-wise, the failure of market liberalism calls for a rethinking of the experience of the 20th century and, in particular, the crisis of the 1970s. A simple return to traditional Keynesian economics, moderation and the politics of the welfare state will not the sufficient. It is necessary to develop both theories and policies that respond to the realities of the 21st century economy troubled economy. It is clearly, that there is something badly wrong with the state of today`s economics. We mean that a massive financial crisis occurred under the eyes of the economic profession, theoreticians failed to anything wrong. Even after the crisis, there has been no proper feedback. Too many economists are proceeding as previously and untaught by the lessons. Moreover, some turn out so short-sighted that they keep talking of a mere “blip”. At this point, one cannot help thinking, again, of the tenacity of zombie ideas. Zombie ideas that “caused the crisis” and are “reviving and clawing their way through up the soft earth.” [8] If we do not kill these antiquated conceptions, they are sure to play more havock in the global household. So, one can infer from the above that in the 21 century, economics should concentrate “more on realism, less on rigor”; “more on equity, less on efficiency”; “more on humility, less on hubris.” [8] Those recommendations fully hold for the M&A behavior where efficiency proves a fairly entangled notion. It seems to be in compliance with Quiggin`s claim that “three decades in which market liberals have pushed policies based in ideas of efficiency and claims about the efficiency of financial markets have not produced much in the way of improved economic performance, but they have led to drastic increases in inequality… Economists need to return their attention to policies that will generate a more equitable distribution of income. “[8] This takes us back to the idea of businesses ethics and politics mention earlier in this paper. And finally, a word one humility in the economic professions. In face of current economic difficulties, it is unacceptable to continue pursued of omniscient hubris, which has actually responsible for the current economic situation. In Zombie economics, the author John Quiggin remains us of Socrates`s observation that „the wisests man is who knows that he knows nothing.“ [8] To ellaborate, while absolute knowledge in unattainable, the members of economics profession should see it as their duty to promote “better understanding of the strengths and weaknesses of markets, firms, and other forms of economic organization, and the possibilities for policy action to yield improved economic and social outcomes.“ [8]

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