

Influencing Factors of Merger and Acquisition in ICT Industry

Humaira Khurshid

Department of Business Administration, Ghazi University, Dera Ghazi Khan, Pakistan

Dr. Muhammad Ibrahim*

Department of Business Administration, Ghazi University, Dera Ghazi Khan, Pakistan

Abstract

This research was carried out to identify the factors which are critical to make Mergers and Acquisitions (M&A) a successful activity. To achieve the results, the questionnaire was derived and checked for dependability. In the next phase companies are identified which witnessed the process of Mergers and Acquisitions (M&A). The companies were Warid, LinkdotNet, Mobilink and NSN Networks. Then in the employees were requested to complete the questionnaire. Questionnaire was derived using the important variables which were identified as Offers, Performance of Team and Merger and Acquisition during the literature review, SPSS software was used to further analyze the data for correlation and regression tests. The correlation tests showed that there is positive significant correlation among all the factors, while the regression test showed that the model is fit for the research and can predict future research results. On the completion of this research and evaluation of data we are hopeful of providing a useful in sight of corporate mergers in the era of fundamental changes and daily changing market scenarios. It will provide us some outlines to make Merger and Acquisitions (M&A) a fruitful outcome and enable company to gain competitive advantage.

Keywords: Offers, Team Performance, Merger and acquisition, ICT industry

1.1 Introduction

In the new daily changing marketing scenarios, more competitive global environment going alone is going out of fashion. Strategic alliances, Joint venture and acquisitions are booming across all industries and services. As Jim Kelly, former CEO at UPS said, "The old adage if you cannot beat 'em' joins 'em' is being replaced by join 'em' and you cannot be beat" (Ruppel and Harrington, 2000). Mergers and acquisition (M&A) is an important way for organizations to advance quickly, M&A is also the need of competition. More companies are doing M&A at a pace which is not observed ever before. M&A is one of the fastest possible ways of growth.

Collaborative arrangements of companies are an important way of company's strategy to achieve competitive edge in today's fluid business environment, where decisions are changed and made frequently under uncertainties, that's why M&A are in trend from almost last two decades. The trends is especially obvious in high-tech industries, at the end of 1990s more than 80% of the newly made R&D collaborations are witnessed in Pharmaceutical and IT industry (Rao Subba, 2005). In 2006, more than 3.8 trillion dollar transaction were announced in United States alone (Champoux, 2006). M&A are not a rare event for major corporations it is an important integral part of their strategy since 2000, for example Microsoft acquired more than 37 companies, Google has acquired 25 companies, EMC has acquired 17 companies and yahoo has acquired 27 companies (Furnham, 2008).

There are certain reasons of failure in M&A while some failure can be caused by a misjudgment in the value of acquired skills and technologies (Schultz, et al. 2003). One possibility may lie in M&A is the possibility that target companies might over state their value assets and owner rights. Schweiger and Weber (1992) thought state synergy is a critical factor that contributes in failure or success of the M&A. The M&A has great influence on market structure; it exceeded the financial expectations of market share but usually failed in meeting budgetary and operational objectives. Convergence has significant effects on the industry. Diversifying and growing technological needs results in market enlargement (Temnitskii, 2001).

Purpose of the study is to suggest the guidelines for M&A, following were the main objectives:

- To find out the contribution of teams performances and personals involved in the process of M&A.
- To check the impact of products and services offered as a result of M&A.

2. Literature Review

2.1 Merger and Acquisition

Merger is that strategy where we combine the two company for increasing the profit level and sale level. Set up the single company after merging the two companies (Coffey, John, and Valerie, 2002) from the corporate reorganization point of view the merger and acquisitions are consider as the one of the major instrument. It creates the better value than the single company. Recently thousand are companies who are merging with the other for achieving the organizational goal. There are various companies such as the pharmaceuticals; oil, chemicals, telecommunication, finance and IT are merging their self with the other company (Coffey, John, and

Valerie, 2002). Acquisitions are that situation where one organization gets hold of other firms. One business purchase the other business usually purchase the smaller business which want to engage with the higher business. Mostly company purchase the target companies which are losing their value are nearby insolvent (Mc Donald, Jarrod, max Coulthard, and P.D.Lange (2005).

By looking on such trend industry convergence has been started on the technological and “digital” emerging. Large numbers of digital industry emerging with the other to run in current market situation (Yoffie, 1997; Lei, 2000; Stieglitz, 2003). In the recent modern age of the technology like the other industry technology also consider one of the main drivers without doubt of industry meeting.

In the beginning, various past decades that M & A (mergers and acquisitions) were just pay attention on the financial transactions for control the cheaper assets. The target of that organization was very different from the other acquiring company as well as they pay intention on the cash flow and debt repayment. Merger and acquisition are different concepts which are helpful for increasing the volume of industry as well as they are considering as to a certain extent strategic with operational in nature (Galpin et al. 2010).

2.2 Merger and acquisition in Pakistan

1. Warid

Warid is a GSM, LTE based seventh mobile operator in Pakistan, started its operation in May 23, 2005. Warid is owned by Abu Dhabi Group, a business multinational in the Middle East and major investor for Pakistan. In the area of telecomm, it is the first venture of the Abu Dhabi group. It is the fourth largest GSM services provider of country having fifth largest customers more than 12.9 M with 9% market shares. Abu Dhabi Group and Vimpelcom in Nov, 26, 2015 agreed to merge Warid and Mobilink into single company.

2. LINKdotNET

LinkdotNet started its operations in Pakistan by acquiring Internet Service Providers named as a Dancom Online World Online and (WOL) Telecom Limited. The LINKdotNET merged the resources of both companies officially on 2 Feb 2008 by offering its services more than 130 cities with customer base up to 35,000.

3. Mobilink

PMCL (Pakistan Mobile Communications Limited) is the first GSM-based telecomm operator in South Asia, with leading GSM networks in Pakistan. Mobilink provides the range of postpaid and prepaid data and voice telecomm services to both corporate and individual subscribers. It has more than 38.2 million customers. In Pakistan Mobilink started its operation in 1990 with joint venture of Saif Group and Motorola Inc. and later on was sold to Orascom Telecomm.

4. NSN

NSN was created as a joint venture between Nokia's Network Business Group and Siemens Communications division. The company was publicly declared on 19 June 2006. In Feb 200, their Networks were launched at the 3GSM, they are considered to be in the region of \$100 million. In Feb 2008, for €140 million, Nokia Siemens Networks acquired Apertio. The company completed its acquisition on 7 August 2013, renamed as Nokia Networks, after that NSN become fully personal by Nokia.

2.3 Offering (Product and Services)

Mostly managers depend on the promoters because they start the merger and acquisition transaction. Manager rely on the promoter because they offer the product and services to the other company for doing the dealing of the merger and acquisition, and promoter try to satisfy the manager that they can be successes in such project. Manager try to decline the risk and difficulties which are occur in the utilization process. Manager tries to decline task difficulty in the way promoter perceived, whenever manager are in trust that they can succeed Bradley & Korn (1982).

In the majority organization it has been seen that when manager show overconfidence for presenting the product and services and do the early solution with the less availability of assessment of acquisition they become fail Bradley, J.W., Korn, D.H., (1982).

In view of the J.C Hooke (1997) that there are three basic group of risk (operating, financial and overpaying risk) in the merger and acquisition transaction. According to the Hammer, M., (2004) that operating risk concern with the output of the new acquiring company and evaluate whether that may give the expected return. In the operating risk manager look the members who will be responsible for not generating of the expected return. Before M & A transaction promoter measure the current output of the company and look the history of output. An example of such risk were the merger of Vistula S.A. and Wolczanka (2006).

2.4 Performance of team

Knowledge not only enhances the people activities but it also increases team work, enhances organizational capabilities Choi, J.N. (2002).

Necessarily the organizations have to enhance their capabilities to meet the wants of the day. This

shows that team work is equaled important for the creation of skills (Levine et al. 2000). The positive interaction of organizational units for knowledge sharing in team was found important. Team work in organization gives competitive advantages especially in information technology business (Schacter et al. 2011).

Recent studies show that there are various factors such as the deregulation, globalization, harmonization, shifting the technology, amendment in the structure and volume the number of the companies (Bettis and Hitt, 1995; Sampler, 1998). Creating the huge impression and re definition of industry is an important characteristic of team work (Bettis and Hitt, 1995; Sampler, 1998). In such a way, corporate governance combine the two different industries, which are already known as the separate industries such as (Greenstein and Khanna, 1997).

2.5 Structural Model

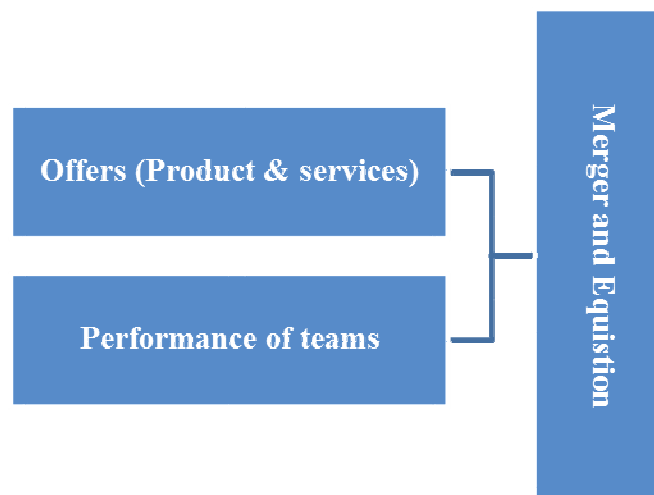


Figure: 1 Proposed research model (own created)

2.6 HYPOTHESIS

H1: *Offers have positive relation with merger and acquisition*

H2: *Performance of team has positive relation with merger and acquisition*

3. Research Methodology

The research methodology focused on developed questionnaire that was used in field survey to take the response of response of respondents and it is very way to get the unbiased response from all level of employs of selected firms like warid, LinkdotNet, Mobilink and NSN Networks. The analysis of data was done by using SPSS software, in analysis the descriptive statistics like mean, mode and standard deviation were used, for further more effective analysis correlation and regression analysis tests were applied.

3.1 Explanation of Instrumentation

- Questionnaire – the questionnaire was used to get answer of the respondents
- Independent variables -Offers (products and services), and Performance of team
- Dependent variable – Merger and Acquisition
- Case – All level employees

3.2 Questionnaire Development

After comprehensive study of literature review the closed end questionnaire was developed, the closed ended questionnaire means all the information regarding the respondents will be kept quiet secret and it is easy way to get the response.

3.3 Population

The employees of different level of jobs of selected companies like Warid, LinkdotNet, Mobilink and NSN Networks were the population for this research.

3.4 Pilot testing

The pilot testing is important before the distribution of questionnaires. At least, 30 questionnaires must first delivered among some friends to work a role of respondents even they have small idea about the research. The

reliability of these questionnaires indicates the further use of questionnaire.

3.5 Finalization

The researcher was supervised by an advanced knowledge able teacher to attain suitable remarks of amended and received back questionnaire, after that the questionnaire is valid for proceedings.

3.6 Sample and Selection

The questionnaires in 300 quantities were the sample for this research, and the researcher tried involve all level of employees of all the departments of selected companies.

3.7 Data Collection

After the successful development and distribution of questionnaires (by different types of media for distribution) the data was collected, as the main medium of distribution was by hand, so on spot filling method made easier to collect data. Very small amount of data was distributed and collect through email.

3.8 Editing of Data

The collected data was arranged and edited for further analysis in order to get more accurate research results.

3.9 Analyses of Data

To obtain the research results SPSS Inc 16.0 was used, Means, Mode and Standard Deviation tests provided a vision of collected data. It also was analyzed, that at up to how much level the M&A is best. The Regression analysis showed the impact of each independent variable over dependent variable. The relationship among all the variables was tested in co-relation test the analysis in detail is discussed in next chapter.

3.10 Research Rate

Total the 300 questionnaires were distributed to respondents for providing the response, 270 accurate and complete filled were received. So table No.3.1 indicates the complete picture.

Table No. 1 Research Rate

Number of Questionnaire	Number of response	Rate
300	270	90%

3.11 The reliability analysis

Table No. 2 The reliability analysis

Cronbach's Alpha	N of Items
.761	99

The reliability test shows the validity of research which should more than 0.600, in this the value of Cronbachs Alpha is 0.761 that is more than the required mean this research is valid.

4. Analysis

4.1 Gender of participant

As this research was composed of 270 participants, there were 170 male participants that is 63% of total, while 37% were female participants as shown in below table and figure.

Table No. 3 gender of participant

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	170	63.0	63.0	63.0
female	100	37.0	37.0	37.0
Total	270	100.0	100.0	100

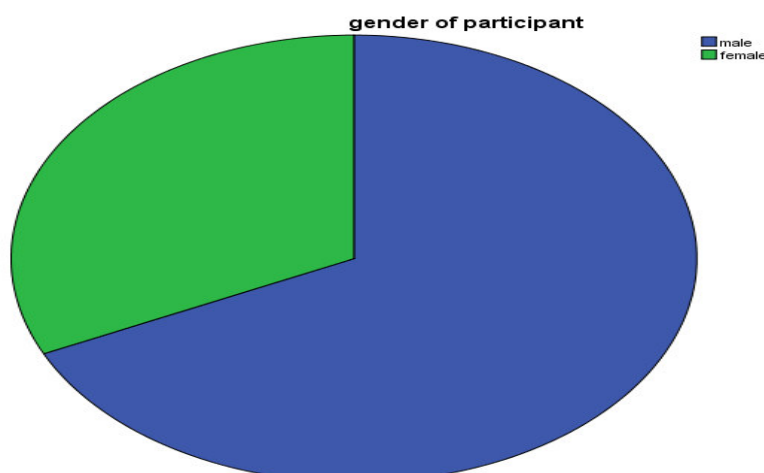


Figure No. 2 Gender analysis

4.2 Age analysis

There were three age groups 18-25, 25-30, above 40 and there cumulative percentage is 69.3%, 23.3%, 07.4% respectively.

Table No. 4 Age of participant

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 to 25	187	69.3	69.3	69.3
	25 to 30	63	23.3	23.3	23.3
	above 40	30	07.4	07.4	07.4
	Total	270	100.0	100.0	100.0

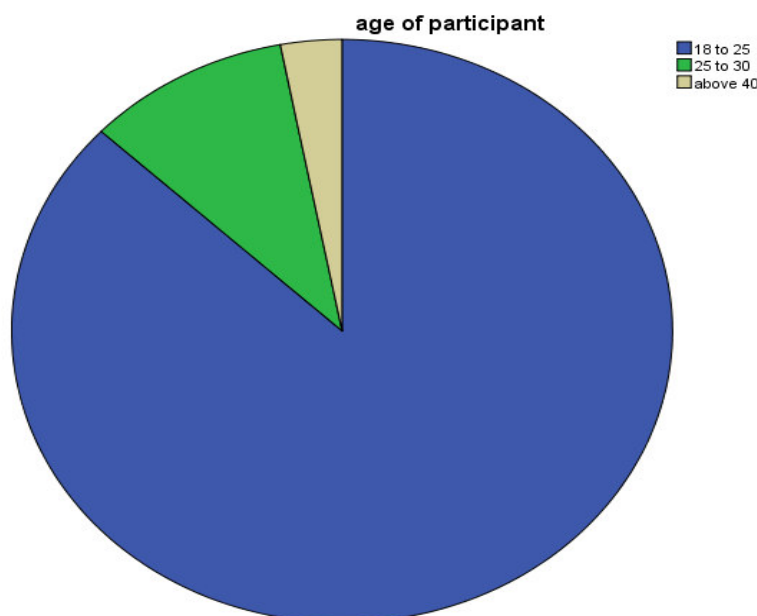


Figure No.3 Age analysis

4.3 Designation analysis

The designation analysis shows that there were five level of employee participated in this research, Ranges from executive vice president (EVP) to Staff, there quantities and cumulative percentages are mentioned in below given table.

Table No. 5 Designation of participant

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	EVP	12	0.04	0.04	0.04
	GM	87	21.5	21.5	21.5
	SM	74	27.5	27.5	27.5
	M	58	32.2	32.2	32.2
	Staff	39	15.6	15.6	15.6
	Total	270	100.0	100.0	100

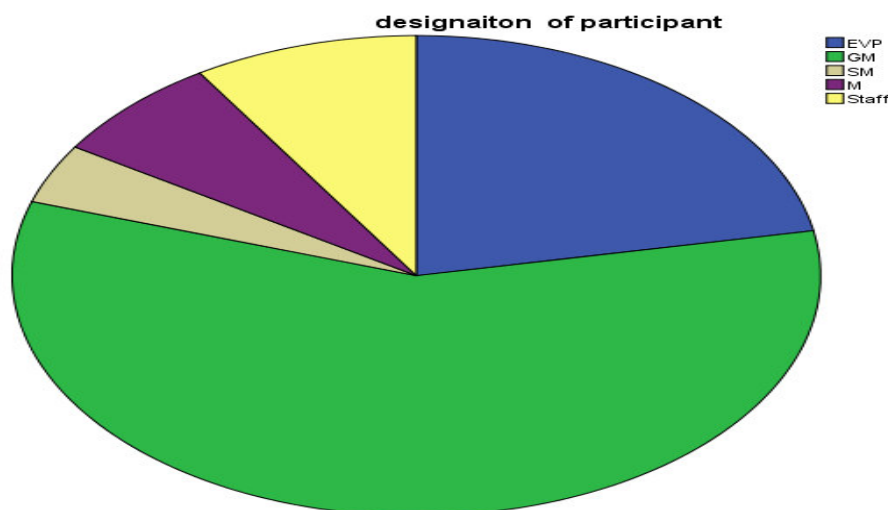


Figure No. 4 Designation of participants

4.4 Participant organization

This research was done in four companies, the frequency of participants from Moblink was 119 respondents which is 39% of total, from warid there were 67 participants with 27%, 46 participants were from Linkdotnet there percentage is 16, while 38 people participated from NSN, there percentage is 14%.

Table No. 6 organization of the participant

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Moblink	119	39.0	39.0	39.0
	Warid	67	27.0	27.0	27.0
	Linkdotnet	46	16.0	16.0	16.0
	NSN	38	10.0	10.0	14.0
Total	270	100.0	100.0	100.0	

4.5 Correlation Analysis

Table No. 7 Correlation Analysis

		Team Performance	Offering	Merger & Acquisition	
Team Performance	Pearson correlation	1			
	Sign. (2-tailed)				
Offering	Pearson correlation	.357**	1		
	Sign. (2-tailed)	.000	.000		
Merger & Acquisition	Pearson correlation	.329**	.213**	.329**	1
	Sign. (2-tailed)	.000	.000	.001	

** . Correlation is significant at 0.01 level (2-tailed).

* . Correlation is significant at 0.05 level (2-tailed).

The above given table shows the correlation among all the searched variables, the research results regarding Team Performance is 0.329** at P= 0.000 indicates that there is strong positive correlation of Team

performance with M&A, the error rate is only 1%. The correlation value 0.213** at P=0.001 indicates that there is positive significant relation between offering and M&A.

4.6 Regression analysis

The regression analysis gives the information about the model; the relationship of each independent variable with dependent variable is also measured in regression. The table of regression is given below, will be discussed, at the end the conclusion will show the model is fit or not fit for the research.

4.6.1 Model summary

Table 7 Model summary

Model	R	R square
1	0.540	0.591

- Predictors: (Constant), Offers (products and services), and Performance of team
- Dependent variable: Merger and acquisition

As the model summary is given in above table represents the impact each independent variable like Offers (products and services), and Performance of team on dependent variable M&A. The above table of regression analysis shows that the R provides the relationship between the observed and predicted value of dependent variables, here R= 0.540. The R square gives the strength of relation between independent and dependent variables, here R square is 0.591, means each independent variable Offers (products and services), and Performance of team has 62% impact on M&A.

4.6.2 ANOVA

Mostly F-value represents significant level, which from 0.01 to 0.05, the F-value in significant level shows that model is fit for research, otherwise not fit for research

Table 8: Anova

Model	F-Value	Significant
1 Regression	12.765	0.000

- Predictors: (Constant), Offers (products and services), and Performance of team
- Dependent Variable: Merger and acquisition

In this research F-value = 12.765 at significant value 0.000 that means there is the high level of significance, the model is fit for research.

4.6.3 Coefficient

In coefficient analysis it comes to know that how much each independent variable is impacting on dependent variable, the value of standardized beta shows the impact level.

Table 9: Coefficient

Model	Standardized Beta	T-Value	Significant
Team performance	0.459	2.766	0.000
Offering	0.569	2.300	0.001

Dependent Variable: Merger and acquisition.

In this research the independent variables are Offers (products and services), Cost and timing and Performance of team, their standard beta value is 0.459 and 0.569 respectively, means team performance has 45% impact on dependent variable M&A, and offering has 56% impact on dependent variable M&A.

5. Conclusion

This research concluded very important aspects regarding the impact of factors like Offers (products and services), and Performance of team on Merger and Acquisition further it is summed up in following points:

The company strategy is a key element for merger and acquisition, as has been seen very significant impact of company strategy on M&A in selected organization like Warid, LinkdotNet, Mobilink and NSN Networks. So it is very effective for these companies to make very clear and strong strategies that play their more positive role for merger and acquisition.

The different offering of product and services some time are not possible by individual company, so companies decides to be merged with some other more suitable one, as this research tells that in order to attract more potential customers the selected companies have right decision of merger. At the end the success or failure of merger and acquisition totally depends upon the team work, if the companies have more skilled team but lacks in teamwork is step first for downstream.

6. Recommendations

After successful completions are made:

- The ICT organizations like Warid, LinkdotNet, Mobilink and NSN Networks in Pakistan, in case of teamwork needs to place right person for right job, it will increase the productivity and ensure the

success of merger and acquisition.

- The changing trends of market and customer, it is essential to offer the products and services on reasonable cost with short span of time.
- The research results may vary if the demographic area and sample size is increased.

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