



Development of a Model for Merger and Acquisition for Entrepreneurs of Asia, Europe and North America in their Business Growth

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ABSTRACT: Mergers and Acquisitions have an extraordinary concern in the new globalized era. Globally, the potential of Merger and Acquisitions is to garner revenue and identify their keenness to formulate strategies for business growth. The main objective of the study is to Develop a Model for Merger and Acquisition for Entrepreneurs of Asia, Europe and North America in their Business Growth. The study uses a survey analysis for 50 entrepreneurs from Information Technology space who are spread across Asia, Europe and North America. The study uses Step-wise Regression technique to find the important predictors of the Merger and Acquisition Model as Futuristic approach based on market scenarios makes up the mind of companies to think about Mergers and Acquisitions, Portfolio Enhancement is a fostering factor for Mergers and Acquisitions, Value creation promotes the companies to go for Mergers and Acquisitions, Well Trained Human Resource is a fruitful deal for companies going for Acquisitions. Technological Advancements is an encouragement for the companies to opt for Mergers and Acquisitions. The results depict that these predictors explicate 10.9% of the variability of dependent variable i.e. Entrepreneurs of Asia, Europe and North America. The study also divulges Success and Hindrance Factors for Mergers and Acquisitions.

Keywords: Critical success and failure factors, Entrepreneurs, Information Technology Sector, Mergers and Acquisitions.

I. INTRODUCTION

This decade has seen the biggest ever mergers and acquisitions since the time known. Ever swelling Globalization has been constantly fostering the organizations to come together and build upon the synergies. The delta of influence of Mergers and Acquisitions can be understood with the fact that that FY 2018-2019 has encountered the deals worth the GDP of India. Leaders and Managers have been trying to demystify the mysteries of synergies. As a result of this cut throat competition, the business environment across the globe has inspired the decision makers to identify the value in the coming together and exploiting the economies of scale and scope. Akerman (2014)[1], has said that the process of amalgamation is surely going to increase because of the increasing demand and population in all the growing and developed economies. There are various known reasons factors for Mergers and Acquisitions i.e. Portfolio enhancement, corporate restructuring, better and efficient processes with underlying current of profit maximization. With special reference to the Indian Information Technology industry, it can be said that Indian IT companies have been growing by all means i.e. organic and in-organic. There are enough examples to prove that flagship Indian IT companies like Infosys, Wipro, TCS not only acquire the domestic companies but also go across borders to find real synergies. Similarly, the western IT sector has also seen the success stories built only on the basis of mergers like Google, Microsoft. This research paper will focus on the critical factors related to Mergers and Acquisitions. The researcher will try to find the real

factors that are responsible for the success and failure of the Mergers and Acquisitions with special reference to the entrepreneurs from Information Technology space across Asia, Europe & North America. The recent space of amalgamation in Information Technology are Artificial Intelligence (AI), Service Now, Machine Learning, Data Science, Block Chain, Internet of Things (IOT) etc. Some of the prominent examples of Mergers and Acquisitions can be Nokia-Microsoft, eBay-Skype, Microsoft- LinkedIn to name a few. It becomes essential to mention that the factors like climatic conditions, trade regulations, availability of resources highly influence the decision and process of Mergers and Acquisitions. The current research paper will also bring about a model that will help the entrepreneurs to make the logically apt decisions related to Mergers and Acquisitions for achieving the desired results.

II. REVIEW OF LITERATURE

Shook and Roth, 2011 [9] studied the effect of Strategic Human Resource Management to analyse the success and hindrance factors of Mergers and Acquisition for business growth. They specifically brought out the point of well Trained, Happy and Affiliated Human Capital with special reference to the Entrepreneurial ventures to attain the desired results. As per Mocchiari *et al.*, 2012 [5], Shobhana and Deepa (2011) [8] the profit maximization fosters the companies to explore the virgin territories.

They emphasized on the critical factors of strategic expansion as the major reason behind Mergers and Acquisitions which will eventually lead to the attaining of the better Human resource, unexplored market and

hence better figures in balance sheets. According to Zaheer *et al.*, (2013) [12] explained through that it is at times not easy to generalize the outcomes. It is sometimes not possible to 100% say that all the suggestions and findings related to the key factors of Mergers and Acquisitions. Verma and Bhattacharyya (2019) [11] concluded that the leveraging on technical, cultural and operational synergies are the major fostering factors for merger and acquisitions. The key motives, success factors, hindrance factors can be different for different industries depending on the market, size, etc. On the same note they also mentioned that the base line for Mergers and Acquisitions will only be improving revenues and achieving synergies. Conferring to Caiazza *et al.*, (2015) [6] suggested that communication across the pyramid which means continuous dialogue and feedback assures the success of the process of Mergers and Acquisitions. Stahl, (2013) [10], found that if the 2 or more organization who are catering the same market and that too with similar kind of products and service should definitely come together in order to have better margins. They basically emphasize that achieving the economy of scale should be the key success factor for the organizations. As per Bertoldi *et al.*, (2015) [2] explored the critical factors that ensure the fate of the Mergers and Acquisitions. They found out that the factors like being Agile, understanding the market dynamics and speedy adjustments are most important in order to be successful in the process of Mergers and Acquisitions. The stressed on that fact that Entrepreneurs should not make hasty decisions rather the decision should be based on consensus, logic and futuristic to earn the good returns on Investments. According to Ghosh and Dutta (2016) [3] the major factor for Mergers and Acquisitions for Entrepreneurs is to get access to the under developed market or the market which is not yet saturated and provide the differentiated products. According to Gomes *et al.*, (2012), [4] the business processes, company policies, employee's feedbacks, KRA's and other inter/intra company facilities account of significant amount of the effectiveness and efficiency of the results. Sarala *et al.*, (2016) [7], suggested that SHRM along with proper training and development paves the way for the successful deals. This clearly means that the companies along with leveraging on the various synergies like cultural, operational, technical should also focus on the above-mentioned fundamental approach towards Mergers and Acquisitions.

III. MATERIALS AND METHOD

Objectives:

1. To find the Critical Factors for Mergers and Acquisitions for Entrepreneurs in their Business Growth.
2. To Analyse the Success and Hindrance Factors for Mergers and Acquisitions for Entrepreneurs in their Business Growth.
3. To Develop a Model for Mergers and Acquisitions for Entrepreneurs of Asia, Europe and North America in their Business Growth.

The present research is exploratory and data collected is from primary sources. This research used convenient sampling for primary data collection with a sample size of 50 entrepreneurs from Information Technology space

who are spread across Asia, Europe and North America with representation of 16, 17 and 17 each (Fig. 1).

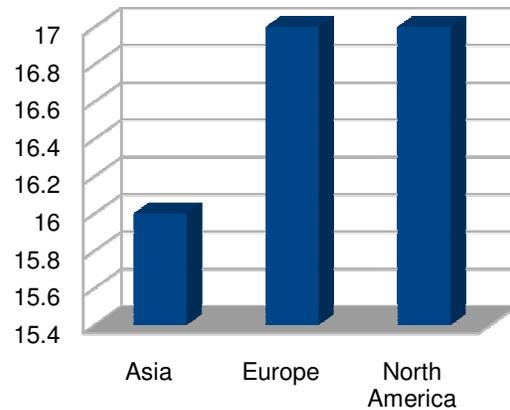


Fig. 1.

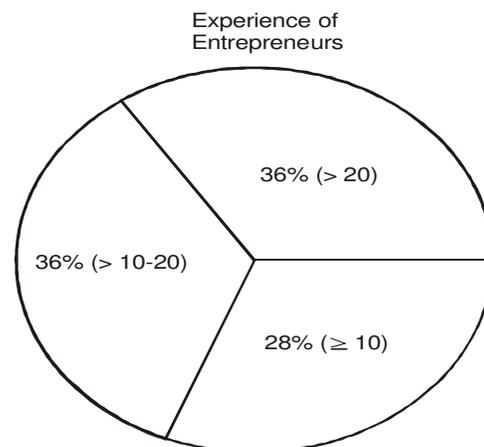


Fig. 2.

Experience of Entrepreneurs from Information Technology space has also a very important role in and as per Fig. 2, Experience of Entrepreneurs 36% of them are having more than 20 years of experience which also depicts the strength for keenness for their business growth. The responses of the questionnaire will be taken on Likert Scale so that it can be further analysed using Exploratory Factor Analysis. Hence, the data collected will be analysed using SPSS (version 23) to interpret the results.

IV. RESULT AND DISCUSSIONS

A. After Review of Literature following Critical Factors for Mergers and Acquisitions are obtained:

1. Technological Advancements is an encouragement for the companies to opt for Mergers and Acquisitions.
2. Well Trained Human Resource is a fruitful deal for companies going for Acquisitions.
3. Portfolio Enhancement is a fostering factor for Mergers and Acquisitions.
4. Value creation promotes the companies to go for Mergers and Acquisitions.
5. Futuristic approach based on market scenarios makes up the mind of companies to think about Mergers and Acquisitions.

As per the Table 1, it depicts that Average of Critical

Factors is on the favourable region however Technological Advancements is an encouragement for the companies to opt for Mergers and Acquisitions and Well-Trained Human Resource is a fruitful deal for companies going for Acquisitions are with highest mean values. Fig. 3 reveals the graphic representation about the average of critical factors for Mergers and Acquisitions.

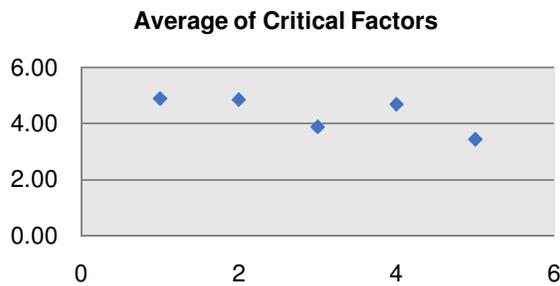


Fig. 3.

B. Review of literature divulges the following Success

and Hindrance Factors for Mergers and Acquisitions:

1. Clarity in the intent of synergy will decide the success and failure of Mergers and Acquisitions.
 2. Courtship Period serves a bride between the success and failure of the Mergers and Acquisitions.
 3. Inspection and vetting of the organizational fit will decide the success and failure of the Mergers and Acquisitions.
 4. The choice process of implementation of the strategic intent decides the success and failure of the Mergers and Acquisitions.
 5. Ongoing Training and Development is a continuous investment and Plays a key role in both the Pre & Post Mergers & Acquisitions Scenario.
- As per Table 2, Standard Deviation of Success and Hindrance Factors for Mergers and Acquisitions are spread out from the average but Inspection and vetting of the organizational fit will decide the success and failure of the Mergers and Acquisitions and The choice process of implementation of the strategic intent decides the success and failure of the Mergers and Acquisitions have the highest standard deviation values.

Table 1.

Critical Factors	Mean	Std. Deviation
Technological Advancements is an encouragement for the companies to opt for Mergers and Acquisitions.	4.88	0.48
Well Trained Human Resource is a fruitful deal for companies going for Acquisitions.	4.84	0.55
Portfolio Enhancement is a fostering factor for Mergers and Acquisitions	3.88	0.75
Value creation promotes the companies to go for Mergers and Acquisitions	4.68	0.74
Futuristic approach based on market scenarios makes up the mind of companies to think about Mergers and Acquisitions	3.44	0.50

Table 2.

Success and Hindrance Factors	Mean	Std. Deviation
Clarity in the intent of synergy will decide the success and failure of Mergers and Acquisitions.	4.88	0.48
Courtship Period serves a bride between the success and failure of the Mergers and Acquisitions.	4.84	0.55
Inspection and vetting of the organizational fit will decide the success and failure of the Mergers and Acquisitions.	3.88	0.75
The choice process of implementation of the strategic intent decides the success and failure of the Mergers and Acquisitions.	4.68	0.74
Ongoing Training and Development is a continuous investment and Plays a key role in both the Pre & Post Mergers & Acquisitions Scenario.	3.44	0.50

Development of a Model for Mergers and Acquisitions for Entrepreneurs of Asia, Europe and North America in their Business Growth:

Table 3.

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.330 ^a	0.109	0.008	0.81720
a. Predictors: (Constant), Futuristic approach based on market scenarios makes up the mind of companies to think about Mergers and Acquisitions, Portfolio Enhancement is a fostering factor for Mergers and Acquisitions, Value creation promotes the companies to go for Mergers and Acquisitions, Well Trained Human Resource is a fruitful deal for companies going for Acquisitions, Technological Advancements is an encouragement for the companies to opt for Mergers and Acquisitions.				

As per the above Table 3 the “R” column represents the value of R, the multiple correlation coefficient. R can be considered to be one measure of the quality of the prediction of the dependent variable for which this model for Entrepreneurs of Asia, Europe and North America having value of 0.330 indicates prediction and the “R Square” column also called the coefficient of determination is the proportion of variance in the dependent variable that can be explained by the independent variables, value of 0.109 of independent variables explain 10.9% of the variability of dependent variable i.e. Entrepreneurs of Asia, Europe and North America.

The F-ratio in the ANOVA (Table 4) shows that the independent variables i.e. Futuristic approach based on market scenarios makes up the mind of companies to think about Mergers and Acquisitions, Portfolio Enhancement is a fostering factor for Mergers and Acquisitions, Value creation promotes the companies to go for Mergers and Acquisitions, Well Trained Human

Resource is a fruitful deal for companies going for Acquisitions and Technological Advancements is an encouragement for the companies to opt for Mergers and Acquisitions statistically significantly predict the dependent variable, $F(5, 44) = 1.077$.

As per the Table 5, Unstandardized coefficients indicate how much the dependent variable varies with an independent variable when all other independent variables are held constant with Technological Advancements is an encouragement for the companies to opt for Mergers and Acquisitions at 0.245; Well Trained Human Resource is a fruitful deal for companies going for Acquisitions at 0.215; Portfolio Enhancement is a fostering factor for Mergers and Acquisitions at 0.236; Value creation promotes the companies to go for Mergers and Acquisitions at 0.15 and Futuristic approach based on market scenarios makes up the mind of companies to think about Mergers and Acquisitions.

Table 4.

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	3.596	5	0.719	1.077	0.386 ^b
	Residual	29.384	44	0.668		
	Total	32.980	49			

a. Dependent Variable: Entrepreneurs of Asia, Europe and North America
b. Predictors: (Constant), Futuristic approach based on market scenarios makes up the mind of companies to think about Mergers and Acquisitions, Portfolio Enhancement is a fostering factor for Mergers and Acquisitions, Value creation promotes the companies to go for Mergers and Acquisitions, Well Trained Human Resource is a fruitful deal for companies going for Acquisitions., Technological Advancements is an encouragement for the companies to opt for Mergers and Acquisitions.

Table 5.

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
	(Constant)	-0.802	1.962		-0.409	0.685	-4.757	3.153
	Technological Advancements is an encouragement for the companies to opt for Mergers and Acquisitions.	0.245	0.253	0.144	0.972	0.337	-0.264	0.754
	Well Trained Human Resource is a fruitful deal for companies going for Acquisitions.	0.215	0.218	0.143	0.986	0.329	-0.224	0.653
	Portfolio Enhancement is a fostering factor for Mergers and Acquisitions	0.236	0.157	0.215	1.506	0.139	-0.08	0.553
	Value creation promotes the companies to go for Mergers and Acquisitions	0.15	0.16	0.135	0.935	0.355	-0.173	0.472
	Futuristic approach based on market scenarios makes up the mind of companies to think about Mergers and Acquisitions	-0.312	0.242	-0.191	-1.29	0.204	-0.799	0.175

a. Dependent Variable: Entrepreneurs of Asia, Europe and North America

V. CONCLUSION

The results of the present study highlight that Mergers and Acquisitions are growing and also have a variety of challenges in front.

Model of Merger and Acquisition has made the Entrepreneurs from Information Technology space who are spread across Asia, Europe and North America today to rise up to the occasion by devising and formulating a number of business strategies.

More efforts have to be made if it wants to survive in the present-day world of competition. To achieve higher standards of efficiency and performance, it is suggested that Entrepreneurs should introduce new innovative concepts in their system.

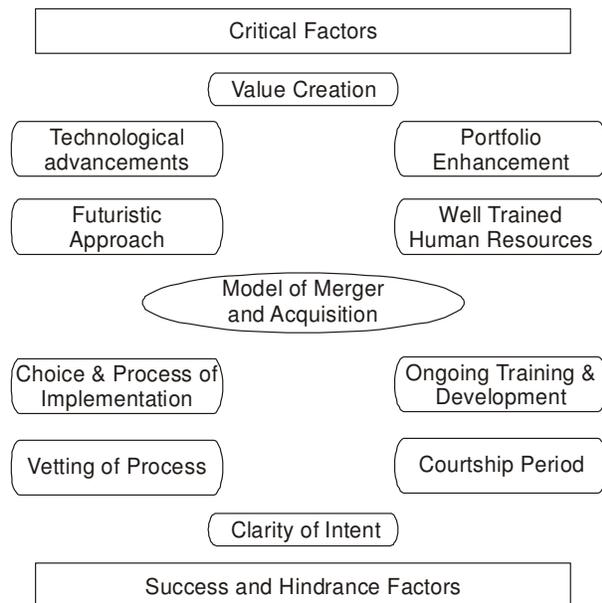


Fig. 4. Model of Merger and Acquisition.

Further, though activities like management training programs, mechanization, improvement in functional evidence etc. should also take a fresh look and introduce necessary changes in them. It is recommended Entrepreneurs must make efforts to introduce new concepts in their systems. The study suggests a Model of Merger and Acquisition (Fig. 4) including futuristic approach based on market scenarios makes up the mind of Entrepreneurs to think about Mergers and Acquisitions, Well Trained Human Resource is a fruitful deal for companies going for Acquisitions. Technological Advancements is an encouragement for the companies to opt for Mergers and Acquisitions are indicative for the Business Growth.

VI. FUTURE SCOPE

There is a wide and open scope of future research in the topic. The future models and researches can be based on new geographical locations, new variables of mergers and acquisitions and for the big and established companies unlike entrepreneurs in present case. The limitations and gaps in present paper will serve as the base of the future research.

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Conflict of Interest. This is to certify that there is no conflict of interest of authors, model and work with any other author, research work or businesses.

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