UNIVERSITI PUTRA MALAYSIA

LONG-TERM PERFORMANCE OF MALAYSIAN HORIZONTAL MERGERS AND ACQUISITIONS

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LONG-TERM PERFORMANCE OF MALAYSIAN HORIZONTAL MERGERS AND ACQUISITIONS

By
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DEDICATION

To my parents,
my wife, Yee Siew Fui and my son, Aik Zhu Ian
This study examines the long-term performance of Malaysian horizontal M&A activities. Four different measures were applied to ascertain whether the expected long-term economic gains are actually realized following the M&As. The findings indicate that the effects of M&A on bidder firms are negative in the long run. In particular, the operating performance of bidder firms deteriorated in the period after merger, while that of non-merging rivals to bidder firms improved over the same period, suggesting a spillover effect. For target firms, the findings suggest no synergistic gains in operating performance after M&A activities. These findings are consistent with the findings of financial analysis for the same sample to ascertain results from the non-use of traditional method in M&A literature. The sub-period analysis however revealed that M&A activity improves the operating performance of matching firms only for a very short run specifically in a year after M&A. In fact, the operating performance of major competitors (both bidder and non-merging rival firms) deteriorates in the long run, most notably in all
years after year three of M&As. The findings on industry effect reveal that M&A activity diminishes operating performance of bidder firms in manufacturing industry and matching firms in construction industry, suggesting that horizontal M&A activity in these industries (which rely heavily on the manpower) is not advantageous to improve operating performance of bidder firms and non-merging rival firms in Malaysia.

Consistent with the literature, the findings showed no significant change in technical efficiency of the merging firms after M&As. Similar findings are documented for the matching firms despite the insignificant declines in technical efficiency of matching firms are lower compared to bidder firms. Bidder firms however show a significant decline in cost efficiency in the long run, particularly within two specific window periods of three years before and three years after, and three years before and all years after year three of M&As.

The findings show a significant improvement in productivity of merging firms and non-merging rival firms in the long run. Similar to the bidder firms, productivity growth of non-merging rival firms is mainly due to the technical change (frontier shift effect) despite their higher level of technological progress compared to the bidder firms. Productivity of target firms, on the other hand, is solely contributed by the efficiency change (catching up effect).
Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

PRESTASI JANGKA PANJANG PENGGABUNGAN DAN PENGAMBILALIHAN MELINTANG DI MALAYSIA

Oleh

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Ogos 2010

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mengalami kerugian operasi dalam jangka masa panjang terutamanya dalam semua tahun selepas tahun tiga dari aktiviti P&P. Di samping itu, hasil kajian berdasarkan industri menunjukkan bahawa aktiviti P&P merosotkan prestasi operasi firma penawar (saingan) dalam sektor perkhilan (pembinaan), oleh itu mencadangkan bahawa aktiviti P&P secara melintang di industri-industri yang sangat bergantung pada tenaga manusia tidak memperolehi manfaat peningkatan prestasi operasi syarikat-syarikat ini di Malaysia.

Hasil kajian membuktikan ketiadaan perubahan yang signifikan dalam kecekapan teknikal bagi syarikat-syarikat yang terlibat dalam P&P ini adalah konsisten dengan sebahagian besar penyelidikan yang dilaporkan oleh penyelidik antarabangsa terdahulu. Syarikat saingan juga mengalami kemerosotan dalam kecekapan teknikal yang tidak signifikan. Akan tetapi, kemerosotan ini lebih rendah berbanding dengan syarikat penawar. Analisis lebih lanjut menunjukkan bahawa syarikat penawar mengalami kemerosotan yang signifikan dari segi kecekapan kos dalam jangka masa panjang, khususnya dalam dua tempoh masa khas iaitu tiga tahun sebelum dan tiga tahun selepas P&P, dan tiga tahun sebelum dan semua tahun selepas tahun tiga dari aktiviti P&P.

Bagaimanapun, firma penawar (dan sasaran) dan saingan menunjukkan keseluruhan kenaikan produktiviti yang ketara dalam jangka masa panjang dimana kenaikan produktiviti syarikat penawar dan pesaing ini adalah disebabkan oleh peningkatan teknikal (kesan pergerakan hadapan). Bagi syarikat sasaran pula, kenaikan produktiviti adalah sumbangan daripada peningkatan kecekapan relatif.
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I certify that an Examination Committee met on the 18th August 2010 to conduct the final examination of Aik Nai Chiek on his Doctor of Philosophy thesis entitled “Long-term Performance of Malaysian Horizontal Mergers and Acquisitions” in accordance with Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U(A) 106] 15 March 1998. The Committee recommends that the student be awarded the degree of Doctor of Philosophy.

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DECLARATION

I hereby declare that the thesis is based on my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously or concurrently submitted for any other degree at UPM or any other institutions.

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