

STUDY ON THE EFFECTIVENESS
OF MERGERS AND ACQUISITIONS
IN THE CONSTRUCTION INDUSTRY

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I hereby declare that the work in this 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 Universiti Malaysia Pahang or any other institutions.

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ABSTRAK

Tesis ini menyiasat mengenai aktiviti penggabungan dan pengambilalihan dalam industri pembinaan. Penggabungan dan pengambilalihan adalah strategi yang paling penting dan utama diambil oleh banyak organisasi pembinaan. Dalam industri pembinaan, penggabungan dan pengambilalihan telah digunakan untuk mempercepatkan pertumbuhan, memasuki pasaran baru, meluaskan asas klien syarikat dan juga sebagai pengurusan risiko. Ini kerana, setiap syarikat pembinaan cuba untuk mengurangkan kos dengan cekap untuk meminimumkan potensi dan saingan ekonomi. Berdasarkan penyelidikan ini, terdapat pelbagai kepentingan dan faktor yang akan mempengaruhi aktiviti penggabungan dan pengambilalihan dalam industri pembinaan. Antara faktor-faktor yang penting adalah seperti peningkatan pendapatan, jualan perkhidmatan, kos kecekapan, kedudukan dalam pasaran dan penjenamaan. Selain itu, objektif penyelidikan adalah: (a) Untuk mengkaji kepentingan dan faktor-faktor yang diperlukan untuk mempertimbangkan penggabungan dan pengambilalihan dalam industri pembinaan, (b) Untuk mendapatkan maklumat mengenai penggabungan dan pengambilalihan melalui tinjauan kuesioner, dan (c) Untuk menganalisis keberkesanan penggabungan dan pengambilalihan dalam industri pembinaan. Kajian ini menggunakan metodologi penyelidikan kualitatif dengan menjalankan soal selidik kepada syarikat pembinaan swasta yang terdapat di Malaysia. Seterusnya, indeks kepentingan relatif (RII) digunakan untuk menganalisis data yang diperolehi daripada tinjauan soal selidik. Penyelidikan ini memberi garis panduan kepada syarikat pembinaan untuk merancang aktiviti penggabungan dan pengambilalihan yang strategik. Hasil analisis yang dihasilkan menyatakan bahawa kepentingan dan faktor memberi kesan yang signifikan kepada keberkesanan dan keputusan untuk menjalankan penggabungan dan pengambilalihan. Di samping itu, penyelidikan ini memberi cadangan yang berguna untuk sektor lain bukan sahaja untuk sektor pembinaan jika mereka ingin mempertimbangkan penggabungan dan pengambilalihan.

ABSTRACT

This paper investigates about mergers and acquisitions in the construction industry. Mergers and acquisitions are the most significant and major strategy taken by many organizations. In the construction industry, mergers and acquisitions have been used to accelerate growth, entering new markets, widened the company's client base and also as risk management. During the last few decade, every construction company tried to reduce the cost efficiently in order to minimize potentials and economic competitions. The research finds out various importance and factors that would affect mergers and acquisitions in the construction industry. The factors emphasis on the increasing income, sales of services, cost of efficiency, position in the market and branding. The research objectives are: (a) To study the importance and factors needed to consider of mergers and acquisitions in the construction industry, (b) To obtain information about mergers and acquisitions through questionnaire survey, and (c) To analyze the effectiveness of mergers and acquisitions in the construction industry. The study adopt a qualitative research methodology by distributing questionnaire to different private construction company. Similarly, Relative importance index (RII) was adopted to analyzes the data gathered from the questionnaire survey. This research provides a guideline in order to plan for a strategic mergers and acquisitions. The results of the analysis produced stated that the importance and factors had a significant relationship with the effectiveness of mergers and acquisitions and the decision to undergo mergers and acquisitions. Furthermore, this research provide a recommendation that is useful for other sectors not only construction sector if they are considering mergers and acquisitions.

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LIST OF SYMBOLS

M&A Mergers and Acquisitions

LIST OF ABBREVIATIONS

RII Relative Importance Index

CHAPTER 1

INTRODUCTION

1.1 RESEARCH BACKGROUND

Mergers and acquisitions are a strategic strategies that is adopted by various construction organizations so as to contend and enter the business markets. Balle (2008) expressed that mergers and acquisitions are common strategy adopted by several organizations, firms and additionally business units. Additionally, the definition of ‘Mergers’ and ‘Acquisitions’ completely different from their perspective and the way they interpret it. Reuters (1992) expressed interpret mergers because the fusion between two company. Besides, Jones (1982) outlined merger as ‘marriage between two different firms with identical size with the agreement of co-operation’. Basically, mergers and acquisitions are already found in several alternative sectors as well as construction sector. This is often the most reason mergers and acquisitions is as a result of the strategies may lead to a bigger, quick and fewer value performances. Generally, an organization can take into account mergers or acquisitions to reinforced their company and eliminate the other weaknesses (Renaud, 2016). Moreover, the nomenclature of mergers and acquisitions sometimes stated the amendment in possession of the corporate while not evading the transaction’s condition. Hence, during this analysis the advanced term of mergers and acquisitions are referred because the integration of two or additional firms.

During this quick dynamic era, competition increase between construction company as they are competitive in getting into the worldwide markets and providing a distinct variation of services. This case might tell that the development business area unit incessantly dynamic with time and trend. this case have already gift and happening within the Europe, notably in France and conjointly in Germany. However,

in Malaysia several money capitalist don't seem to be happy with the nfortunate margin of profit of the development company that encourage the businesses in adopting mergers and acquisitions to cut back the capability. Hence, mergers and acquisitions are the fascinating strategies in increasing and widening the corporate within the international construction market.

1.2 PROBLEM STATEMENT

In Malaysia, the M&A's exercises are growing wide. Gazing the primary half of the year of 2007, the M&A deals was over US\$23 billion. The figure was nearly to the amount of US\$27.4 billion deal, that was recorded for the complete year of 2006. M&A activity throughout the amount mentioned was higher than the one dominated by the telecommunication and banking sectors. Different important areas embody industrial products, property, client product and also the media. Malaysia just like any other remainder country in the planet, has been swept by the privatization trend. Within the half of the year of 2007 alone, around US\$13.4 billion of value has been taken from the Malaysian exchange where a minimum of seventeen corporations taken to be personal. This low rate of interest and high liquidity within the credit market has inspired house owners to require their undervalued stocks persona although costs are currently being dearer compared to those days. Different key factors driving for the deals embody company long strategic concerns and a rise in confidence with the gift economic outlook. (PricewaterhouseCoopers, 2007) stated that a number of the most important deals engaged in Malaysia for the year of the 2007 includes:

- Maxis Communications Bhd, Malaysia's leading mobile operator, by Binariang GSM Sdn Bhd for US\$4.8 billion.
- AmInvestment Group Bhd, the country's second largest investment bank, by AMMB Holdings Bhd for US\$698 million.
- Property and plantation companies, Island & Peninsular Bhd and Petaling Garden Bhd by state fund manager, Permodalan Nasional Berhad for US\$339 million.

- Employee Provision Fund acquiring and taking private Malaysia's fourth largest banking group, Rashid Hussain Bhd and its subsidiaries for US\$4.5 billion.

Besides the listed deals on top, there have been a notable range of cross-borders deals, principally involving foreign acquisitions of Malaysia's assets. These acquisitions measures principally on the areas like the telecommunication, banking sectors, industrial, property and media and business enterprise. A number of the cross-borders mergers and acquisitions below:

- Saudi Telecom Co taking over a 25% stake in Binariang, the parent company of Maxis, worth US\$3 billion.
- Bank of Tokyo-Mitsubishi acquiring a stake in Malaysia's second largest banking group, Bumiputra-Commerce Holdings Bhd (CIMB), for US\$382 million.
- Singapore's State investment arm Temasek Holdings selling its stakes in Telekom Malaysia Bhd for an amount of US\$360 million.
- Sale of three up market shopping malls in Penang for over US\$290 million to a US insurance group.
- Local timber-cum Chinese press tycoon Tan Sri Tiong Hiew King merging its Hong Kong and Malaysia media arm, with Ming Pao Enterprise Corp Ltd of Hong Kong acquiring Sin Chiew Media Corp and Nanyang Press Holdings Bhd of Malaysia for US\$269 million.

There are still several corporations that have ideal underlying ingredients for ongoing personal and merging exercises. These corporations are going to succeed a powerful income, smart quality assets and sturdy earning potential relative to their value via the deals, starting the at rising of M&A, among the sectors are banking services and property. Deals in banking services are expected to be driven by the cross-borders and trade consolidation factors. Malaysian Banking Bhd, Malaysia largest bank as an example is on the search for banks among the region whereas two local banking teams, RHB Capital Bhd and EON Capital Bhd are seeking foreign strategic partners, with plans to sell 10 to 35 percentage of the stakes. There are also prospects of any

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