

THE IMPACT OF MERGER IN AUTOMOTIVE COMPANY:
A CASE STUDY ON PROTON HOLDING BERHAD

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APPROVAL

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This report is submitted to Faculty of technology Management and Technoprenuersip
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“I admit that this report is the result of my own except summaries and excerpts that each of them I have explained the sources”

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DEDICATION

This final year's project is dedicated to my parents, my love and friends for their love, endless support, encouragement, and prayers.

ACKNOWLEDGEMENT

Alhamdulillah and all praise to Allah for the completion of this research paper. I would like to thank all of those who help make this research complete. First, I would like to thank my parent and my special one to help and support through my research. I would like to express my greatest gratitude and appreciation to my supervisor Datin suraya binti Ahmad for their patient coaching and outstanding direction and guideline for this research. I would like to thanks Dr Murzidah Binti Ahmad Murad as my panel on my research. Her question and comment were very beneficial in my completion of this research. Thanks to all my friend and people who help me in collecting the data and share information during my research. The completion on this research would not be possible without their support and guidelines.

ABSTRACT

The aim at this study was to determine the relationship of the factor in merger performances with their impact on merger between automotive companies on Proton Holding Berhad. In this study, 100 employees in Proton Holding Berhad have been chosen by random sampling method include multifactor merger questionnaire (MMQ) in Proton city at Tanjung Malim Perak and Proton in Shah Alam Selangor. The level of respondent included by supervisor, manager and engineering position to analysis this research. Data analysis has been analysis using the quantitative methodology, survey by distribution of questionnaire and the data has been analysis by using the statistical method (SPSS). This research has been measured the result of finding with three factors within motive of merger, financial performance and operating performance developed by researcher in independent variable to study the impact on merger between automotive companies in Proton and the most result impact on merger performance are motive of merger. In addition, the research illustrates that this study can help company to focus or reduce the issues that will impact on performance merger between organizations.

ABSTRAK

Tujuan kajian ini adalah untuk mengkaji hubungan antara faktor pergabungan dengan kesannya ke atas syarikat pergabungan automotif antara proton Holding Berhad. Dalam kajian ini, 100 orang pekerja di Proton Holding Berhad telah dipilih melalui kaedah pensampelan rawak termasuk penggabungan pelbagai faktor dalam soal selidik (MMQ) dalam soal selidik yang telah diedarkan di Proton tanjung Malim perak dan di Proton di Shah Alam, Selangor. Pengagihan hasil kajian ini terdiri daripada pemegang jawatan supervisor, pengurus and engineering. Data analisis telah dianalisis dengan menggunakan kaedah kuantitatif, soal selidik daripada borang soal selidik dan menganalisis data mengikut kaedah statistik analisis (SPSS). Kajian ini telah dinilai melalui tiga faktor antaranya motif pergabungan, prestasi kewangan dan prestasi dalam operasi dalam syarikat Proton holding Bhd. keputusan dari hasil kajian pengkaji mendapati motif pergabungan banyak memberi impact dalam pergabungan Proton. Di samping itu, kajian ini juga dapat membantu pihak syarikat untuk lebih fokus kepada isu-isu yang dapat memberi kesan prestasi hasil daripada pergabungan organisasi.

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LIST OF SYMBOLS

N	=	Number of quantities
M	=	Mean value
β	=	Beta value
$\%$	=	Percentages

CHAPTER 1

INTRODUCTION

1.1 Background of study

In this study, the researcher will discuss on the definition of the merger and the factor influence the merger in manufacturing automotive company. A merger is the combination of two existing organizations into one new organization. There are three types of merger within horizontal, vertical and conglomerate depends on their strategies structure in Organization Company. Besides that, every organization adopts difference technique and tool to maximize its profit to survive in the growing market to respond reaction in order to get maximum gain like entering into new market, launching new product, increasing portfolio and so on.

Besides that, there are few reasons why organization or company wants to merger. The main objective of the firm doing the merger is to work with other company to become more efficiency rather than being a single firm in market. This is because merger gives benefit of the return on equity and shareholder wealth and it can decreases expenses in operating cost for the firm (Georgios, 2011). The management of the company is also can increase their power authorities and by doing the merger, both of company merger can achieve short term and long term objective of the firm (Gattoufi et al, 2009).

In previous study, mostly researcher focuses about the financial of company and its impact to the performance of organization. According to Sohini et. al(2016) between 2005 to 2015 most the journal have focusing on firm performance with measured by three aspects such as accounting measures, stock market performance measures and qualitative measures.

The case study conducted is at Proton Holding Berhad organization Malaysia. From researcher study, Proton associated under of khazanah Nasional government of Malaysia and excellently providing automobile design, manufacturing, distribution and sales from 1983 until now. The merger between organizations Proton also impact in economic growth on management development after doing the merger (Muzalwana, 2012). The headquarters Proton is in located in Shah Alam, Selangor, and the other operation site is at Proton City, Perak. The researcher focuses study on impact of merger in automotive Company for building a new product and expansion the operation. Besides that, researcher wants to identify which is the most effective's factor that will impact in merger performance by Proton. So that, Proton can improve decision making whether to focus or reduce on the prominent impact for company future as well as can to contribute business performance.

1.2 Problem statement

Automotive in local market have existed since 1896. The most issues from previous studies are about the merger industry that gives effect in performance globally and most of research focus on their performance financial and operating performance in organization of merger.

As we know the objective of merger is to increase profit and productivity towards firm and make sure the firm become more efficient after doing the combination in organization. This is because, this study is literally focusing to determine the factor that will impact the Proton performance and also will impact the credibility performance of the company. However, the researcher that related comparatively to merger is not commonly conducted by researcher. This is one of the

reasons why researcher decides to do the merger and relation of factor that will impact on manufacturing automotive industry.

1.3 Research Question

Based on the research objectives that have been developed earlier, three inquiries have been developed to meet objectives. Below are the questions that need to be concerned to accomplish to get a better clarification of this research:

1. Why this company decided to do merger?
2. What are the factors will impact merger in manufacturing automotive company?
3. What the most factor that will impact in automotive manufacturing industry?

1.4 Research objective

The main objective of this study is to determine the impact and conditions that are important to performance in automotive manufacturing organization industry. To be more specific, there are three research objectives that will be highlighted in this study. These objectives are as follows:

1. To study the reason company doing the merger.
2. To study the factors those are impact mergers in manufacturing automotive.
3. To determine the most factors will impact in automotive manufacturing industry.

1.5 Scope and limitation of study and key assumption

1.5.1 Scope

The scope research study is to focus of merger in automotive company. The scope study will discover the factor of company doing merger in Proton. As we know, the company currently doing the merger headquartered in Shah Alam and have

additional operation facilities in Perak. In this research, researcher will focus factor to find the dominant impact of merger in automotive manufacturing industry and its impact to their business performance. Therefore, the targeted respondents are among management ranks in that company which include engineers, managers and supervisor. The total number of respondents involves are 100.

1.5.2 Limitation

The researcher focuses on manufacturing industry in which the organization involved only in manufacturing sector. The target respondent for this research is limit to 100 respondents which only include engineers, managers, and supervisor. Some other constraint may happen throughout the study process such as time constraint which is dominant limitation. This is because researcher requires a longer time to enable the researcher collect the data for effective research. Besides that, researcher must cover all issues about merger in the manufacturing organization.

1.5.3 Key assumption

Along this research, researcher will observe that the attitude of the respondent during filling the question, researcher assume that respondent provide the honest answer and the questionnaire will be guaranteed as a good quality. Besides that, researcher assume that respondent has adequate knowledge to be part of respondent in primary data collection and respondent has more experience in handling in research topic when she or he can provide justifiable answer.

1.6 The significance of research

This research is important to understand the merger performance in organization because merging is the most effective way for implementation of a plan to grow in economies. To study this issues, more knowledge of these issues are needed especially the factors involve in merger and impact that will happen in

organization. Hence, this research intends to contribute the study of merging by selecting the factor will impact in company merger. The significance of this research to help the automotive manufacturing industry to improvise by able to reduce or even eliminate the issues will impact of merger performance industry.

1.7 Summary

This chapter explain the research background. The introduction briefly explains of the study on the merging introduction and the general about factor of merger in manufacturing automotive company. It includes basic information about the research encompassing introduction which the factor of merger in industry automotive manufacturing. This chapter also described the problem statement, objectives of research and the research question in report study. In the next chapter, the researcher will explain more detail about the merging that will impact business performance in manufacturing automotive industry.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In this paper, researcher will explain about the topic based on extensive literature review from journal and article. Generally, factor that have impact of merger in automotive industry have been explained by many authors. The outline of this chapter is cover up by definition of merger, histories of merge, motive of merger, type of merger, financial performance and operating performance in merger performance. Besides that, in this chapter, researcher also describes the Theoretical Framework and lastly testing the hypothesis result.

2.2 Definition of merger

Merger can be defined as a combination of two or more organization to be a single organization where can sustain each other in business. However, this corporate can survive and acquires the benefits and in addition liabilities of the combined organization.

According to Alao (2010) merger is the combination of two firms. Merger is the legal activities in which two or more organizations combine in only one firm

survive as a legal entity (Horne and John M, 2004). According to Georgios (2011) also define that merger involve two or more firms together and the creation of a new

single firm while as per defined by Khan et. al (2011) meaning of merger are two or more firms fix together and into one firms.

The other hand, merger or amalgamation signifies 'combination of two business organizations into one' and 'converging of two or more business concerns into one entity as defined from Oxford Dictionary.

Besides that, on the India law book sector use the term of "amalgamation" are the merger which combine of two or more business into one business. From the income tax act, 1961[section 2(1A)] characterizes amalgamation as the merger of one or more organizations with another or the merger of two or more organizations to shape another organization.

Hence, merger can be characterized as a combine of two or more element organization to end up single substance organization where one survival and the other lose their autonomy. However, this corporate can survivor and acquires the benefit of resources, synergy and management process in one root sources.

2.3 History of merger

According to Goyal(2011) merger are important as a tool in business especially for business development in difference countries. From previous study, the merger was started in Europe and United stated of America. After that, development of merger was spread in Pakistan, India, Malaysia, Bangladesh and other country. Merger has a six distinct wave which will explain as below(Malik et.al, 2014).

a) First Wave

The first wave started from 1897 until 1904. In this recorded period, merger started to grow in firm or organization who want get advantages in manufacturing as a being single in the market like railroad, light and power. According to Fatima and Shehzad(2014), the process occurs in horizontal merger and happens in profound industries and the result fails to accomplish the set goal and objectives.