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

NOOR IZANI BINTI YAACOB

UNIVERSITI TEKNIKAL MALAYSIA MELAKA
APPROVAL

‘I hereby declare that I have read this report and in my opinion this report is sufficient in terms of scope and quality as a partial fulfilment of Bachelor of Technology Management (Innovation Technology)’

Signature : ……………………

Supervisor Name : Datin Suraya Binti Ahmad

Date : ……………………

Signature : ……………………

Panel Name : Dr. Murzidah Binti Ahmad Murad

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

NOOR IZANI BINTI YAACOB

This report is submitted to Faculty of technology Management and Technoprenuersip (FPTT)
Universiti Teknikal Malaysia Melaka
In partial fulfilment of technology Management (Technology Innovation)

Faculty of Technology Management and technoprenuership(FPTT)
Universiti Teknikal Malaysia Melaka

JUNE 2017
“I admit that this report is the result of my own except summaries and excerpts that each of them I have explained the sources”

Signature: ..............................................

Name : NOOR IZANI BINTI YAACOB

Date : .................................................
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 thank 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 friends 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.
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

# TABLE OF CONTENT

<table>
<thead>
<tr>
<th>PAGES</th>
<th>CONTENT</th>
<th>PAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECLARATION</td>
<td>i</td>
<td></td>
</tr>
<tr>
<td>DEDICATION</td>
<td>iii</td>
<td></td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>iv</td>
<td></td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>v</td>
<td></td>
</tr>
<tr>
<td>TABLE CONTENT</td>
<td>vii</td>
<td></td>
</tr>
<tr>
<td>LIST OF TABLE</td>
<td>xi</td>
<td></td>
</tr>
<tr>
<td>LIST OF FIGURE</td>
<td>xiii</td>
<td></td>
</tr>
<tr>
<td>LIST OF SYMBOL</td>
<td>xiv</td>
<td></td>
</tr>
</tbody>
</table>

## CHAPTER 1  INTRODUCTION  1

1.1 Background of Study  1
1.2 Problem Statement  2
1.3 Research Question  3
1.4 Research Objective  3
1.5 Scope, Limitation and Key Assumption  3
1.5.1 Scope  3
1.5.2 Limitation  4
1.5.3 Key Assumption  4
1.6 The Significant Of Research  4
1.7 Summary  5

## CHAPTER 2  LITERATURE REVIEW  6

2.1 Introduction  6
2.2 Definition of Merger  6
CHAPTER 3 RESEARCH METHODOLOGY 23

3.1 Introduction 23

3.2 Research Design 23

3.2.1 Questionnaire Design 24

3.3 Methodological Choices 25

3.4 Primary Data Sources 25

3.5 Secondary Data Sources 26

3.6 Analysis Technique 26
3.7 Location of Research 26
3.8 Research Strategy 26
  3.8.1 Pilot Testing 27
  3.8.2 Sampling Method 27
  3.8.3 Questionnaire Structure 28
3.9 Time Horizon 29
3.10 Scientific Canon 30
  3.10.1 Reliability 30
  3.10.2 Validity 30
3.11 Statistical Tool 31
  3.11.1 Pearson Correlation Analysis 31
  3.11.2 Multiple Regression Analysis 32
3.12 Summary 32

CHAPTER 4 RESULT AND DISCUSSION 33
4.1 Introduction 33
4.2 Analysis Pilot Test 33
  4.2.1 Reliability Test 34
  4.2.2 Validity Test 34
4.3 Data analysis 36
  4.3.1 Descriptive Analysis Respondent 36
    4.3.1 Gender 36
    4.3.1.2 Age 37
    4.3.1.3 Position 38
    4.3.1.4 Academic Level 39
      4.3.1.5 Income Level 40
      4.3.1.6 Years Of Experience 41
4.4 Analysis Questionnaires 42
  4.4.1 Independent Variable Analysis (IV) 42
  4.4.2 Dependent Variable (DV) 45
4.5 Description Statistic Analysis 46
  4.5.1 How to Set UP Range Frequency 46
4.6 Correlation Coefficient Test 49
CHAPTER 5 CONCLUSION AND FUTURE WORK  58
  5.1 Introduction  58
  5.2 Summary and Finding  58
  5.3 Demographic profile Respondent  59
  5.4 Research Objective  60
  5.5 Recommendation Of Future Research  61
  5.6 Conclusion  62

REFERENCES  63
APPENDIX  70
## LIST OF TABLE

<table>
<thead>
<tr>
<th>TABLE</th>
<th>TITLE</th>
<th>PAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>The point of Likert Scale of questionnaire</td>
<td>24</td>
</tr>
<tr>
<td>3.2</td>
<td>The scale measurement</td>
<td>27</td>
</tr>
<tr>
<td>3.3</td>
<td>Gantt chart of Timeline of research</td>
<td>28</td>
</tr>
<tr>
<td>3.4</td>
<td>Pearson correlation coefficient</td>
<td>30</td>
</tr>
<tr>
<td>4.1</td>
<td>Result of pilot test</td>
<td>33</td>
</tr>
<tr>
<td>4.2</td>
<td>Validity test Correlations 30 respondent Pilot Testing</td>
<td>34</td>
</tr>
<tr>
<td>4.3</td>
<td>Independent variable and dependent variable</td>
<td>41</td>
</tr>
<tr>
<td>4.3(a)</td>
<td>The description item of motive of Merger on impact in automotive company Proton</td>
<td>41</td>
</tr>
<tr>
<td>4.3(b)</td>
<td>The description item of financial performance on impact in automotive company Proton</td>
<td>42</td>
</tr>
<tr>
<td>4.3(c)</td>
<td>The description item of Operating performance on impact Merger in automotive company Proton</td>
<td>43</td>
</tr>
<tr>
<td>4.3(d)</td>
<td>The description item of impact Merger in automotive company Proton</td>
<td>44</td>
</tr>
<tr>
<td>4.4</td>
<td>Frequency Range of Score</td>
<td>45</td>
</tr>
<tr>
<td>4.5</td>
<td>Sample size, mean score and standard deviation Motive of merger (IV)</td>
<td>46</td>
</tr>
<tr>
<td>4.6</td>
<td>Sample size, mean score and standard deviation financial performance (IV)</td>
<td>46</td>
</tr>
<tr>
<td>4.7</td>
<td>Sample size; mean score and standard deviation operating performance (IV)</td>
<td>47</td>
</tr>
<tr>
<td>4.8</td>
<td>Sample size; mean score and standard deviation impact of merger (DV)</td>
<td>48</td>
</tr>
<tr>
<td>4.9</td>
<td>Correlations between motive of merger, financial performance,</td>
<td>49</td>
</tr>
</tbody>
</table>
Operating performance and impact of merger

4.10  Model Summary  50
4.11  ANNOVA  51
4.12  Coefficients  52
4.13  t and significant value  54
# LIST OF FIGURES

<table>
<thead>
<tr>
<th>TABLE</th>
<th>TITLE</th>
<th>PAGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Theoretical Godbole, 2007</td>
<td>10</td>
</tr>
<tr>
<td>4.1</td>
<td>Gender of respondent</td>
<td>35</td>
</tr>
<tr>
<td>4.2</td>
<td>Age of respondents</td>
<td>36</td>
</tr>
<tr>
<td>4.3</td>
<td>Position of Respondent</td>
<td>37</td>
</tr>
<tr>
<td>4.4</td>
<td>Academic Level Respondent</td>
<td>38</td>
</tr>
<tr>
<td>4.5</td>
<td>Income Level of Respondent</td>
<td>39</td>
</tr>
<tr>
<td>4.6</td>
<td>Years’ experience of respondent</td>
<td>40</td>
</tr>
<tr>
<td>4.7</td>
<td>Value of the correlation coefficient</td>
<td>48</td>
</tr>
</tbody>
</table>
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 khasanah 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 firmand make sure the firm become more efficient after doing the combination inorganization. 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 focuses 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 collective the data for effective research. Besides that, researcher must recover 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.