

## **PERCEPTIONAL STUDY ON IMPLICATIONS OF MERGERS IN MAHINDRA SATYAM**

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*Abstract: This paper explores the decision-making of the existing employees of a Mahindra satyam company in an attempt to understand the formation and maintenance of perceptual image to identify the context of the formation and maintenance of perception about their organizations at a rich micro-level during a pre and post merger period.*

*Keywords: Mergers & Acquisitions, perception, consolidation.*

### **INTRODUCTION**

Mahindra Satyam has been branded as Tech Mahindra after the Parent Company's name. Tech Mahindra is a leading global systems integrator and business transformation consulting organization, focused primarily on the telecommunications industry. Tech Mahindra expanded its Information Technology (IT) portfolio in 2009 by acquiring Satyam Computer Services, which post-acquisition got renamed as Mahindra Satyam. While Mahindra Satyam remained as a distinct entity with an independent listing on the BSE - Sensex and NSE - Nifty, it was envisaged by the Boards of Tech Mahindra and Mahindra Satyam that a merger of both the companies, would be the way to go forward. The problem that is identified in this project is to investigate the employees' perception towards implication of merger in the organization on whether the merger will provide the benefits expected from the merger, the impact it has on the minds of the employee based on which the suggestions are given.

### **LITERATURE REVIEW**

This section discusses the relevant literature about the motives for mergers. Berkovitch and Narayanan (1993) have identified synergy, hubris and agency as three major motives of takeovers. They have tested three hypotheses related to these motives using a sample of 330 tender offers of US firms during the period 1963 -1988. They have observed that the synergy is the primary motive associated with positive wealth effects

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for acquirers while a zero wealth effect is driven by hubris. Agency is the major reason for value reducing acquisitions.

The managerialism hypothesis suggests that managers acquire firms for their own personal motives than the economic gains to the acquiring firm. Managers undertake acquisitions to maximize their own benefits at the expense of the shareholders of the firm Marris (1964). The hubris hypothesis proposes that acquiring firm managers make mistakes in evaluating target firms, but undertake acquisitions showing that their valuations are appropriate. Roll (1986) has stated that this hubris causes them to overpay for the acquisition of the target. These deals have no synergy gains as they are motivated by managers' mistakes. Mukherjee, Kiyomaz and Baker (2004) conducted a survey of US firms during 1990-2001 to study the motive for mergers and acquisitions. Their empirical evidence shows that primary motivation for mergers and acquisitions is to achieve operating synergies.

Ramakrishnan (2008) studied a sample of 87 domestic mergers of Indian companies during the period 1996-2001 to study the long-term performance of merged companies. The study indicates that operating synergy is the primary motive of the mergers in India.

Seth, Song and Pettit (2000) investigated 100 acquisitions of US firms by foreign firms during 1981-1990 to explain the motive for cross-border acquisitions. Their findings lend support to the synergy hypothesis as the main motive. The study also revealed that hubris also played an important role in these deals. Eun, Kolodnu, and Scheraga (1996) have investigated the synergy hypothesis for cross border acquisitions of US firms during 1979-1990. The study has concluded that cross-border acquisitions are synergy creating activities.

Mueller and Sirrower (2003) tested four hypotheses: the synergy hypothesis, the hubris hypothesis the market-for-corporate-control hypothesis and the managerial discretion hypothesis to investigate the motives of merger. They have tested the hypotheses for 168 mergers between large US companies during the period 1978-1990. They found significant evidence for the managerial discretion and hubris hypotheses and non-significant support for the market-for-corporate-control hypothesis as a motive for merger. Synergy hypothesis as a motive for merger has been rejected in this study. However, a number of empirical studies found significant evidence for synergy as a merger motive.

Wasserstein (1998) has identified five major causes of mergers. He states that the process of merger is driven by the forces of technological change, regulatory and political reforms, fluctuations in financial markets, the role of leadership and the tension between scale and focus. Friedrich Trautwein (1990) classified the theories of merger motives, empire building, raider, valuation and process and disturbance theory. Kumar and Rajib (2007) have examined a sample of 227 acquirer and 215 targets companies during the period 1993-2004. They have observed capital structure characteristics as a main motive for the merger for both acquirer and target companies in India. They

reveal that firms with tighter liquidity positions are more likely to become a target. Goold and Campbell (1998) have pointed out that shared know-how, pooled negotiated power, coordinate strategies, vertical integration, shared tangible resources and combined business creation bring synergy for merged entity. Also they have suggested cost savings, process involvement, revenue enhancement, tax benefits, financial engineering as main sources of synergy.

### **OBJECTIVE OF THE STUDY**

The Primary objective of the study is to analyze the employees perception about the implications of merger in Mahindra Satyam

### **METHODOLOGY**

A sample size of 70 has been taken to data analysis. Random sampling technique is being followed. The structured questionnaires that were framed consist of 30 questions were given under 5 factors that influence the employee perceptions on merger. The respondents were employees of Mahindra Satyam, Chennai. This study will help to identify the employee perception towards merger. The findings will help the organization to see if it is on a perfect growth path after the merger.

### **ANALYSIS & INTREPRETATION :**

As per the correlation matrix the Pearson Correlation value between the two variables is .902. This value is very close to 1 as shown in the Table I. So, we can conclude that there is a strong relationship between Employee perception on Branding and Branding in consultation with Employees. Since the Sig (2-Tailed) p-value is less than significant level (i.e.000 < 0.01). Hence there is a statistically significant correlation between these two variables.

Based on the correlation matrix the Pearson Correlation value between the two variables is .745. This value is close to 1 as shown in the **Table II**. So, we can conclude that there is a strong relationship between employee attitude towards satisfaction on job and proud to work for the organization. Since the Sig (2-Tailed) p-value is less than significant level (i.e.000 < 0.01). Hence there is a statistically significant correlation between these two variables.

The Pearson Correlation value between the two variables is .544 based on the correlation matrix. This value is close to 1 as shown in the **Table III**. So, we can conclude that there is a strong relationship between employee expectation on motivation by team leader at work and working culture of the organization. Since the Sig (2-Tailed) p-value is less than significant level (i.e.000 < 0.01). Hence there is a statistically significant correlation between these two variables.

At  $\alpha = 0.01$ , the level for 4 degree of freedom the p-value is .001 as shown in the **Table IV**, Since the critical value is lesser than significance level (i.e. .001<.01) Hence

reject the null hypothesis and accept the alternative hypothesis. Hence it is concluded that there is significant difference between mean ranks towards employee perception on Merger in Mahindra Satyam. Based on the mean rank most of the employees perceived that there is room for Growth and Development (2.66), Positive Impact (2.91), Branding (2.98), Consultation of Brand Name (3.16) and To be part of the new entity (3.30).

**Table I**  
Descriptive Statistics and Correlation between employee perception on branding in organisation and consultation with employees

Descriptive Statistics				
		Mean	Std. Deviation	N
Q1	– Employee perception on Branding in the organization	2.0000	.56466	70
Q2	– Employee perception on Branding in consultation with employees	2.0714	.59761	70
Correlations				
		Q1	Q2	
Q1	Pearson Correlation	1	.902**	
	Sig. (2-tailed)		.000	
	N	70	70	
Q2	Pearson Correlation	.902**	1	
	Sig. (2-tailed)	.000		
	N	70	70	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Table II**  
Descriptive Statistics and Correlation between employee attitude towards job satisfaction and proud to work for the organisation

Descriptive Statistics				
		Mean	Std. Deviation	N
Q6	– Employee attitude towards satisfaction on job	1.9429	.61115	70
Q7	– Employee attitude towards proud to work for the organization	2.0143	.67013	70
Correlations				
		Q6	Q7	
Q6	Pearson Correlation	1	.745**	
	Sig. (2-tailed)		.000	
	N	70	70	
Q7	Pearson Correlation	.745**	1	
	Sig. (2-tailed)	.000		
	N	70	70	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Table III**  
**Correlation between the employee expectation on motivation by team leader and coping change in the organization**

Descriptive Statistics				
		Mean	Std. Deviation	N
Q17 – Employee expectation on motivation by team leader at work		2.2000	.46935	70
Q18 – Employee expectation towards Coping change in the organization		2.1286	.63523	70

  

Correlations			
		Q17	Q18
Q17	Pearson Correlation	1	.544**
	Sig. (2-tailed)		.000
	N	70	70
Q18	Pearson Correlation	.544**	1
	Sig. (2-tailed)	.000	
	N	70	70

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Table IV**  
**Descriptive Statistics, Rank and Test Statistics for Employee Perception on Merger**

Descriptive Statistics					
Employee Perception	N	Mean	Std. Deviation	Minimum	Maximum
Q1 - Branding	70	2.0000	.56466	1.00	3.00
Q2- Consultation of Brand Name	70	2.0714	.59761	1.00	3.00
Q3 – To be Part of new Entity	70	2.1429	.59675	1.00	3.00
Q4 – Positive Impact	70	1.9714	.48068	1.00	3.00
Q5 – Room for Growth and Development	70	1.8714	.61199	1.00	3.00

  

Test Statistics <sup>a</sup>		
N		70
Chi-Square		18.263
df		4
Asymp. Sig.		.001
a. Friedman Test		

At  $\alpha = 0.01$ , the level for 5 degree of freedom the p-value is .003 as shown in the **Table V**, Since the critical value is lesser than significance level (i.e.  $.003 < .01$ ) Hence reject the null hypothesis and accept the alternative hypothesis. Hence it is concluded that there is significant difference between mean ranks towards employee perception towards Merger in Mahindra Satyam. Mean rank revealed that employees feel that their job is challenging and stimulating job (3.19), they are happy and satisfied at work (3.34), their efforts are being properly valued (3.34), they are proud to work for this organization (3.53), Achieving Vision Statement (3.73) and they have better growth at Tech Mahindra (3.87).

**Table V**  
**Descriptive Statistics, Rank and Test Statistics for Employee Attitude towards Merger**  
**(FRIEDMAN TEST)**

Descriptive Statistics					
<i>Employee Attitude</i>	<i>N</i>	<i>Mean</i>	<i>Std. Deviation</i>	<i>Minimum</i>	<i>Maximum</i>
Q6 – Happy at work	70	1.9429	.61115	1.00	4.00
Q7 – Proud to work for this organization	70	2.0143	.67013	1.00	3.00
Q8 – Efforts are properly valued	70	1.9571	.75057	1.00	4.00
Q9 – Job is challenging and stimulating	70	1.9000	.78297	1.00	4.00
Q10 – Achieving Vision Statement	70	2.0571	.61115	1.00	3.00
Q11 – Tech Mahindra Growth in next -5 years	70	2.1143	.71308	1.00	4.00
Test Statistics <sup>a</sup>					
N					70
Chi-Square					18.269
df					5
Asymp. Sig.					.003
a. Friedman Test					

## CONCLUSIONS

There is a clear understanding that the Post-Merger has benefited the Parent Company as the combined entity has grown stronger in terms of volume and revenue and Workforce which has helped it to be amongst the top 5 Indian IT services companies, and to grow even more aggressively in the years to come. There is a positive trend in the minds of employees which is envisaged by the Theme Do the Next 2015 and the Rise philosophy. It is evident from the analysis that Gross profit, Earnings per share Ratio, Return on Capital Employed Ratio and Return on Net worth Ratio of Tech Mahindra is satisfactory and significant. The new merged entity by the name Tech Mahindra will give rise to a technology services powerhouse with revenues of USD 2.7 billion and a team of 84,000 professionals servicing 540 customers spread across 46 countries.

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