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## VALUE ADDITION IN MERGER AND ACQUISITION BY THE EFFECTIVE PLANNING OF TECHNOLOGY

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**Abstract:** Mostly merger and acquisition activity is that acquiring firms seeks to improved financial performance. Merger and acquisition activity has increase sharply in the last decade. The goal of this article is to consider a technology and important parameters and how it adds the values in merger and acquisition. The acquired industry can get benefits of the technical strength for globalization. Some industries have need of advanced technology and management experts. Mostly merger and acquisition activities in India and other countries rarely consider the importance of Integrating Technology planning and value addition in M & A. In order to effectively plan the merger and acquisition and use of existing technological resources, Industries need to develop and use special organizational structure that facilitates attaining their objectives.

**Keywords:** Integrating technology planning, value addition, merger and acquisition, globalization

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## INTRODUCTION

Every week or two there are news of mergers and acquisition of banks, chemical industries and government sectors private sectors. Merger and acquisition lead to reduction in number of industries and increase in its size.

Properly planned and executed acquisition technology is often the fastest most productive and least costly method for a successful industry to accelerate its position, growth and profits.

India inc. has finalized overseas mergers and acquisition worth \$26 bn till September end this year not withstanding a sluggish domestic economy and global melt-down.

Indian companies are doing much better than their global counterparts in the area M & As.

### 1.1 MERGER AND ACQUISITION

A Merger is a tool used by companies for the purpose of expanding their operations often aiming at an increase of their long term profitability.

Usually mergers occur in a consensual (Occurring by mutual consent) setting where executives from the target company help those from the purchase in due diligence process to ensure that the deal is beneficial to both parties.

### 1.2. ACQUISITION

An acquisition, also known as a takeover, is the buying of one company (the "target") by another. An acquisition may be friendly or hostile. In the former case, the companies cooperate in negotiations; in the latter case, the takeover target is unwilling to be bought or the target board has no prior knowledge of the offer.

### 1.3. MERGER

In a business or economics a merger is a combination of two companies into one larger company. An acquisition is done purely for political or marketing reasons.

Classification of Mergers

- 1) Horizontal mergers
- 2) Vertical mergers
- 3) Congeneric mergers

4) Conglomerate mergers

#### 1.4 MOTIVES BEHIND M & A

The dominant rationale used to explain M & A activity is that acquiring firms seek improved financial performance. The following motives are considered to add shareholder value.

- Synergy:
- Increased revenue / Increased Market Share:
- Cross selling:
- Economics of Scale:
- Taxes:
- Geographical or other diversification:
- Resource transfer:
- Vertical integration:
- Diversification:
- Manager's hubris:
- Empire building:
- Manager's compensation:

#### 1. ROLE OF TECHNOLOGY PLANNING IN M & A

Technology plays a major role in industry structural change as well as creating new industries or merging and acquiring the industries.

Definition of Technology

Technology can be define as all the knowledge, products, processes, tools, methods and system employed in the creation of goods or in providing services. In the simple terms technology is the way we do things. It is the means by which we accomplish objective.

Technological change is not important for its own sake, but is important of its affects competitive position. High technology does not guarantee profitability. Indeed may high – technology industries are mush less profitable than some “low – technology” industries due to their unfavorable structure.

Any firm involves a large number of technologies. Everything a firm does involve technology of some sort, despite the fact that one or more technologies may appear to dominate the product or the production process.

The significance of a technology for competition is not a function of its scientific merit or its prominence in the physical product. Any of the technologies involved in firm can have a significant impact on competition.

The technology used in operations

- 1) Basic Process Technology
- 2) Materials Technology
- 3) Machine Tool Technology
- 4) Material Handling Technology
- 5) Packaging Technology
- 6) Maintenance Methods
- 7) Testing Technology
- 8) Building Design / Operating Technology
- 9) Information Technology

## **2. The need for structural thinking about Technology**

Companies and Organization acquire, develop and deploy technologies using a variety of opportunities including the following.

- 1) Conducting internal research and development (R and D) activities.
- 2) Directly investing in new equipment or people.
- 3) Acquiring assets (companies).

- 4) Licensing to or increasing from another company or organization.
- 5) Actively patenting in a technical area to attack or defend for future.
- 6) Utilizing the results of public sector ( $\therefore$  govt.) R & D.
- 7) Re-training and redirecting existing resources and capabilities.

The most important issue for most companies is to focus attention and resources on a few selected areas and approaches. Such focusing necessity for selection from the range of options available.

The objective of these actions is to allocate resources with attention to integration of technology. However, an integrated technology is not easy to achieve. In the past, companies have often not experienced satisfactory communication between the technology functions which involves specialized technical staff and business and financial strategists.

Effective technical and business communication begins with useful terminology and structure for evaluating and using concepts and tools.

In our approach, a series of eventual questions from the basis for an integrated and practical technology strategy are discussed.

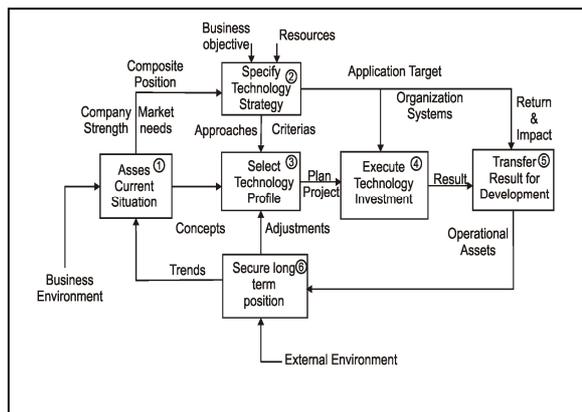
These questions represent major choices faced by companies, quasi-public organizations in producing a strategy to integrate the technological future with the overall organizational and economic future.

Addressing these questions can lead to an efficient and effective business and technology planning process.

Fundamental questions for effective technology management in M & A.

- 1) How successful is the firm in meeting or organizational goals and what are strengths and weakness?
- 2) What are the important market place, need and opportunities for technology in products and processes?
- 3) How should a fundamental technology game plan to meet the future business and technological environment?

- 4) What specific criteria should used for technology acquisition or development investment by the firm?
- 5) How can the background information best be used to establish priorities for R&D.
- 6) How should both financial and non financial recourses be allocated and committed in execution of the program and identified in the technology plan?
- 7) What are the methods for using the result of integrated technology investment and capturing the returns?
- 8) How can a firm continually monitor its environment for relevant technical and business trends in an efficient and effective way.
- 9) How does the firm use information to manage its business goals and technology approach?



### 3. Role of Integration of technology planning in industry

Formulating technological strategy in merger and acquisition and how are the add the value.

#### 3.1. Strategic Management of Integrating Technology Planning

New management approaches are needed to better couple business, strategy and technology.

##### 1) The strategic impact of technology

Fast moving technologies are changing the rules of business for industrial for industrial corporations.

Advances in electronics are shortening product lifetimes for a wide range of consumers and industrial products.

## 2) Two issues for Technology management

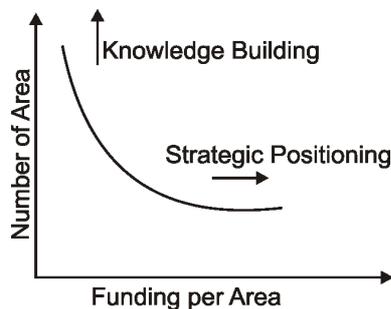
The first is usually described as a concern with the poor coupling between strength planning and technology and arises from the failure of strength management [Kantrow (1980)].

The second related concern is that even when the potential impact of a new technology is recognized at the conceptual or strategic level, [Abernathy and Hayes (1980)],

## 3) The strategic Role of Technology in industry:

The appropriate role of the technical community within industry is largely to manage and to carry out those programs necessary to implement business strategy.

4) Knowledge Building: Strategic positioning-business investment: It is often necessary to increase resources and focus research to develop a strategic position or capability in the critical technical area.



## Strategic pressures on Technical Resources

The practical problem facing many corporations as they try to strategically manage technology to respond to the anticipate the needs of their business is that there is often.

### 3.2 Strategic Technical Area (STA)

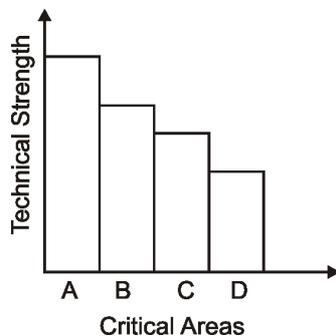
In order to start to address these issues and discuss the strategic impact of technology, it is necessary to define technology in a different way. [Mitchell (1985)]

Strategic technical area (STA), The element which consider in M & A.

- Technical skills or discipline

- Identify STAs
  - Define STAs
  - STA analysis
  - Evaluation of competitive technical strength
  - Development of strategic positioning target.
- 1) The first step to select a expert team.
  - 2) The expert team will identify Critical areas.
  - 3) The STA's have been defined to include technical skill and most critical areas to have survival and growth of the corporation.
  - 4) STAs automatically focus attentions on strategic issues and longer term trends.
  - 5) Evaluation and competitive Technical Strength.

The STSs have been defined as the most important technical areas for the future of the corporation.



Mostly 70% of the technical areas are most critical to the success of business. The profile shown in figure and strategic question most frequently asked is "can organization be effectively used".

#### 6) Development of Strategic Positioning

Targets: Reviews of STA's at the corporate level indicate those existing areas which are most important to the current business profile.

#### 4. Value addition in M & A

Technology's contribution is not only in how goods and services can be produced but also in what can be or even as the potential to be produced. Technology converts the realm of possibilities into realities. Today, the real value of company is much more than the value of its physical assets or its simple accounting networkth.

Technology (existing or advanced) adds value to the assets of the industry.

Value added functions: Technology is brought to the market through a value added chain activities that add the value to the final product, such as R & D, manufacturing, sales and distribution.

Value addition of available assets of acquire company varies with industry to industry and types of industry such as cement, Automobile, Steel and Aluminium, Food Processing, Pharmaceutical and chemical, Polyester.

The value addition can be formulated by the simple equation

$$V = A + B + C$$

Where V = Value addition

A = available assets

B = Benefit or gain

C = Extra gain or benefit

Various technological factors in general have to be consider in M & A.

- 1) Assets
- 2) Finances
- 3) Operational flexibility
- 4) Expertise of maintenance and repairs
- 5) Manufacturing facility advantages NC, CNC, manual, digital.
- 6) Manufacturing process

- 7) Conditions of machines (Old or New, efficiency)
- 8) The product cycle time (Throughput time)
- 9) Benefits of advance and petant technology
- 10) Factory Location and peripheral facilities like market, water, electricity, venders etc.
- 11) Specialized technical and managerial man power.

## 5. CONCLUSION

According to the recent information available and previous case studies the merger and acquisition emphasize the financial aspects of the target company. I would like to figure out the importance of integrating technology planning for value addition in merger and acquisition.

In general in M & A as a technology practitioner have to study and consider the various technological parameters and its value addition.

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