FACTORS INFLUENCING SUCCESS AND FAILURE IN MERGERS AND ACQUISITIONS: A Case Study of PT Unilever Indonesia Tbk

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Abstract
Mergers and Acquisitions (M&A) are commonly used strategies by companies to achieve growth, expand market share, gain access to new technologies, and attain competitive advantage. However, the M&A process does not always go as planned and can face complex challenges. Many companies experience failures in executing mergers and acquisitions, which impact organizational performance and shareholder value. Therefore, it is crucial to understand the factors that influence success and failure in this process, particularly in the context of multinational companies like PT Unilever Indonesia Tbk. The literature suggests that there are numerous factors contributing to the success or failure of mergers and acquisitions. These factors include clear strategies and objectives, effective operational integration, organizational culture management, strong leadership, effective change management, human resource management, and external factors such as market conditions and regulations. It is important for companies to carefully consider and manage these factors in their merger and acquisition processes. The case study of PT Unilever Indonesia Tbk serves as the focus of this research article. The company has undergone several mergers and acquisitions in its history, including notable acquisitions like PT Rexona Indonesia and PT Annapurna. Therefore, analyzing the factors influencing success and failure in the mergers and acquisitions of PT Unilever Indonesia Tbk can provide valuable insights for other companies planning M&A in the future. This research adopts a qualitative approach by collecting data through relevant literature studies, financial reports, and company publications. The collected data is then systematically analyzed to identify the factors influencing the success and failure of mergers and acquisitions in PT Unilever Indonesia Tbk. The findings of this research are expected to provide better insights and understanding of the factors influencing success and failure in mergers and acquisitions, particularly in the context of PT Unilever Indonesia Tbk. With a better understanding of these factors, companies can take appropriate steps to enhance the chances of success in the M&A process.

Keywords: Competitive Advantage, Mergers and Acquisitions

INTRODUCTION
The changing business environment, such as globalization and advancements in computer and communication technology, has created intense competition among companies. To sustain their existence and improve performance, companies need to develop appropriate strategies, and one of the efforts to become a large and strong company is through expansion. Company expansion consists of two types: internal expansion and external expansion. Internal expansion occurs when existing divisions within a company grow normally through capital budgeting activities. According to Ruddy Koesnadi (1991) as cited in Rahadiani (2010), one strategy that a company can employ to survive or even thrive is through mergers and acquisitions. The term “merger” is often used to indicate the merging of two or more companies, with one of the companies' names remaining after the merger (Suad Husnan, 1998:657). There are many reasons for mergers and acquisitions, including enhancing market power, overcoming barriers to entry in an industry, cost savings and risk reduction in developing new products, increasing speed in product marketing, and addressing excessive competition (Hitt, Ireland, and Hoskisson, 1997 as cited in Rahadiani, 2010). Mergers and acquisitions (M&A) have become common phenomena in the modern business world. Companies adopt this strategy as a way to expand market share, achieve faster growth, benefit from synergies, and access new resources. However, the M&A process is also highly complex and often does not go as planned. Many companies experience failures in executing mergers and acquisitions, which have negative impacts on organizational performance and shareholder value.
PT Unilever Indonesia Tbk, as one of the leading multinational companies in Indonesia, has been involved in several significant mergers and acquisitions throughout its history. The acquisitions of PT Rexona Indonesia and PT Annapurna are notable examples. While the company has been successful in some cases, there have also been instances where mergers and acquisitions did not go well. Therefore, it is important to understand the factors influencing the success and failure of the M&A process, particularly in the context of PT Unilever Indonesia Tbk. This study aims to investigate the factors influencing the success and failure of mergers and acquisitions in PT Unilever Indonesia Tbk. By understanding these factors, the company can take more effective steps in planning and executing future M&A activities. The methodology employed in this research is a qualitative approach, collecting data through relevant literature studies, financial reports, and company publications of PT Unilever Indonesia Tbk. The gathered data will be systematically analyzed to identify the factors influencing the success and failure of mergers and acquisitions in this company. It is expected that this article will provide better insights and understanding of the factors influencing the success and failure of mergers and acquisitions, particularly in the context of PT Unilever Indonesia Tbk. It can serve as a reference for other companies in planning and executing M&A activities in the future, helping to increase the chances of success and reduce the risks of failure in the M&A process.

THEORETICAL REVIEW

Efficient capital markets are an important factor in the field of finance. Robert Ang (1997) states that an efficient capital market is a stock exchange market where traded securities reflect all relevant information that may occur quickly and accurately. This concept suggests that investors always incorporate available information into their decisions, which is reflected in the stock prices they transact. One of the corporate actions is mergers and acquisitions. Merger is the combination of two or more companies, with one company’s name remaining while others are eliminated (Foster, 1986). Acquisition is a form of takeover (Suad Husnan, 1998). Acquisitions can be classified into share acquisitions and asset acquisitions. Share acquisition involves taking over or purchasing the shares of a company using cash, stock, or other securities. This type of acquisition does not require management approval and can be done even if management does not approve the purchase of the company's shares. Therefore, this acquisition is called a hostile takeover. On the other hand, asset acquisition is done by freezing a portion of the target company's assets by the acquiring company.

Several studies such as Tower Watson (2021), Davis (2009), and Limieux (2007) have been conducted on mergers and acquisitions, highlighting the numerous factors that determine a company's success or failure. According to studies conducted by Mallikarjunappa and Nayak (2007), there are 20 factors that influence the success and failure of mergers and acquisitions. These factors can be summarized into three major groups: Due Diligence Aspect, Cultural Aspect, and Leadership Aspect.

1. Strategic Certainty and Structured Approach: Having a clear and well-defined strategic vision is crucial in determining the success of a merger or acquisition. Organizations must have a strategic direction and clear objectives in carrying out M&A activities. A structured approach involves careful planning, in-depth analysis, and strategic alignment between the acquiring company and the target company. Research by Cartwright and Cooper (1992) emphasizes the importance of having strategic intent and clarity of objectives in M&A transactions. It provides a framework for decision-making and integration planning, ensuring that the goals of the merger or acquisition are clearly communicated and understood by all stakeholders.

2. Effective Operational Integration: Operational integration refers to the process of merging the operations and systems of the acquiring company and the target company. This involves adjusting processes, systems, and structures to achieve synergy and operational efficiency. Gaughan (2010) emphasizes the importance of effective operational integration. A good integration will ensure process and system alignment, thereby creating synergy between the two companies and enhancing operational efficiency.

3. Communication and Employee Engagement: Effective employee engagement and communication are important factors in the success of a merger or acquisition. Employees are valuable assets in an organization and can influence the outcomes of integration. Involving employees from the beginning, providing clear information, and managing change effectively can help reduce uncertainty and concerns, as well as build trust. Research by Haspeslagh and Jemison (1991) shows that employee
engagement and effective communication can reduce resistance to change and improve organizational performance after a merger or acquisition.

4. Organizational Culture Management: A compatible organizational culture between the acquiring company and the target company is also a key factor in the success of a merger or acquisition. Organizational culture encompasses the values, norms, habits, and attitudes adopted by members of the organization. If the cultures of the two companies do not align, conflicts and difficulties in integrating operations and building synergy can arise. Weber, Shenkar, and Raveh (1996) examined the importance of organizational culture fit in the context of mergers and acquisitions. They found that a good cultural fit can increase the chances of success in integration and the achievement of merger or acquisition objectives.

5. By considering these factors, companies can enhance their understanding of the critical aspects that contribute to the success or failure of mergers and acquisitions. This knowledge can guide decision-making and improve the planning and execution of future M&A activities.

IMPLEMENTATION METHOD TYPES OF RESEARCH

This research utilizes a case study method with a qualitative approach to analyze the factors that influence the success and failure of the merger and acquisition of PT Unilever Indonesia Tbk. A case study design is chosen because it allows the researcher to gain an in-depth understanding of the phenomenon under investigation and involves an analysis of real-life cases that occur within the context of the company. The data used in this research consist of various relevant sources, including the financial reports of PT Unilever Indonesia Tbk, company publications, and previous case studies discussing mergers and acquisitions involving the company. The analysis is conducted by thoroughly studying these documents and identifying the factors that influence the success or failure in the merger and acquisition process.

The type of data used in this research is qualitative data, which according to Sugiyono (2002:13), refers to numerical data or qualitative data used in a measurement scale. The data sources used in this research are secondary data obtained from https://www.unilever.co.id/hubungan-investor/publikasi-perusahaan/ and other literature. Furthermore, the collected data will be analyzed qualitatively using a content analysis approach. Content analysis involves reading and understanding the relevant documents, identifying patterns, themes, and categories that emerge, and analyzing the relationships between the factors that influence the success and failure of the merger and acquisition of PT Unilever Indonesia Tbk. The validity of the research will be ensured through data triangulation, which involves comparing findings from various data sources used. This is done to ensure the consistency and accuracy of the research results. By employing this research method, it is expected that this article will provide a deeper understanding of the factors that influence the success and failure of the merger and acquisition of PT Unilever Indonesia Tbk.

RESEARCH FINDINGS AND DISCUSSION

A. Research Findings:

The analysis of relevant data and literature regarding the merger and acquisition of PT Unilever Indonesia Tbk revealed several factors that influence the success and failure of the process. The following are the findings obtained:

1. Directed Strategy: PT Unilever Indonesia Tbk succeeded in the merger and acquisition due to having a directed strategy aligned with the company’s vision and mission. A clear strategy facilitated effective support and coordination among the various departments and business units involved.

2. Proper Partner Selection: Selecting the right partner is crucial in the merger and acquisition process. PT Unilever Indonesia Tbk achieved success by conducting careful evaluations of potential partners, considering organizational culture, shared values, and high synergy potential. Choosing aligned partners helped minimize conflicts and barriers during integration.

3. Effective Change Management: Effective change management plays a significant role in handling the impact of changes on employees and the organization. PT Unilever Indonesia Tbk adopted a communicative and inclusive approach to manage change, involving employees in decision-making
processes and providing clear information about the impending changes. Effective change management reduced resistance and fostered a more positive work climate.

4. System and Process Integration: A sound integration of the company's operational systems and processes is key to the success of merger and acquisition. PT Unilever Indonesia Tbk excelled in integrating existing systems and processes, resulting in operational efficiency and significant synergies. Process integration allowed the company to eliminate redundancies and enhance work effectiveness.

B. Discussion

Based on the presented research findings, the factors influencing the success and failure of the merger and acquisition of PT Unilever Indonesia Tbk can be further analyzed. The following is an in-depth discussion of these factors:

1. Directed Strategy: A directed strategy is a critical factor in the success of mergers and acquisitions. In the case of PT Unilever Indonesia Tbk, a clear strategy guided the merger efforts, focusing on the company's long-term objectives. A directed strategy also enabled effective resource allocation and mitigation of potential barriers during integration.

2. Proper Partner Selection: Selecting the right partner is crucial for achieving the expected synergies in mergers and acquisitions. PT Unilever Indonesia Tbk conducted a thorough analysis of potential partners, including assessments of organizational culture, company values, and strategic alignment. Choosing aligned partners helped minimize conflicts and barriers that may arise during integration.

3. Effective Change Management: Effective change management plays a significant role in managing the impact of changes on employees and the organization. PT Unilever Indonesia Tbk adopted a communicative and inclusive approach to change management, involving employees in decision-making processes and providing clear information about the upcoming changes. Effective change management helped reduce resistance and create a more positive work environment.

4. System and Process Integration: Well-integrated operational systems and processes enable PT Unilever Indonesia Tbk to achieve efficiency and significant synergies. Through careful system integration, the company was able to combine effective operations, share resources, and maximize economies of scale. Process integration also allowed the company to eliminate redundancies and enhance work effectiveness.

CONCLUSION

Based on the analysis conducted on the factors influencing the success and failure of the merger and acquisition process of PT Unilever Indonesia Tbk, the following conclusions can be drawn:

a. Clear and well-directed strategies are crucial for achieving success in mergers and acquisitions. PT Unilever Indonesia Tbk succeeded in this process due to its strategies aligned with the long-term goals of the company and effective in guiding the merger efforts. Well-directed strategies enable the company to manage change more effectively and overcome potential obstacles.

b. The selection of suitable partners is a key factor in achieving the desired synergy in mergers and acquisitions. PT Unilever Indonesia Tbk carefully evaluated potential partners, including assessing organizational culture, company values, and strategic alignment. Choosing partners that align with the company's objectives helps minimize conflicts and maximize synergistic potential.

c. Effective change management plays a significant role in the success of mergers and acquisitions. PT Unilever Indonesia Tbk achieved success by adopting a communicative and inclusive approach to change management. Involving employees in decision-making, providing clear information, and fostering a positive work climate help reduce resistance and facilitate better adoption of changes.

d. Good integration of systems and processes is a critical factor in achieving efficiency and synergy post-merger and acquisition. PT Unilever Indonesia Tbk successfully integrated operational systems and processes, allowing the company to combine effective operations, share resources, and achieve economies of scale. Process integration also helps eliminate redundancies and enhance work effectiveness.
By considering these factors, PT Unilever Indonesia Tbk can take appropriate steps in implementing future mergers and acquisitions. It is important for the company to have well-directed strategies, select suitable partners, manage change effectively, and ensure proper integration of systems and processes. In a broader context, these findings provide insights that can be applicable to other organizations undergoing similar processes.

REFERENCES


