

INVESTIGATING CHARACTERISTICS OF TARGET HIGHER EDUCATION INSTITUTIONS ON THE PERFORMANCE OF MERGERS AND ACQUISITIONS IN GERMANY

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ABSTRACT

The main aim of the article is to determine the performance of M&A and its impact on higher educational system in Germany. This includes the literature review on the issue and analysis focused on M&A and its impact on higher education. Currently, there is no research that fully and logically investigates the subject. Especially, with the concentration of organizational analysis and wide dimensions, it is necessary to conduct valid research on the subject matter. In this research, the current situation of the society will be described without any interference. Therefore, this research can be considered as descriptive research. Also, since the questionnaire tool will be used in the field to measure research variables, research can be considered as survey and causal. The statistical population included all active institutions listed in Germany from 2020 to 2023. The sample consisted of blocked trading data related to mergers and acquisitions in the Germany. As a result, the final sample will include 100 listed M&A institutions, and SPSS software will be used to analyze descriptive and inferential statistics. In Germany, Mergers and acquisitions in the higher education area (including universities and institutions) have gained very wide dimensions, so that some consider it related to the macroeconomic field, in other words, when two institutions merge together, it affects not only their field of activity but also the entire educational system.

KEYWORDS

Merger and Acquisition (M&A), Dual-Job Management, Institutional strategy, Higher education

1. INTRODUCTION

As a researcher in an area of business administration, I would like to work on mergers and acquisitions in the higher education area (including universities and institutions) in Germany due to very wide dimensions, and as such I have chosen my thesis title as “Investigating Characteristics of Target higher education institutions on the Performance of Mergers and Acquisitions (M&A) in Germany”.

The main aim of the article is to determine the performance of M&A and its impact on higher educational system in Germany. This includes the literature review on the issue and analysis focused on M&A and its impact on higher education. Currently, there is no research that fully and logically investigates the subject. As a result, it is necessary to conduct valid research on the subject matter.

In expressing the importance of the research topic, most of the literature related to M&A has been conducted using qualitative methods, surveys and questionnaires, and researches have been conducted without regard to the organizational analysis unit. While in this research, it will be analyzed based on real and quantitative data and at the organization level.

According to previous researches, in recent decades, many higher education systems around the world have been exposed to institutional mergers. While the rationale for mergers has often been related to issues of improved quality, effectiveness and/or efficiency at the institutional level, fewer studies have analyzed how mergers may affect institutional diversity within the higher education landscape (Frølich & Stensaker, 2021). New globally competitive higher education environment dictates strong incentives toward competition between institutions, but at the same time makes many of them decide to cooperate, following different types of partnerships: from very informal cooperation between researchers, through alliances, consortia,

affiliations, and federations to full-scale mergers (Sulkowski et al., 2019). Global competition in higher education has prompted reconstruction of national higher education systems, often because the long-established ways of coordinating research and teaching in higher education institutions are considered inadequate and outdated (Mathisen and Pinheiro, 2016). This special issue concentrates on a phenomenon in higher education that has attracted much attention world-wide over the past two or three decades and has now come back on the policy agenda – merger. Merger as a policy issue has received a great deal of scholarly attention, a significant reason being because of the way national governments have used mergers and other forms of consolidation to initiate systemic restructuring of higher education. Many countries have been affected by such change – Canada, Great Britain, Germany, the Netherlands, Norway, Sweden, Hungary, Vietnam, New Zealand and Australia to name a few (Harman & Meek, 2002).

In the first part of the study, an extensive review on the understanding of the M&A in higher education will be carried out. The study will be complimented with designed questionnaire and data collection to key institutions in the sector M&A. Many existing up-to-date universities and institution's data such as ROA and ROE will be collected. Then, analyzing data will be made with SPSS software for all relations and impacts between defined panels in this study. Finally, the study will discuss the most important characteristics in the process of M&A for universities and institutions.

2. BODY OF PAPER

To explain the importance of the subject according to researches, in recent decades many higher education systems around the world have been exposed to institutional mergers. Drivers of these efforts have been many and varied but particularly important have been pressures to increase efficiency and effectiveness, deal with problems of non-viable institutions and institutional fragmentation, widen student access and implement more broad scale equity strategies, differentiate course offerings to cater for greater student diversity and to improve the quality of graduates; and increase government control of the overall direction of higher education systems.

A variety of different models and mechanisms have been used by higher education systems in many countries to achieve restructuring and increase levels of institutional collaboration. Drivers of these efforts have been many and varied but particularly important have been pressures to: increase efficiency and effectiveness, especially in coping with rapid and substantial growth in student numbers which in turn brings heavier demands on institutions; deal with problems of non-viable institutions and institutional fragmentation; widen student access and implement more broad scale equity strategies; differentiate course offerings to cater for greater student diversity and to improve the quality of graduates; increase government control of the overall direction of higher education systems, especially to ensure that higher education institutions serve more directly national and regional economic and social objectives (Harman & Meek, 2002).

Mergers in higher education are relatively rare in comparison to the merger rate in the business world, but they are likely to become more common with the changing demographic landscape, particularly in the Northeastern United States. Given the decline in the number of graduating high school students, for presidents and boards of trustees of small private colleges (those with endowments under \$50 million and enrollments under 1,500 students) to live up to their fiduciary responsibilities they will need to explore options that will allow the institutions they lead and serve to survive, including the option of merging with another institution (Wexler, 2021). Mergers and acquisitions (M&As) play a key role in today's world economy as it represents a rapid alternative for companies to expand their business operations and gain new markets locally or abroad (Savović, 2016). In a merger, two or more companies engage in negotiations that ultimately result in a deal. Acquisitions also involve two or more companies, but in the acquisition of the larger company, the smaller company is swallowed up (Sugand Kansal and Arti Chandani, 2014).

In order to find out the impact of characteristics of target higher education institutions on the Performance of Mergers and Acquisitions, data collection will be based on: 1) obtaining information on major transactions of over 5% until 2023 of acquired institutions (block transactions) in the stock exchange. In order to prevent the deletion of transactions that have been transacted in several 5% blocks and have led to a change in the management of the majority, all transaction information above 5% of the acquired institutions will be collected, reviewed and selected. Determining the institutions whose transactions have led to a change in the

major ownership and management of the company. In order to collect accurate information about the major ownership change and management change, the report of the conventions of the acquired institutions will be used. 2) Determining the institutions whose transactions have led to a change in the major ownership and management of the company. In order to collect accurate information about the major ownership change and management change, the report of the conventions of the acquired institutions will be used. 3) Using the information bank available in the capital market, information and figures related to research variables.

In this research, the current situation of the society will be described without any interference. Therefore, this research can be considered as descriptive research. Also, since the questionnaire tool will be used in the field to measure research variables, research can be considered as survey and causal. The statistical population included all active institutions listed in Germany from 2020 to 2023. The sample consisted of blocked trading data related to mergers and acquisitions in the Germany. As a result, the final sample included 100 listed M&A institutions.

Here is the theoretical framework for variables:

A: Independent variables: These variables are presented in the form of 5 different panels in the conceptual framework of the research, which includes the following:

Panel 1: Deal characteristics: Crossing-industry, Amount of ownership acquired by the buyer, Experiences in mergers and acquisitions.

Panel 2: Target characteristics: Target government ownership, Firm Size.

Panel 3: Acquirer characteristics— institution descriptive information: Age at acquisition, Acquirer board size, Non-executive, Total assets, Operating cash flow (OCF/TA), EBITDA (Income before deduction of tax), Net income, ROA (net income/total asset), Debt as % of equity, Tobin's Q, ROE (Return on equity).

Panel 4: acquirer characteristics — ownership information: Ownership by insiders, Institutional investors, Largest institutional investors, Top three institutional investors.

Panel 5: acquirer characteristics — CEO/COB information: CEO years with the company, CEO degree, CEO ownership, Duality.

B: Dependent variables: Cumulative Abnormal Return (CAR), Earnings per share growth (EPS).

As a result, according to what was stated, we will come to the following hypotheses.

1. Considering elements such as panel 3 (Acquirer characteristics), panel 4 (Acquirer characteristics-ownership information) and panel 5 (Acquirer characteristics-CEO/COB information) as independent variables and the control variable of panel 1 (Deal characteristics), it affects the dependent variable EPS Growth.

2. By considering elements such as panel 3 (Acquirer characteristics), panel 4 (Acquirer characteristics- ownership information) and panel 5 (Acquirer characteristics-CEO/COB information) as independent variables and the control variable of panel 2 (Target characteristics), it affects the dependent variable EPS Growth.

3. Considering the elements of panel 3 (Acquirer characteristics) as an independent variable and the control variable of panel 1 (Deal characteristics), it affects the dependent variable EPS Growth.

4. By considering the elements of panel 3 (Acquirer characteristics) as the independent variable and the control variable of panel 2 (Target characteristics) it affects the dependent variable EPS Growth.

5. By considering the elements of panel 3 (Acquirer characteristics) as an independent variable and the control variable of panel 1 (Deal characteristics) and panel 2 (Target characteristics) it affects the dependent variable EPS Growth.

6. Considering all the panels as independent variables and the control variables of panel 1 (Deal characteristics) and panel 2 (Target characteristics) have an effect on the dependent variable EPS.

7. Considering all the panels as independent variables and the control variables of panel 1 (Deal characteristics) and panel 2 (Target characteristics), it affects the dependent variable LN CAR

In order to analyze this research, which has an independent, control, and dependent variable, from hierarchical regression, stating that panels 1 and 2 are control variables, and panels 3, 4, and 5 are independent variables, and finally EPS and CAR as variables will be considered dependent. SPSS software will be used to analyze descriptive and inferential statistics. In the analysis method, companies will be divided into small and large categories through grouping, and they will be examined separately in two categories (Full control) and (Partial control). Hierarchical regression will also be used to test research hypotheses. The collinearity detection test (multiple collinearity) will also be done for the independence of the variables.

Finally, after analyzing all relations between panels and find positive and negative impacts, we will introduce the most important characteristics which will impact on M&A to universities and institutions. It means that if Sig. F change = 0.000 and there is a linear relationship between the dependent and independent variables, we can describe it as meaningful characteristics as a result of study.

3. CONCLUSION

In conclusion, according to the hypotheses of this study, the high value of transparency of institutions' financial information during mergers and acquisitions will be confirmed, and also will be found the most important characteristics that institutions should consider at the time of M&A in order to have a better performance after mergers and acquisitions. It should be noted that the important indicators of success in mergers and acquisitions have been presented. Institutions in any situation, whether they are profitable, declining or bankrupt, can, according to the variables studied in this research can use M&A as a tool and increase the profitability of the organization.

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