

## **CHAPTER 3: RESEARCH METHODOLOGY**

The purpose of this study is to describe the trend relationship between economic crisis and the flows of cross-border merger and acquisition activities in four South East Asian emerging market countries: Indonesia, Malaysia, Philippines and Thailand. The study methodology is adopted from the study done by Faisal and Glaister (2008) and the study by Burksaitiene (2010).

This chapter reviews the methodology used in the study. It starts with a review of the objectives, research questions and study framework, and it further discusses the data sources, data collection and analysis.

### **3.1 Objectives**

The objectives of this study are to describe major trends with respect to cross-border merger and acquisition activities in Indonesia, Malaysia, Philippines, and Thailand and examine the impact of the 2007 financial crisis and economic downturn on such activity in these countries.

Based on the literature review we describe the major trend relationship between financial crisis and the cross-border merger and acquisition and identify any financial crisis influence over the flows of cross-border merger and acquisition.

### **3.2 Research questions**

The basis of the study is to answer the following questions:

1. What was the major cross-border M&A trends noticed in selected emerging market countries (Indonesia, Malaysia, Philippines, and Thailand) leading up to the 2007 economic crisis?
2. What was the impact of the 2007 financial crisis and economic downturn on these trends?

### **3.2 Data sources**

Data collected were from the United Nations Conference on Trade and Development (UNCTAD) World investment Reports, Bloomberg, CIA Fact book, and websites of the stock exchanges of the study countries

### **3.3 Data Collection Methodology**

The study uses secondary data which are daily cross-border merger and acquisition announcements extracted from Bloomberg data base from 2000 to 2010. Also, the study uses data from world investment Reports and UNCTAD. Information on the number of cross-border M&A announcements, status of deals, deal values, deal announcement dates, mode of payment, names of target countries, acquirer country, target firm, acquiring firm, and financial advisors were collected from the Bloomberg data base for the years 2000 to 2010 for the four countries (Indonesia, Malaysia, Philippines and Thailand). These data were grouped into two major periods. The first group included cross-border merger and acquisition announcements for the period from 2000 to 2006; the second group included data from 2007 to 2010. The periods were selected based on the occurrence of economic crisis worldwide. Under these two periods South East Asian countries (ASEAN) passed

through two different financial situations. The first period was after the 1997 Asia economic crisis, was generally considered over until approximately the beginning of the recent global financial crisis in developed countries. The second period is generally the period of the recent economic crisis (2007 - 2010) which looks like it may have been the beginning of the end of the recent crisis, although recent events indicate that its effects are still being felt.

The data from Bloomberg provided information about the date of announcements, value of deals, names of acquirer, seller and target countries. It also provides more descriptive characteristics information of the transaction such as sector distributions, financial adviser companies and deal status which are updated daily.

### **3.4 Data Analysis Methodology**

The study analysis is aimed to find the trend relationships between cross-border M&A activity and the economic crisis. The study uses descriptive statistics methodology to analyse the trend between cross-border M&A deals and economic crisis in the emerging markets of Indonesia, Malaysia, Philippines, and Thailand.

Cross-border M&A trend data for the four countries have been extracted for 2000 - 2010. During 2007 global firms witnessed the major financial crises in the United State and European countries. This is quite different from the previous crisis which occurred in the period 1997 - 1999, where by South East Asian countries and in particular the four countries of study were at the centre

of the crisis. The major aim here is to describe the interrelationship of the two factors (investments, i.e. cross-border M&A, and the financial crisis).

### **3.5 Design.**

This section explains in detail the variables and the methodology used during the analysis and the data selection criterion. Selection of firm announcements from 2000 to 2010 were drawn from the Bloomberg database both target, acquirer and seller firms' names were extracted. Information related to the cross-border merger and acquisition activities, such as transaction value, status of deal, date of announcement and countries of target, acquirer and seller were obtained from Bloomberg database. For the purpose of analysis cross-border merger and acquisition trends within the subject countries, the study used only completed and terminated deals.

An initial Bloomberg database list of announced deals over 10 years by the four countries in Indonesia, Malaysia, Philippines and Thailand were sorted by country classifications. Each country was grouped and the numbers of announced deals and their respected value were identified. Only completed and terminated deals were included in the analysis. The data were further grouped into two periods, (1) from 2000 to 2006 and (2) from 2007 to 2010.

Data from 2000 to 2006 were categorised as a period where there was no crisis. That of 2007 to 2010 is categorised as a crisis period and post-crisis period. The study could not identify specific dates when the crises started and ended, but based on different literature we infer that the 2007 economic crisis

started in mid 2007 and ended in mid 2009. The study used Excel analysis to show the trend relationship of cross-border mergers and acquisitions between the periods of events.