THE IMPACT ON ASSET SERVICES IN SUPPLY CHAIN
MANAGEMENT – POST MERGERS & ACQUISITIONS IN
IT INDUSTRY

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Abstract

This paper aims at understanding the importance of ASSET SERVICES IN SUPPLY
CHAIN MANAGEMENT – POST MERGERS & ACQUISITIONS IN IT INDUSTRY.
Mergers are a complex phenomenon with a high failure rate in spite of the increased
and more frequent mergers in companies today. The main aim is to analyze the
percentage of positive deals which enhance Company’s asset value when Mergers or
Acquisitions happens in area of Asset Service via Supply Chain Process. Study is
focused on the IT industry in the India. Study reviles the percentage of positive deals
which enhances company’s asset value when M&A happens in area of Asset Service
via Supply Chain Process comes around 80% to 100% with a response rate of over
85% out of total respondents. Out of all services in wide range of services required
by the company which impacts business via maintenances it was found in the study
that Application maintenances and development incurs majority of the especially in
IT Industry in Bangalore city with a response rate of more than 80%. It was found
that Service Level Agreement is the contract which is majorly used when Asset
Service contracts are signed with a response rate of more than 90%.

Keywords: Asset Services, Contracts, Payment Terms and Cost Involvement

INTRODUCTION

Introduction to Information Technology
Sector in India

• Information Technology industry accounts for a 5.20% of the country's GDP.

• More than 2.6 million people are employed in IT sector (making it one of the biggest job creators in India).

• IT sector is estimated to have grown over US$78 billion compared to China with $38.63 billion and Philippines with $9.95 billion.

• India's outsourcing industry is expected to increase to US$335 billion by 2025
Each year India produces roughly 600,000 engineers in the country.

Supply Chain Management

Supply chain management (SCM) is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer.

Merger and Acquisition

Mergers and acquisitions refer to the consolidation of assets. While an acquisition is the purchase of one company.

<table>
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<th>Rank</th>
<th>Purchaser</th>
<th>Purchased</th>
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<td>Time Warner</td>
<td>AT&amp;T</td>
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<td>GlaxoSmithKline</td>
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<td>Shell Transport &amp; Trading Co</td>
<td>Royal Dutch Petroleum Co</td>
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<td>AT&amp;T</td>
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<td>5</td>
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Asset Services

The Asset Services is a leading maintenance and management provider operating throughout India.

Types of Asset Services

- Buildings Maintenance
- Vehicle Maintenance
- Plant and Machinery Maintenance
- Computer equipment Maintenance
- Applications Maintenance

OBJECTIVE OF THE STUDY

- To analyze the percentage of positive deals which enhance Company’s asset value when Mergers or Acquisitions happen in area of Asset Service via Supply Chain Process.
- To understand the percentage of Companies total Investment on Asset Services and its Impact on Business.
- To understand points which can be identified when contracts are being
audited, which can impact Asset Services.

- To identify the major cost involving service in wide range of services required by the company which impacts business via maintenances.

- To understand which type of contract is majorly used when Asset Service contracts are finalized.

- To understand time span expected to be in terms of companies getting Merged or being acquired by one another in terms of Asset Services.

**Review of Literature**

- Study on Asset Services is very minimal.

- Lot of scope to build up a model on services.

- Planned maintenances by companies is very less. (3.36% in Industry standard for IT Sector)

**RESEARCH METHODOLOGY**

**Statement of the Problem**

“Impact on Asset Services in Supply Chain Management - Post Mergers and Acquisitions in IT Industry”

**Variables under Investigation**

Dependent Variable: - Asset Services

Independent Variables: - Contracts, Payment Terms and Cost Involvement

**Components of contract having impact on Asset services**

- Turnaround Time
- Scope of Project Engagement Plans
- Preamble of a contract
- Change in Legal Entity of Business

**Population and Sample of the Study**

The population for the study consists of employee’s from Information Technology organizations. The sample consists of 25 Information technology employees were surveyed for the present study. 30 questionnaires were distributed in total out of which 25 questionnaires were returned comprising a response rate of 83.3%.

**Sampling Technique**

There were 2 types of sampling techniques used for the study. Sample was drawn from top 5 Information Technologies MNC’s, Indian companies and Indian MNC’s within India.

- Judgmental Sampling Techniques
- Quota Sampling Techniques

**Statistical Analysis and Interpretation of Data**

- Descriptive Statistics (frequency, Means, Standard deviation and Percentages)
- Chi Square Test
- t-Test
- 5 Hypothesis
- 25 Sample size
Hypotheses for the study

Hypothesis:

- **H₀**: There is no significant association between type of contract and the cost involved in Asset services.

- **H₁**: There is significant association between type of contract and the cost involved in Asset services.

Hence, H₁ is accepted.

- **H₀**: The components of contract do not have significant impact on the effectiveness of Asset services.

- **H₁**: The components of contract have significant impact on the effectiveness of Asset services.

Hence, H₁ is accepted.

- **H₀**: There is no significant association between the time span for the contract and the validity of the contract.

- **H₁**: There is significant association between the time span for the contract and the validity of the contract.

Hence, H₁ is accepted.
SUMMARY AND CONCLUSION

Need for the Study

Asset Services tend to incur more than 20% of total investment of the company for maintenances of the Asset.

Major findings of the study

- Study reviles the percentage of positive deals which enhances company’s asset value when M&A happens in area of Asset Service via Supply Chain Process comes around 80% to 100% with a response rate of over 85% out of total respondents.

- It was found that more than 20% of the company’s total investment is spent on Asset Services among which Application maintenances and development incurs majority of the cost.

It was found that Service Level Agreement is the contract which is majorly used when Asset Service contracts are signed with a response rate of more than 90%.

- It was found that time span expected to be in terms of 2 companies getting Merged or being acquired by one another in terms of Asset Services of the Companies is as per Terms (Contract/Agreement) with a response rate of more than 75%.

Limitations of the Study

- This study and sample was limited only to companies in Bangalore City.

- This study considered only 5 companies as sample of the study with a sample size of 25.

- Review of literature on Asset Services was limited and all studies were focused on western countries.

- Data which can influence the study is purely confidential and most of respondents heisted to provide complete data due to confidentiality agreement.

Scope for the Further Research

- A study on Asset Services and its impact on Organizational performance can be undertaken.

- As the study was restricted only to Bangalore City it can be taken forward to different locations.

- This study mainly focuses on the information technology companies; it would be worth to understand differences in manufacturing industry and in the service industries.
• A study could be made with a large sample size.

• A study can be conducted by selecting other independent variables.

**Recommendations for Companies**

• Companies can focus more on stabilizing the entire section of Supply chain management to have better control on internal divisions of the company.

• Companies can focus more on having routine check up on their asset's to have a better understanding on when maintenance is need to avoid extra cost at end movement.

• Payment terms on contracts can be regularized to get customer in common page before entering into a contract.

• Companies can design an entire module for supply chain management when merger and acquisition are about to happen.

• Companies can design Preamble of a contract for Project Engagement Plans much earlier to have better understanding/stabilization on what they are dealing with.

**REFERENCES**


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