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STRATEGIES FOR MERGERS AND ACQUISITIONS – CASE STUDIES OF SELECTED BUSINESS HOUSES

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ABSTRACT
Due to globalization, liberalization, technological developments and the resultant intensely competitive business environment, cross border mergers and acquisitions have become very popular throughout the world in the recent times. M&As have historically been the favourite tool used by companies for restructuring of their business. The present study highlights the top foreign mergers and acquisitions in the year 2008 and 2009. Mergers and acquisitions are a significant activity for many organizations. Yet most mergers are not successful, primarily because the merger of two organizations is actually a merger of individuals and groups. Companies initiate M&As for numerous business objectives, ranging from achieving market entry to gaining proprietary technology. Companies that want to expand strive to acquire businesses that enhance their product portfolio and secure additional employees with specialized skills. But too many enter into M&A activity without recognizing the impact on the organization and the overall impact on the human element within the two merging companies. M&A activities that are improperly managed can result in lost revenue, customer dissatisfaction, and employee attrition. The present paper examines the issues and challenges confronted the mergers and acquisitions in recent times. The paper tries to present various strategies for mergers and acquisitions. It assesses the mergers and acquisitions undertaken by Indian companies in recent times.

KEYWORDS
Synergy, entrepreneur, acquisition, dynamic, merger.

INTRODUCTION
A recovery and stabilization of the stock markets, improvements in the economy, interest rates remaining low, improvements in financial controls, systems and corporate governance, cross-border deals on the rise, the "overhang" in the private equity industry, a willingness of sellers to be more realistic from a valuation perspective and a genuine focus on quality of transactions over quantity of transactions have fueled the up tick in M&A activity. Valuations on the seller's side have continued to become more realistic, creating many opportunities for buyers who have cash, (or access to cash) and the right internal and advisory teams to get deals done. From a small town trader running a family business, to the fearless and braving entrepreneur negotiating with multinational corporate powers to attract investment in his Indian business, or acquiring foreign competitors and raring to compete in the international arena, the image of corporate India has undergone a sea change in the past few decades. Surely the founding fathers of the TATA Group would not have dreamt about acquiring Ford, Jaguar Land Rover or cracking the deal with Corus. With the cross border merger and acquisitions activity in India growing at an exponential rate, a stage has been set for several smaller business enterprises to take the plunge and this seems quite beneficial for the Indian economy.

From the perception of business organizations, there is a whole host of different mergers. However, from an economist point of view i.e. based on the relationship between the two merging companies, mergers are classified into following:

- **Horizontal Merger**- Two companies that are in direct competition and share the same product lines and markets i.e. it results in the consolidation of firms that are direct rivals. E.g. Exxon and Mobil, Ford and Volvo, Volkswagen and Rolls Royce and Lamborghini.
- **Vertical Merger**- A customer and company or a supplier and company i.e. merger of firms that have actual or potential buyer-seller relationship eg. Ford-Bendix, Time Warner-TBS.
- **Conglomerate Merger**- Generally a merger between companies which do not have any common business areas or no common relationship of any kind. Consolidated firms may sell related products or share marketing and distribution channels or production processes. Such kind of merger may be broadly classified into following:
- **Product-Extension Merger** - Conglomerate mergers which involve companies selling different but related products in the same market or sell non-competing products and use same marketing channels of production process. E.g. Phillip Morris-Kraft, Pepsico- Pizza Hut, Proctor and Gamble and Clorox
- **Market-Extension Merger** - Conglomerate mergers wherein companies that sell the same products in different markets/ geographic markets. E.g. Morrison supermarkets and Safeway, Time Warner-TCI.
- **Pure Conglomerate Merger**- Two companies which merge have no obvious relationship of any kind. E.g. BankCorp of America- Hughes Electronics.

On a general analysis, it can be concluded that Horizontal mergers eliminate sellers and hence reshape the market structure i.e. they have direct impact on seller concentration whereas vertical and conglomerate mergers do not affect market structures e.g. the seller concentration directly. They do not have anticompetitive consequences.

REVIEW OF THE LITERATURE
Companies are often conducting a series of acquisitions. In early works in the M&A field there was a thinking that related acquisitions have a better chance of succeeding.

Relatedness, only by itself, does not create abnormal returns for acquiring companies. Synergy is the main factor that leads to success and abnormal returns. Barney (1988) in his research proves that:

"… synergistic cash flows stemming from relatedness will lead to abnormal returns for shareholders of bidding firms when those cash flows are private and unique, inimitable and unique, or unexpected."

However, later work has proved that there are different ways how companies can be close to each others and, as a consequence, there is a various degree of success based on that. According to Hayward's work (2002), the acquisitions that tend to be more successful are between the companies that are moderately similar in business characteristics and size to one another ("…not highly similar of dissimilar to one another"). If the prior acquisitions were with small losses - no high gains or high losses – the next acquisitions have a better chance of success. Lastly, the timing of the acquisitions should be such that acquisitions are "not too temporarily close to or distant from the focal acquisitions" (Hayward, 2002). According to the author's opinion there are larger benefits of acquisitions

intervals between 6 and 12 months. If the prior acquisitions are smaller than the interval is shorter and when "involve less intensive integration demands"; and similarly, if the prior acquisitions are larger than the acquisition interval is longer and when involve more intensive integration demands. The author results are closer to evolutionary thinking that firms benefit from variety of experience, experimenting and temporal rhythms (Brown, Eisenhard, 1997).

Mergers create value for acquirers when the acquirer has some unique resources which can be then utilized within the target's company. The authors conclude (Capron, Pistre, 2002) that on other side "when the source of synergies reside with the target, the market is likely to allocate the full gains to the target because of competition between potential acquirers". Namely, bidding competition of competent bidders can raise price of the target's company in a way that would be beneficial for the target's shareholders but likely would lead to unsuccessful performance of the acquirer firm. These results, combined with the observation of continued growth in merger and acquisition activity, gives rise to the "M&A success paradox." If we assume that managers are rational, and that corporate governance structures serve as a check and balance on poorly conceived strategic actions, we would expect the level of M&A activity to taper off, which has not been observed. To date, scholars have been unable to unravel the M&A success paradox" (Cording, Christmann, & Bourgeois, 2002).

In his study Chatterjee (1992) was trying to see who is gaining from M&A. This study does not suggest that everyone is gaining in M&A, just that there is a net gain for the economy. Often the acquiring company is researched more. However, the target company is other part that is often under-researched. According to the author, the target company should accept takeover only if the synergistic component is dominant to restructuring component.

In the study - during the period of 11 months before the tender offer until 60 months after the tender offer - cumulative average of abnormal returns (CAAR) is measured. The CAAR, and similar indexes, are a financial measure of success in this and many similar studies. The study was based on sample of 577 tender offers between 1963 and1986. There are number of conclusions that can be drawn from the results of the research. The CAAR after 60 months (and for years 1, 2, 3, 4 before) is negative for unsuccessful bidders, about zero for successful bidder and for the rivals and the target company positive. Next, the restructured target companies have much higher positive CAAR than not restructured targets (positive but close to zero). Restructured targets have better CAAR than the rivals of restructured targets; rivals of not restructured targets have much better CAAR of not restructured targets (Chaterjee, 1992).

External factors influence merger activity in strong and consistent sense as has been proven in the research by Golbe and White (1988). Although this research is based on Industrial Organization theory view, and it is concentrated to industries, conclusions go beyond industries to whole economy. Overall, macroeconomic environments influence merger activity; in time of economic expansion the number of merger increases and during economic slowdown the number of merger decreases. Initial industry group conditions have major influence on number of mergers in the industry, as well as macroeconomics factors.

Companies, like people, tend to continue to do what have they done in past. The M&A researchers Amburgey and Miner (1992) studied effects of companies' momentum on merger activity. Amburgey and Miner based their conclusions on theories of organizational routines and cognitive decision making patters. They come up with a conclusion that there are three types of strategic momentum:

- Repetitive momentum (companies repeat previous strategic measures)
- Positional momentum (companies sustain or extend their existing strategic positions)
- Contextual momentum (general character of a company determine strategic action in a consistent way)

The research results support for reality of repetitive and contextual momentum; however, there is only partial support for positional momentum. A majority of studies report that the acquirers underperformed market after the merger. However, that issue s not completely resolved considering that there are number of different ways how the performance can be measured. In the finance arena, number of the researchers conducted after-merger performance studies including Agrawal and Jaffe. Agrawal and Jaffe (1992) conclude that the acquiring companies under-perform for about 10%, in average, during the five years after the merger. However, they conclude that this question is not totally resolved.

Certain studies that have measured post merger success have had a different approach. Instead of trying to look into historical market performance they looked into a survey as a methodology. They surveyed prime stakeholders of the merger activity in order to find out how well the merger satisfied objectives based on the pre-acquisitions objectives. In the Capron's survey-based work, he states: "…traditionally available financial data are too gross to permit differentiation between the types of fine-grained value-creating mechanisms.." (Capron, 1999: 993). One of the conclusions of the research is to keep top management team of the target's firm, no matter of whether it is a related or conglomerate merger. Although these types of the studies could suffer of undue subjectivity of respondents (usually the CEO's who were part of the merger) it provides a good complement & reality check of the previous financial performance oriented studies.

OBJECTIVES OF THE STUDY

- To examine the issues and challenges confronted the mergers and acquisitions;
- To find out the strategies for mergers and acquisitions
- To assess the mergers and acquisitions undertaken by Indian companies
- To highlight the top foreign mergers and acquisitions in the year 2008 and 2009.

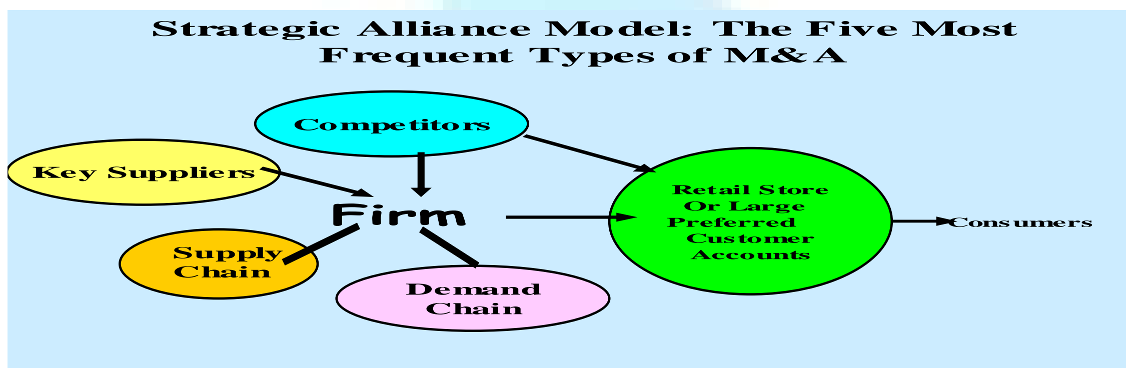
CHARACTERISTICS OF MERGER AND ACQUISITION ACTIVITY

Period	Major Characteristics
1895-1904	Driven by economic expansion, Development of capital markets
	Characterized by horizontal M & As
1922-1929	60 % occurred in fragmented markets (chemicals, food processing , mining)
	Driven by growth in transportation and merchandising, as well as by communications developments
1940-1947	Characterized by vertical integration
	Driven by evasion of price and quota controls
1960s	Characterized by conglomerate M & As
	Driven by aerospace industry
	Some firms merged to play the earnings per share "growth game"
1980s	Characterized by leveraged buyouts and hostile takeovers
1990s	Many international M & As
	Strategic motives were advanced
1999-2001	High technology/internet M & As
	Many stock financed takeovers, fuelled by inflated stock prices
	Many were unsuccessful and/or fell through as the Internet "bubble" burst
2005-to till date	Resource based/international M & A activity
	Fuelled by strong industry fundamentals, low financing costs, strong economic conditions
Source: Adapted in part from Weston, JF., Wang, F., Chung, S., and Hoag, S. Mergers, restructuring and Corporate Control. Toronto: Prentice Hall Canada, Inc 1990	

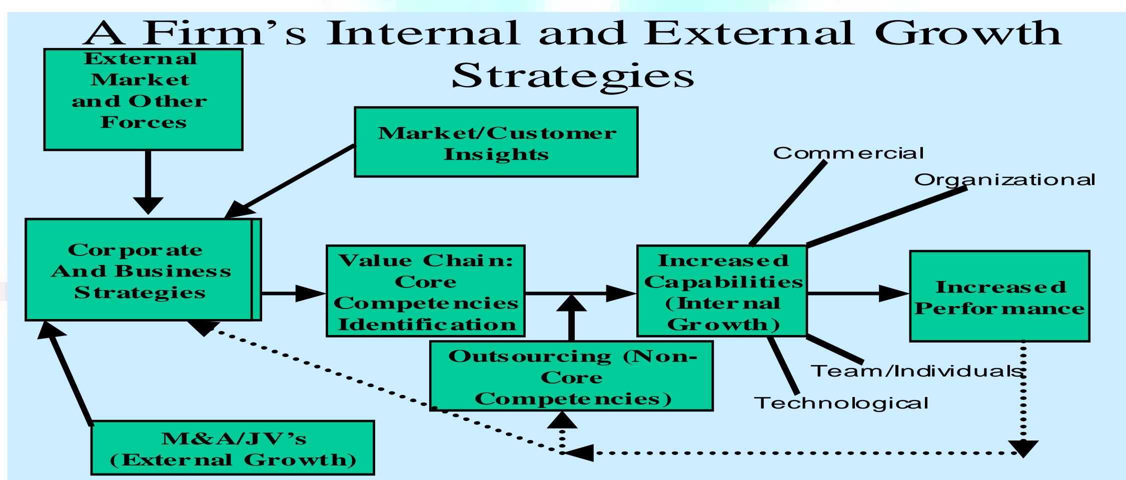
STRATEGIC ADVANTAGES OF MERGER AND ACQUISITIONS FROM THE PERSPECTIVE OF A BUYER

Although the reasons for considering growth by acquisition will vary from industry to industry and from company to company, the most common strategic advantages from the perspective of a buyer include:

- **Buyer can achieve operating and financial synergies and economics of scale** with respect to production and manufacturing, research and development, management or marketing, and distribution.
- **Buyer Company may be able to develop the full potential of the target company's proprietary products or services** that are suffering from lack of capital to move projects forward.
- **The target company may stand to lose its management team** due to the lack of career growth potential unless it is acquired by a business that offers higher salaries, increased employee benefits and greater opportunity for advancement. Conversely, it may have a surplus of strong managers who are likely to leave unless it acquires other businesses that it can operate and develop.
- **The buyer company may want to stabilize its earnings stream** and mitigate its risk of business failure by diversifying your products and services through acquisition rather than internal development.
- **Company may need to deploy excess cash into a tax-efficient project** (because both distribution of dividends and stock redemptions are generally taxable events to its shareholders).
- **Company may want to achieve certain production and distribution economies of scale** through vertical integration, which would involve the acquisition of a key supplier or customer.
- **The target company's management team may be ready for retirement** or a key manager may have recently died (leaving the business with residual assets that can be utilized by acquiring company).
- **The buyer company may wish to increase its market power by acquiring competitors**, which may be a less costly alternative for growth than internal expansion.
- **The buyer company may be weak in certain key business areas**, such as research and development or marketing, and it may be more efficient to fill these gaps through an acquisition rather than to build these departments internally.
- **The company may have superior products and services but lack the consumer loyalty or protected trademarks** needed to gain recognition in the marketplace. The acquisition of an older, more established firm can be a more efficient method of developing goodwill.
- **The company may want to penetrate new geographic markets** and conclude that it is cheaper to acquire firms already doing business in those areas than to establish market diversification from scratch.
- **The company may provide the technical expertise or capital** the target company needs to grow to the next stage in its development.



A FIRM'S INTERNAL AND EXTERNAL GROWTH STRATEGIES



Source: Barry A. Macy, Successful Strategic Change, Berrett-Koehler Publishers, San Francisco, CA.

- **Get staff involved:** Make sure to solicit the ideas and feedback of the employees. The more employees feel a part of the merger or acquisition, the more supportive they will be of what lies ahead. For instance, if the two companies involved use different enterprise resource planning (ERP) systems, a leader might ask for his staff's thoughts on the pros and cons of each one. He may be surprised at how open to change employees are if they participate in the decision-making process.
- **Give a realistic assessment:** Help to build support for the change by pointing out benefits that are expected to accompany it. If the firm is being acquired by a larger organization, for example, there may be greater advancement opportunities for its employees. Yet be careful not to go overboard trying to convince employees the merger or acquisition is good for everyone. With most business restructuring, there will be a mix of positives and negatives. Even if the news is generally good for your team, there may still be some uneasy feelings about what's happening. If staff members feel trepidation about change,

their resistance may increase if leader is overly upbeat. It's better to be honest about obstacles and then talk about how the company-and specifically the leader's department—plans to overcome them. For instance, if layoffs are planned, discuss the services that will be provided to those losing their jobs as well as what remaining employees can expect in the coming months.

- **Communicate regularly:** Early communication is critical in any merger or acquisition situation. If employees receive initial word of the change without immediate follow-up information, the rumor mill will undoubtedly start turning. People may suspect that management is trying to hide bad news such as layoffs by not revealing further details. This can damage morale and lead to turnover. When the leaders do have news to report, be honest, direct, and inform people immediately. Group meetings are best for matters that affect everyone on its team, such as the need for employees to relocate to the new company's location.
- **Stay focused:** The merger or acquisition will certainly command much attention in the leader's group, but he has to make sure that core responsibilities aren't overshadowed by the upcoming event. Be sensitive to the situation, but stress the importance of meeting everyday demands. Make an active effort to monitor workloads since they may change quickly once the merger or acquisition is announced.

EFFECTS OF MERGERS AND ACQUISITIONS

Mergers and acquisitions have long lasting effects on various interest groups. The effects of mergers and acquisitions on different bodies are mentioned herein below:

1. **Impact of Mergers And Acquisitions on workers or employees:** Aftermath of mergers and acquisitions impact the employees or the workers the most. It is a well known fact that whenever there is a merger or an acquisition, there are bound to be lay offs. In the event when a new resulting company is efficient business wise, it would require less number of people to perform the same task. Under such circumstances, the company would attempt to downsize the labor force. If the employees who have been laid off possess sufficient skills, they may in fact benefit from the lay off and move on for greener pastures. But it is usually seen that the employees those who are laid off would not have played a significant role under the new organizational set up. This accounts for their removal from the new organization set up. These workers in turn would look for re-employment and may have to be satisfied with a much lesser pay package than the previous one. Even though this may not lead to drastic unemployment levels, nevertheless, the workers will have to compromise for the same. If not drastically, the mild undulations created in the local economy cannot be ignored fully.
2. **Impact of mergers and acquisitions on top level management:** Impact of mergers and acquisitions on top level management may actually involve a "clash of the egos". There might be variations in the cultures of the two organizations. Under the new set up the manager may be asked to implement such policies or strategies, which may not be quite approved by him. When such a situation arises, the main focus of the organization gets diverted and executives become busy either settling matters among themselves or moving on. If however, the manager is well equipped with a degree or has sufficient qualification, the migration to another company may not be troublesome at all.
3. **Impact of mergers and acquisitions on shareholders:** We can further categorize the shareholders into two parts:
   - The Shareholders of the acquiring firm
   - The shareholders of the target firm.

(a) Shareholders of the acquired firm: The shareholders of the acquired company benefit the most. The reason being, it is seen in majority of the cases that the acquiring company usually pays a little excess than it what should. Unless a man lives in a house he has recently bought, he will not be able to know its drawbacks. So that the shareholders forgo their shares, the company has to offer an amount more then the actual price, which is prevailing in the market. Buying a company at a higher price can actually prove to be beneficial for the local economy.

(b) Shareholders of the acquiring firm: They are most affected. If we measure the benefits enjoyed by the shareholders of the acquired company in degrees, the degree to which they were benefited, by the same degree, these shareholders are harmed. This can be attributed to debt load, which accompanies an acquisition.

BENEFITS OF MERGERS AND ACQUISITIONS

Benefits of Mergers and Acquisitions are manifold. Mergers and Acquisitions can generate cost efficiency through economies of scale, can enhance the revenue through gain in market share and can even generate tax gains. Benefits of Mergers and Acquisitions are the main reasons for which the companies enter into these deals. The main benefits of Mergers and Acquisitions are the following:

- **Greater value generation:** Companies go for Mergers and Acquisition from the idea that, the joint company will be able to generate more value than the separate firms. When a company buys out another, it expects that the newly generated shareholder value will be higher than the value of the sum of the shares of the two separate companies.
- **Beneficial company is weathering through the tough times**: Mergers and Acquisitions can prove to be really beneficial to the companies when they are weathering through the tough times. If the company which is suffering from various problems in the market and is not able to overcome the difficulties, it can go for an acquisition deal. If a company, which has a strong market presence, buys out the weak firm, then a more competitive and cost efficient company can be generated. Here, the target company benefits as it gets out of the difficult situation and after being acquired by the large firm, the joint company accumulates larger market share. This is because of these benefits that the small and less powerful firms agree to be acquired by the large firms.
- **Gaining cost efficiency:** When two companies come together by merger or acquisition, the joint company benefits in terms of cost efficiency. A merger or acquisition is able to create economies of scale which in turn generates cost efficiency. As the two firms form a new and bigger company, the production is done on a much larger scale and when the output production increases, there are strong chances that the cost of production per unit of output gets reduced.
- **Mergers and Acquisitions are also beneficial**
  - when a firm wants to enter a new market
  - when a firm wants to introduce new products through research and development
  - when a forms wants achieve administrative benefits
  - Mergers and Acquisitions may generate tax gains, can increase revenue and can reduce the cost of capital.

FAILURES OF MERGERS AND ACQUISITIONS

Mergers and acquisitions may seem to be beneficial, resulting in the amalgamation of two conglomerates. They have been found to lead to cost cuts and increased revenues. However, merger and acquisition failures are not uncommon. These failures may harm the companies, tarnish their credibility in the market, and ruin the confidence of their shareholders.

Studies reveal that approximately 40% to 80% of mergers and acquisitions prove to be disappointing. The reason is that their value on the stock market deteriorates. The intentions and motivations for effecting mergers and acquisitions must be evaluated for the process to be a success. It is believed that when two companies merge the combined output will increase the productivity of the merged companies. This is referred to as "economies of scale." However, this increase in productivity does not always materialize.

There are several reasons merger or acquisition failures. Some of the prominent causes are summarized below:

- If a merger or acquisition is planned depending on the (bullish) conditions prevailing in the stock market, it may be risky.
- There are times when a merger or an acquisition may be effected for the purpose of "seeking glory', rather than viewing it as a corporate strategy to fulfill the needs of the company. Regardless of the organizational goal, these top level executives are more interested in satisfying their "executive ego".

- In addition to the above, failure may also occur if a merger takes place as a defensive measure to neutralize the adverse effects of globalization and a dynamic corporate environment.
- Failures may result if the two unifying companies embrace different "corporate cultures".

It would not be correct to say that all mergers and acquisitions fail. There are many examples of mergers that have boosted the performance of a company and addressed the well-being of its shareholders. The primary issue to focus on is how realistic the goals of the prospective merger are.

STEP BY STEP PROCEDURE FOR MERGERS AND ACQUISITIONS

The procedure for mergers and acquisitions is mentioned herein below:

- **Determine Business Plan Drivers:** Merger and acquisition strategies are deduced from the strategic business plan of the organization. So, in merger and acquisition strategies, find out the way to accelerate your strategic business plan through the M&A. Then transform the strategic business plan of the organization into a set of drivers, which merger and acquisition strategies would address. While chalking out strategies, organization need to consider the points like the markets of its intended business, the market share that the organization are eyeing for in each market, the products and technologies that it would require, the geographic locations where it would operate its business in, the skills and resources that it would require, the financial targets, and the risk amount etc.
- **Determine Acquisition Financing Constraints:** Now, the organization is to find out if there are any financial constraints for supporting the acquisition. Funds for acquisitions may come through various ways like cash, debt, public and private equities, minority investments, earn outs etc. The organization need to consider a few facts like the availability of untapped credit facilities, surplus cash, or untapped equity, the amount of new equity and new debt that the organization can raise etc. It also needs to calculate the amount of returns that it must achieve.
- **Develop Acquisition Candidate List:** Now the acquirer organization have to identify the specific companies (private and public) that it is eyeing for acquisition. It can identify those by market research, public stock research, referrals from board members, investment bankers, investors and attorneys, and even recommendations from its employees. It also needs to develop summary profile for every company.
- **Build Preliminary Valuation Models:** This stage is to calculate the initial estimated acquisition cost, the estimated returns etc. Many organizations have their own formats for presenting preliminary valuation.
- **Rate/Rank Acquisition Candidates:** Rate or rank the acquisition candidates according to their impact on business and feasibility of closing the deal. This process will help the organization in understanding the relative impacts of the acquisitions.
- **Review and Approve the Strategy:** This is the time to review and approve the merger and acquisition strategies. The organization needs to find out whether all the critical stakeholders like board members, investors etc. agree with it or not. If everyone gives their nods on the strategies, the organization can go ahead with the merger or acquisition.

MARKET ENGINEERING CAN MAKE MERGERS & ACQUISITIONS MORE SUCCESSFUL - DIFFERENT WAYS

The different ways by which market engineering can make mergers and acquisitions more successful are mentioned herein below:

- Improving negotiation and price by knowing the company's exact market position;
- Providing credibility and insurance to investors and bankers;
- Selecting the optimal acquisition candidate for your company;
- Identifying market opportunities that an acquisition strategy can exploit;
- Measuring customer attitudes on company's products to indicate their image in market;
- Providing customer demographic data that gives insight into future market potential and growth for targeted company;
- Identifying opportunities for growth in market segmentation analysis;
- Providing competitive benchmarking measurements to identify areas for fast improvement in company;
- Measuring market and technical trends to forecast future growth potential of company's technology;
- Identifying key trends in the market, the company's customers, and relative position with competitors to pinpoint future problems and opportunities.

SWOT ANALYSIS FOR MERGERS AND ACQUISITIONS

If managers have done their work properly before the acquisition, they will have proved that they have sound, logical reasons for the purchase - which is a key principle in itself. Then try a SWOT analysis:

- What new Strengths will the buy bring to the company?
- How will management capitalize on those strengths?
- What are the Weaknesses of (a) the target and (b) the combined businesses?
- How will management eliminate the weaknesses?
- What Opportunities are available to the combined businesses that are not already available to the buyer?
- How will management seize those Opportunities, if any?
- What Threats will the buy avert?
- What new Threats will be created by the acquisition?
- How does management propose to overcome the Threats?

STRATEGIES FOR MANAGING CHANGE ARISING DUE TO MERGERS AND ACQUISITIONS

The merger and acquisition strategies may differ from company to company and also depend a lot on the policy of the respective organization. However, merger and acquisition strategies have got some distinct process, based on which, the strategies are devised.

- **Analyze Company Cultures:** During the courting phase, companies considering consolidation must maintain objectivity about the impending business deal. Companies should frankly discuss their respective business cultures to determine whether an appropriate fit is even possible. For example, perhaps Company A has a loose management style and delegates a great amount of responsibility to regional managers. Company B, on the other hand, has a rigid, conservative approach with all decisions coming from the top and filtering down through an elaborate approval process. Distinct differences like this must be acknowledged, accepted and dealt with directly. In this instance, the two companies must compromise up front about how much authority they will delegate to their regional management teams. An open and honest assessment of the differences in business cultures ensures there are no surprises after the two companies begin working together.
- **Make People a Priority:** The merging of two large companies is a huge undertaking, involving a great deal of legal and financial wrangling. Unfortunately, high-power meetings and paperwork often receive the greatest allocation of resources, while the "people" aspects are neglected. To successfully merge two companies, executives need to allocate sufficient communication resources for managing employee concerns. Industry consolidation typically raises fears about job loss, plant relocation or the reassignment of responsibilities. Managers must be honest with their people about what to expect. Management must also involve their staff in as much decision-making as possible. Although mergers and acquisitions happen quickly, the need for speed is not an excuse for making decisions about people without their involvement. Additionally, all players must be tolerant of the new team's differing personalities and management styles to help build relationships with the new company.

- **Beware the Honeymoon Syndrome:** Spirits are usually high at the onset of the merger or acquisition. Stock prices skyrocket, press is favorable and expectations are high for growth. This is the “honeymoon period” when companies are preoccupied with the bright side of the new venture. This can also be a very dangerous time, as companies are blind to the weaknesses and risks inherent in the deal. Often it’s wise to bring in an objective third party as the planning begins to prevent ‘infatuation’ and ensure that management is realistically considering the problematic aspects of the merger or acquisition. It’s also critical to gauge whether management is willing to allocate enough “bandwidth” to tackle both the acquisition and current operations. It is important to perform "reverse qualification" so companies use the same set of analytical tools on themselves that they have already used on the target company.
- **The Bottom Line:** Companies typically amass an army of financial advisors and lawyers but lack the expertise to handle the people part of M & A. Frequently, the smartest strategy is to bring in a trusted advisor who is skilled in handling the human aspects of mergers and acquisitions. After all, companies are made up of people and people determine performance. Putting people first is an investment in success.
- **Mergers start at the top**: To integrate companies following a merger, arguably the most important challenges involve the top of the organization—appointing the right top team, structuring it appropriately, defining its agenda, and building the trust that enables its members to work well together. Executives who fail to overcome these challenges are responsible for the ego clashes and politics that are often the root cause of spectacular failed mergers.

TRENDS IN MERGERS AND ACQUISITIONS

The trends in mergers and acquisitions can be highlighted herein below:

- Merger and acquisition trends give a clear idea about the movements of the market. Not only the product market or labour market, but also the money market gets influenced by these merger and acquisition trends.
- Merger and acquisition trends are important to study in order to judge the market movements of any particular economy.
- Not only the markets of particular countries, but also the World Market gets influenced by the significant mergers and acquisitions. So, one can easily understand how determining the merger and acquisition trends are in the overall development growth of any economy.
- In the years 2006 and 2007, the world experienced numerous mergers and acquisitions. All over the world, in the developed and developing nations, record number of merger and acquisition deals took place.
- Most of these merger and acquisitions actually led to decrease in number of public undertakings and increase in number of private enterprises. This happened as many public organizations all over the world, were either merged into or acquired by big private institutions.
- The reason of this particular merger and acquisition trend was the emergence and rapid growth of Private Equity Funds. Moreover, the regulatory environment of the publicly owned companies and the urge to attain growth of short term earnings were also behind the specific trend of mergers and acquisitions.
- Mergers and acquisitions resulting into privatization of the public undertakings took place not only in Europe, but also in North America, China and even in country like Brazil. In Europe this type of mergers and acquisitions took place significantly, as the market for public-to-private investment was quite strong in Europe. In China this type of mergers and acquisitions were first approved in 2006.
- According to experts this trend of going private through mergers and acquisitions will continue in the future. As the Private Equity Funds are facing the target of deploying the raised capital, acquisition of large public organizations is definitely in the pipeline.

CORPORATE MERGERS AND ACQUISITIONS

Corporate mergers and acquisitions are something very crucial for any country's economy. This is so because the corporate mergers and acquisitions can result in significant restructuring of the industries and can contribute to rapid growth of industries by generating economies of scale.

Corporate Mergers and Acquisitions influence the economy as a whole as through restructuring of industries. These Corporate mergers and acquisitions increases competition in the market and raise the vulnerability of the stockholders as the value of stocks experience ups and downs after a merger or acquisition.

Although the concept of merger and acquisition are different from one another, both can be used as engines of growth. Corporate mergers and acquisitions are instruments which can instantly result in expansion of production capacity.

Corporate mergers and acquisitions result in Skill Transfer and other Sharing Activities. After a company is merged with another or is acquired by a bigger one, the former gains in terms of comparative advantage. After a Corporate merger or acquisition, production takes place on a large scale. This large scale production generates economies of scale. So, in a way corporate mergers and acquisitions help companies to attain rapid growth. A merger or acquisition not only benefits the big firm but also benefits the target firm. The target firm can get such a high bid that it exceeds the real market value of the target company. This can be possible in two cases. Firstly, when acquiring of the target firm is really crucial for the firm who wants to acquire it and when the target firm is more valuable to the acquiring firm than to any other bidder firm. Secondly, when the bidder firm is confident of acquiring comparative advantage in a short span through the acquisition of the target firm.

In case of a Corporate merger or acquisition, the distribution of value between the shareholders of the target company and the bidder company depends significantly on the relative bargaining power of the bidder firm and the target firm.

MERGERS AND ACQUISITIONS IN INDIA: THE LATEST TRENDS

Till recent past, the incidence of Indian entrepreneurs acquiring foreign enterprises was not so common. The situation has undergone a sea change in the last couple of years. Acquisition of foreign companies by the Indian businesses has been the latest trend in the Indian corporate sector.

There are different factors that played their parts in facilitating the mergers and acquisitions in India. Dynamic attitudes of the Indian entrepreneurs, additional liquidity in the corporate sector, favorable government policies, dynamic government policies, corporate investments in industry, economic stability, “ready to experiment” attitude of Indian industrialists and buoyancy in economy are the key factors behind the changing trends of mergers and acquisitions in India.

Recently the Indian companies have undertaken some important acquisitions. Some of those are as follows:

1. Creating history, one of India's top corporate entities, Tata Motors, in March 2008 acquired luxury auto brands -- Jaguar and Land Rover -- from Ford Motor for $2.3 billion, stamping their authority as a takeover tycoon.
2. Beating compatriot Mahindra and Mahindra for the prestigious brands, just a year after acquiring steel giant Corus for $12.1 billion, the Tatas signed the deal with Ford, which on its part chipped in with $600 million towards JLR's pension plan. Tata Motors' buyout of JLR is India's 8th-largest in history.
3. Aluminium and copper major Hindalco Industries, the Kumar Mangalam Birla-led Aditya Birla Group flagship acquired in February 2007 Canada based Novelis. The deal involved transaction of $5,982 million. Till date, it is India's third-largest M&A deal. The acquisition would make Hindalco the global leader in aluminium rolled products and one of the largest aluminium producers in Asia. With post-acquisition combined revenues in excess of $10 billion, Hindalco would enter the Fortune-500 listing of world's largest companies by sales revenues
4. India's financial industry saw the merging of two prominent banks - HDFC Bank and Centurion Bank of Punjab (CBoP). The deal took place in February 2008 for $2.4 billion. CBoP shareholders got one share of HDFC Bank for every 29 shares held by them. Post-acquisition, HDFC Bank became the second-largest private sector bank in India. The acquisition was also India's 7th largest ever.
5. On January 30, 2007, Tata Steel’s done a mega takeover of European steel major Corus for $12.2 billion. The biggest ever deal for an Indian company so far. The deal is the largest Indian takeover of a foreign company till date and made Tata Steel the world's fifth-largest steel group This is the first big thing which marked the arrival of India Inc on the global stage.

6. Tata Steel’s (Tisco) acquisition of the Singapore-based NatSteel in August 2004 topped the charts for the group during the year. Natsteel was purchased for a whopping Rs 1,313 crore.
7. Dr. Reddy's Labs acquired Betapharm, Germany through a deal worth of $597 million.
8. Ranbaxy Labs acquired Terapia SA., Romania the deal amounted to $324 million.
9. Vodafone purchased administering interest of 67% owned by Hutch-Essar for a total worth of $11.1 billion on February 11, 2007. This is the second-largest M&A deal ever involving an Indian company
10. Wind energy premier Suzlon Energy acquired Hansen Group, Belgium through a deal of $565 million.
11. Wind energy premier Suzlon Energy in May 2007 acquired the German wind turbine manufacturer REpower for $1.7 billion. The deal now ranks as the country's 10th largest corporate takeover. REpower is one of Germany's leading manufacturers of wind turbines, with a 10-per cent share of the overall market. Suzlon is now the largest wind turbine maker in Asia and the fifth largest in the world.
12. The Oil and Natural Gas Corporation purchased Imperial Energy Plc in January 2009. The deal amounted to $2.8 billion and was considered as one of the biggest takeovers after 96.8% of London based companies' shareholders acknowledged the buyout proposal.
13. The acquisition of Daewoo Electronics Corp., Korea by Videocon involved transaction of $729 million.
14. The acquisition of Thomson SA of France by Videocon involved transaction of $290 million.
15. Marking the largest-ever deal in the Indian pharma industry, Japanese drug firm Daiichi Sankyo in June 2008 acquired the majority stake of more than 50 per cent in domestic major Ranbaxy for over Rs 15,000 crore ($4.5 billion). The deal created the 15th biggest drugmaker globally, and is India's 4th largest M&A deal to date
16. Anil Agarwal-led Sterlite Industries Ltd’s $1.8 billion Asarco LLC buyout deal is the ninth biggest-ever merger and acquisitions deal involving an Indian firm, and the largest so far in 2009. This is despite the deal size falling by almost $1 billion, from a projected estimate of $2.6 billion in May 2008, due to devaluation of mining assets and a sharp fall in copper prices. Sterlite, the Indian arm of the London-based Vedanta Resources Plc, acquired Asarco in March 2008.
17. HPCL acquired Kenya Petroleum Refinery Ltd., Kenya The deal amounted to $500 million.
18. Reliance Industries in March 2009 approved a scheme of amalgamation of its subsidiary Reliance Petroleum with the parent company. The all-share merger deal between the two Mukesh Ambani group firms was valued at about Rs 8,500 crore ($1.68 billion). This makes it India's 11th largest M&A transaction till date. Post-merger, RPL shareholders received one fully paid equity share of Rs 10 each of the company for every 16 fully paid equity shares of Rs 10 each of RPL held by them. The RIL-RPL merger swap ratio was at 16:1. The merger became effective from April 1, 2008.
19. Japanese telecom giant NTT DoCoMo picked up a 26 per cent equity stake in Tata Teleservices for about Rs 13,070 crore ($2.7 billion) in November 2008. This is the 6th-largest M&A deal involving an Indian company.
20. With a subscriber base of 25 million in 20 circles DoCoMo paid Rs 20,107 per subscriber to acquire the stake. DoCoMo picked up the equity through a combination of fresh issuance of equity and acquisition of shares from the existing promoters
21. VSNL acquired Teleglobe, Canada through a deal of $239 million.
22. Indian Hotels acquired Campton Place Hotel, US the acquisition deal amounted to $58 million in April 2007
23. Indian Hotels acquired Starwood group (W. Hotel), Sydney, the acquisition deal amounted to $29 million in December 2005
24. Indian Hotels acquired The Pierre, US, the acquisition deal amounted to $9 million in July 2005
25. Tata Coffee acquired Eight O’ Clock Coffee Company, US, the acquisition deal amounted to $220 million in June 2006
26. Tata Communications acquired Transtel Telecoms (TT), South Africa, the acquisition deal amounted to $33 million in April 2007
27. Tata Communications acquired BT Group's (BT) Mosaic Business, UK, the acquisition deal amounted to £0.5 million in January, 2010
28. TCS acquired Citigroup Global Services, US, the acquisition deal amounted to $512 million in December 2008
29. Tata Motors acquired Daewoo Commercial Vehicle Company, Korea, the acquisition deal amounted to KRW120 billion ($102 million, Rs. 465 crore) in March 2004
30. Tata Power acquired Geodynamics, Australia, the acquisition deal amounted to $37.5 million in September 2008
31. Voltas acquired Rohini Industrial Electricals, India, the acquisition deal amounted to Rs. 62 Crore in August 2008
32. TRF acquired Dutch Lanka Trailer Manufacturers, Sri Lanka, the acquisition deal amounted to $8.67 million in July 2009
33. Tech Mahindra Limited acquired fraud-hit Satyam Computer Services Ltd, the acquisition deal amounted to $576 million in 2009
34. Sesa Goa Limited acquired Dempo Mining Corp. Pvt. Ltd., the acquisition deal amounted to $350 million in 2009
35. Trent acquired Landmark, India, the acquisition deal amounted to $24.09 million (Rs103.60 crore) in August 2005
36. Tata Tea through Tata Tea (GB) acquired JEMCA, Czech Republic, the acquisition deal amounted to GBP11.60 million in May 2006
37. Reliance Industries Ltd (RIL) had acquired Trevira from Deutsche Bank, which was its second international acquisition and the first in the polyester sector, for 80 million euros. The acquisition would propel the company as the world’s biggest polyester producer in terms of capacity.

BIGGEST MERGER AND ACQUISITIONS DEALS OF TECH INDUSTRY’S IN 2009

The top 10 mergers and acquisitions in the network industry in 2009 all cracked the billion-dollar barrier, and involved vendors in hardware, IT services, collaboration, storage, wireless infrastructure and other segments. IT behemoths such as Oracle, Cisco, Dell, HP, EMC and IBM were among the biggest spenders. Here are the top 10 acquisitions from 2009 based on publicly disclosed transaction values, including some deals that are still pending and may not be completed until 2010.

1. **Oracle-Sun: $7.4 billion:** It seems a long time ago that Oracle announced its blockbuster deal to purchase the struggling Sun Microsystems, giving the industry's largest database software vendor entry into the server and storage markets. The acquisition, still pending, was announced in April, and may even be blocked because European regulators are contending that combining Oracle's technology with Sun's open source MySQL database would violate competition laws. Oracle-Sun is by no means a done deal, but if it goes through it would give Larry Ellison new ammunition against Microsoft (in the database market) and against big hardware vendors such as IBM, HP and Dell.
2. **Xerox-Affiliated Computer Services: $6.4 billion:** In one fell swoop Xerox was able to triple its services revenue from $3.5 billion to $10 billion a year with the purchase of business process outsourcer Affiliated Computer Services. The agreement, announced in September, combines 74,000 ACS employees with Xerox's staff of 54,000, which runs the company's longtime photocopier business and various document management technologies and services. Xerox believes ACS will help it penetrate new markets without huge amounts of overlap, saying that only about 20% of the companies' customers are common to both businesses.
3. **Dell-Perot Systems: $3.9 billion:** Just days before Xerox's big move, Dell announced an agreement to buy Perot Systems, another major IT services firm founded by Ross Perot. Dell is betting that Perot will help it become a leading services company, and allow it to sell more hardware to existing Perot customers, many of whom are in the healthcare and government industries. Dell's purchase can also be seen as a response to rival HP's $13.9 billion acquisition the previous year of EDS -- another services company founded by Perot.
4. **Cisco-Tandberg: $3.4 billion:** Cisco, already a major player in collaboration products with WebEx and TelePresence, signed an agreement in October to purchase videoconferencing vendor Tandberg, which makes both video devices and network infrastructure products. The acquisition, if completed, could have both a direct and indirect impact on Cisco's bottom line, because expanded use of videoconferencing may increase network traffic, letting Cisco sell more switches and routers. The deal, announced in October, is still pending. Shareholders initially objected to the acquisition but Cisco now appears to have won enough support to complete the merger.

5. **Cisco-Starent Networks: $2.9 billion:** Cisco's multibillion dollar purchase of Starent, announced in October, boosts the vendor's IP-based mobile infrastructure for several types of wireless networks, including LTE and WiMAX. Cisco had already made an investment in WiMAX with the $330 million purchase of Navini Networks in 2007, and a supply contract with Clearwire in 2009. But LTE is gaining steam as well, with both Verizon and AT&T saying they will use LTE for their 4G networks. Starent's technology has been deployed by more than 100 mobile operators in 45 countries.
6. **HP-3Com: $2.7 billion:** HP is launching an assault on Cisco in the data center networking and convergence markets with its purchase of 3Com, a maker of switches, routers and security products. The deal, announced in November, gives HP a core switch, the H3C 12500, to compete against Cisco's Nexus 7000, as well as significant market presence in China. But the acquisition, which is facing a shareholder lawsuit, also suffers from overlap at the low end of the companies' switching lines and in wireless networking.
7. **EMC-Data Domain: $2.1 billion:** EMC had to outfox rival NetApp to make this top 10 list, as the storage vendor won a six-week bidding to purchase Data Domain and gain new technology in the data de-duplication market. De-duplication helps companies save money by reducing data storage needs, which is why both EMC and NetApp believe it will play a major role in the storage market in the coming years. NetApp originally had a $1.5 billion signed agreement to purchase Data Domain, but EMC swooped in and kept raising the price until the smaller NetApp could no longer afford to stay in the bidding.
8. **Emerson-Avocent: $1.2 billion:** Emerson is expanding its IT operations management portfolio with the addition of Avocent, which makes software, hardware and embedded technologies designed to simplify management of complex data centers. Emerson said Avocent's configuration and monitoring technologies are complementary to its own power, energy management and cooling systems, and will thus help customers tackle the growing problem of energy inefficiency. The acquisition, which will also expand Emerson's capabilities in the KVM switching market, is expected to close around Jan. 1, 2010.
9. **IBM-SPSS: $1.2 billion:** IBM is spending more than $1 billion to expand its analytics software capabilities, with SPSS and its predictive analytics tools that help companies mine historical business data to identify future trends. "IBM sees potential applications for SPSS tools in helping financial services companies retain customers, preventing crime and picking the optimal site for a new store or factory," the IDG News Service reported in July when the acquisition was announced. The purchase is just the latest step in IBM's strategy of bolstering its line of business analytics tools. Previously, Big Blue acquired data discovery technology from Exeros and paid $5 billion for business intelligence vendor Cognos.
10. **Ericsson-Nortel Networks' wireless assets: $1.13 billion:** Ericsson won a bidding war over the wireless assets of bankrupt Nortel Networks, beating out offers from Nokia Siemens Networks, the private equity firm Matlin Patterson and Research in Motion. Specifically, Ericsson won Nortel's CDMA and LTE wireless networking business, allowing the Swedish company to strengthen its presence in North America. Nortel customers in North America that will now be supplied by Ericsson include Verizon Wireless, Sprint, U.S. Cellular, Bell Canada, Leap and Telus, Network World reported when the deal was announced in July. Because of the Nortel purchase and other strategic deals, Ericsson will have 14,000 employees and $5 billion in revenue from North America

LARGEST FOREIGN MERGERS AND ACQUISITIONS IN THE YEAR 2008

S.No.	Target (%Sought/Acquired)	Acquirer	Acquirer / Target Nation	Value (US $m)
1	Philip Morris Intl Inc (100%)	Shareholders	Switzerland / Switzerland	112,955.20
2	Anheuser-Busch Cos Inc (100%)	InBev NV	Belgium / United States	60,408.10
3	Merrill Lynch & Co Inc (100%)	Bank of America Corp	United States / United States	48,766.20
4	Genentech Inc (47.6%)	Roche Holding AG	Switzerland / United States	43,655.40
5	Time Warner Cable Inc (85.2%)	Shareholders	United States / United States	42,129.70
6	Alltel Corp (100%)	Verizon Wireless Inc	United States / United States	28,100.00
7	Alcon Inc (52%)	Novartis AG	Switzerland / United States	27,733.70
8	RBS (57.94%)	HM Treasury	United Kingdom / United Kingdom	26,062.90
9	HBOS PLC (100%)	Lloyds TSB Group PLC	United Kingdom / United Kingdom	25,439.50
10	William Wrigley Jr Co (100%)	Mars Inc	United States / United States	23,194.20
11	Fortis Bank Nederland(Holding) (100%)	Netherlands	Netherlands / Netherlands	23,137.30
12	Union Fenosa SA (49.5%)	Gas Natural SDG SA	Spain / Spain	22,750.20
13	British American Tobacco PLC (27.1%)	Shareholders	Switzerland / United Kingdom	19,826.70
14	Rohm & Haas Co (100%)	Dow Chemical Co	United States / United States	18,585.10
15	St George Bank Ltd (100%)	Westpac Banking Corp	Australia / Australia	17,933.00

LARGEST FOREIGN MERGERS AND ACQUISITIONS IN THE YEAR 2009

S.No.	Target (%Sought/Acquired)	Acquirer	Acquirer / Target Nation	Rank Value (US $m)
1	Wyeth (100%)	Pfizer Inc	United States / United States	64,479.70
2	Rio Tinto PLC-WA Iron Ore Asts (100%)	BHP Billiton-WA Iron Ore Asts	Australia / Australia	58,000.00
3	Schering-Plough Corp (100%)	Merck & Co Inc	United States / United States	45,704.40
4	General Motors-Cert Assets (100%)	Vehicle Acq Holdings LLC	United States / United States	42,979.50
5	RBS	HM Treasury	United Kingdom / United Kingdom	41,878.70
6	XTO Energy Inc (100%)	Exxon Mobil Corp	United States / United States	40,659.10
7	Burlington Northern Santa Fe (78.1%)	Berkshire Hathaway Inc	United States / United States	35,948.00
8	Citigroup Inc (38.81%)	Preferred Shareholders	Unknown / United States	28,078.30
9	Cenovus Energy Inc (100%)	Shareholders	Canada / Canada	23,312.90
10	Cadbury PLC (100%)	Kraft Foods Inc	United States / United Kingdom	19,255.40
11	Petro-Canada (100%)	Suncor Energy Inc	Canada / Canada	18,245.80
12	Liberty Entertainment Inc (100%)	DirecTV Group Inc	United States / United States	14,499.10
13	NBC Universal Inc (100%)	Comcast Corp	United States / United States	14,400.00
14	Endesa SA (25.01%)	Enel SpA	Italy / Spain	13,470.00
15	Barclays Global Investors Ltd (100%)	BlackRock Inc	United States / United States	13,345.20

CONCLUSION AND SUGGESTIONS

Identifying and understanding your customers is the first step toward success. Marketers will need to know and understand their product categories, how the industry operates and how changes will impact their brands. A strong brand name allows consumers to immediately recognize your product and an established brand has developed quality and value to the consumer as well as brand loyalty in that product's category. The success of a company is directly related to the investment made in its brand name Deals today need to be fairly structured, reasonably priced and genuinely make sense … or they will not get done.

The circumstances and reasons for every merger are different and these circumstances impact the way the deal is dealt, approached, managed and executed.

.However, the success of mergers depends on how well the deal makers can integrate two companies while maintaining day-to-day operations. Each deal has its own flips which are influenced by various extraneous factors such as human capital component and the leadership. Much of it depends on the company's leadership and the ability to retain people who are key to on going success of companies. It is important, that both the parties should be clear in their mind as to the motive of such acquisition i.e. there should be census- ad- idem. Profits, intellectual property, customer base are peripheral or central to the acquiring company, the motive will determine the risk profile of such M&A. Generally before the onset of any deal, due diligence is conducted so as to gauze the risks involved, the quantum of assets and liabilities that are acquired etc.

Any M&A should be viewed as an activity good for both the organization and for the employees rather than as a time of employee uncertainty and insecurity. The focus on the human dimension of M&A will significantly impact the bottom-line success. It will also result in less organizational turmoil, and ultimately determine the overall success of the M&A transaction. All practitioners working on the M&A have the opportunity to serve as role models by working collaboratively from the outset to realize the possibilities of a successful M&A.

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