CHAPTER V

CONCLUSIONS

The changes in the industrial context for the Indian business firms enabled them to go or to opt for mergers and acquisitions and were brought about by the progression of the economic reforms and the industrial regime which marked the beginning of the post liberalization era in India. The changes which were initiated brought high competition across various industrial sectors of the economy. Owing to this, the Indian corporates had to revamp and adjust and implement many forms of restructuring, mergers and acquisitions being one of the prominent one.

Since, a phenomenal increase in the various merger and acquisition activity is witnessed owing to the results of the liberalization of the Indian economy it becomes imperative and eminent to analyze the strategic objectives behind these merger and acquisition activities. This study has made an attempt to analyze forty five deals(some repetitive but with different strategic objectives) of various sectors as mentioned above, which had materialized in the time frame between January 2000 and February 2011. The deals were selected randomly in the sectors which materialized in the above time frame. The various sectors considered were auto, aviation, banking, pharmaceuticals, beverages, wind energy, petroleum, steel, telecommunication, Infrastructure, chemicals, cement, consumer durables and Information technology in India. The detailed research methodology and design is explained in the chapter three.

On analysis of the various deals of the sectors mentioned above with respect to the various hypothesis, the following conclusions were reached. The findings of the above study can be summarized as follows, with respect to each sector.
**Telecom sector:**

On analysis of the various deals in the telecom sector, with respect to the various hypothesis, on the basis of case wise analysis, it was inferred that consolidation of market power thereby increasing of market share, entry into newer territories to tap uncatered markets, achieving operational synergies so as to achieve low cost advantage and leadership which is hubris motive were the strategic objectives behind the mergers and acquisitions in the above mentioned telecom sector. On detailed case wise analysis, it was observed that all the deals analyzed achieved the strategic objectives they aimed to achieve.

These strategic objectives are in line with the studies quoted in the detailed literature survey on the various motives behind the deals which states that in relation to the telecommunication sector, acquisition of licenses or geographical territory, acquisition of spectrum, acquisition of telecom infrastructure and network, acquisition of customer base to achieve an economic base, acquisition of brand value, higher operating profit (EBITDA) margin, consolidation and inorganic subscriber growth, expansion of global footprint, reduction of costs, funding for growth, Technical expertise, were among several major reasons for Mergers & Acquisition in this sector, (www.businesswire.com)

The above conclusions arrived at are also in line with study conducted by Lubatkin (1983), who has identified the reasons behind the mergers and acquisitions as achieving technical economies by improving the various processes involved; achieving market power thereby enabling oneself to dictate prices, to spreading the risks involved by managing a diversified business.
Pharmaceutical sector:

On analysis of the various deals in the pharmaceutical sector, with respect to the various hypothesis, it was inferred that, having global presence with international expansion, achieving synergies and leadership issues (hubris) are the major objectives behind mergers and acquisitions in the pharmaceutical sector. On detailed case wise analysis, it was observed that all the deals analyzed in the pharmaceutical sector achieved the strategic objectives they intended to achieve.

These above conclusions arrived at are in the line with the detailed literature survey which states that, viewing the global trends, the boundary-less nature of pharma sector supports consolidation, lack of research and development (R&D) productivity, expiring patents, generic competition and high profile product recalls accompanied with the easy access to capital and increased global interest made pharmaceutical and biotech industry as preferred options for mergers and acquisitions. (www.frost.com).

These findings are in line with the various research studies conducted on the economic motives behind the merger and acquisition activities as mentioned in the literature survey.

Infrastructure sector:

On analysis of the various deals in the infrastructure sector, with respect to the various hypothesis, it was inferred that, need to have market leadership position, diversification and achieving low cost operations were the strategic objectives behind the merger and acquisition activities in
the infrastructure sector. In this sector on detailed case wise analysis it was observed that all the deals achieved the strategic objectives they intended to achieve.

The above inferences arrived at are perfectly in alignment with the study done by Sun (1999) where he states that, two organizations can consider merger and acquisitions as an option of inorganic growth, to achieve synergetic gains and also to achieve market power. This market power is also known as the power of monopoly, and can be explained as the capability of the organization to rise above the various competitors in the market in which the organization in operating in.

**Steel sector:**

On analysis of the various deals in the steel sector, with respect to the various hypothesis, it was inferred that, achieving cost efficiency and cost leadership with backward integration, were the main strategic objectives behind the mergers and acquisitions in the steel sector. On detailed case wise analysis, it was observed that all the deals achieved the strategic objectives they set to achieve in this sector.

These above findings are in sync with the study of Goold and Campbell (1998), who have advocated six forms of synergies which include shared know – how, shared tangible resources, pooled negotiation power, coordinated strategies, vertical integration and combined business creation, which increases the competitive advantage of the organizations.
**Beverage sector:**

On analysis of the various deals in the beverages sector, with respect to the various hypothesis, it was inferred that, increasing the market position and thereby the market share, and accessing the R & D facilities were the main strategic objectives behind the various mergers and acquisitions in the beverage sector. On detailed case wise analysis, it was found that all the deals in this sector achieved the strategic objective they intended to achieve.

These findings are in line with the studies in the literature review which advocates that, with respect to the beverage industry, many large-scale mergers and acquisitions which have materialized in the global beverages industry have the reasons behind these activities as to continuously provide ever increasing returns to their stake holders, even when their organizations enter the maturity stage and even when their profitability and growth decreases. (www.lotsofessays.com).

**Aviation sector:**

On analysis of the various deals in the aviation sector, with respect to the various hypothesis, it was inferred that, market consolidation and route rationalization, are the strategic reasons behind the mergers and acquisitions in the aviation sector. On detailed case wise analysis it was observed that the deals of Kingfisher – Air Deccan and Air India – Indian Airlines failed to achieve their strategic objectives they intended to achieve. This was mainly because of implementation problems and integration related issues.
The above findings are in line with the findings of the study on outlining the benefits the service firms can achieve by opting for mergers and acquisitions, conducted by McCann J.E. (1996). He explains that the firms can achieve economies of scale, have increased market share, achieve adequate allocation and distribution of resources, have added capabilities to provide new services, have additions to existing asset profile, enhance brand name, and acquire required human resources.

**I.T. sector:**

On analysis of the various deals in the I.T. sector, with respect to the various hypothesis, it was observed that achieving technological synergy and increasing market penetration were the main strategic objectives behind the merger and acquisitions in the I.T. sector. On detailed casewise analysis, it was observed that all the deals achieved their strategic objectives they intended to achieve.

These findings are in line with with the studies by Evans and Schmalensec, (2001) which advocates that industries which are technological driven and which constantly innovate in an industry which is ever changing and dynamic and which is very competitive and thrives on the player making the first and fast entry into the market, and is not governed by the price competitiveness are characterized by the short run market power. As the industry is technology driven the new innovations and development make the older technology and innovations obsolete, and as a result the organizations will have reduced market power and hence it can be concluded that achieving market power is not a motive driving the horizontal mergers in these particular industries.
Automobile sector:

On analysis of the various deals in the automobile sector, with respect to the various hypothesis, getting entry into newer and as well as global markets and achieving synergy were the main strategic objectives behind the mergers and acquisitions in the automobile sector. On detailed case wise analysis, it was observed that all the deals achieved their strategic objectives they intended to achieve.

In concurrence to the above conclusions, the study by, Goold and Campbell (1998), have advocated six forms of synergies which include shared know–how, shared tangible resources, pooled negotiation power, coordinated strategies, vertical integration and combined business creation, which increase the competitive advantage of the organizations.

Chemical sector:

On analysis of the various deals in the chemical sector, with respect to the various hypotheses, it was found that, enhancing market position thereby achieving market leadership were the strategic reasons behind the mergers and acquisitions in the chemical sector. On detailed case wise analysis, it was found that all the deals achieved their strategic objectives they set to achieve in this sector.

The above conclusions are in line with the literature survey, which states that the mergers and acquisitions have played a number of important roles in the chemical industry, like, strengthening of the existing product line by adding new products, to provide access into newer markets, to reduce costs by eliminating duplication of activities, to divest nonprofit able activities, to strengthen the distribution systems to aid in availability of the products,
to enable the companies in achieving economies of scale by effective utilization of resources. (www.kpmg.com)

Cement sector:

On analysis of the various deals in the cement sector, with respect to the various hypothesis, it was found that getting the entry into the uncatered markets was the basic strategic objective behind the mergers and acquisitions in the cement sector. On detailed case wise analysis, it was observed that all the deals achieved their strategic objectives they intended to achieve.

The above conclusions are in line with the synergy and resource view and the study in relation to the above theory conducted by, Chatterjee (1986) who has identified the various types of synergies the organizations can have and look for, like financial synergy, operational synergy, and collusive synergy which talks about price related synergy the organizations can look for when opting for mergers and acquisitions.

Wind Energy sector:

On analysis of the various deals in the wind energy sector, with respect to the various hypotheses, achieving access to technology is the strategic objective behind the merger and acquisitions in the wind sector. On detailed casewise analysis, it was observed that all the deals achieved their strategic objectives they intended to achieve in this sector.
**Petroleum sector:**

On analysis of the various deals in the petroleum sector, with respect to the various hypothesis, restructuring of the organization and the access to various resources were the strategic objectives behind the mergers and acquisitions in the petroleum sector. On detailed casewise analysis it was observed that all the deals achieved their strategic objectives they intended to achieve in this sector.

These findings are in concurrence with the study and opinion of Ueda, (1997) who opines that the various technological innovations which take place in the industrial arena may result in the merger wave by encouraging entrepreneurs to seek and source funds and resources from technologically competent establishments.

These findings are also in line with Jensen & Meckling, who state that this motive explains that, organizations often go in for mergers and acquisitions for objectives or intents other than pure economic value maximization.(Jensen & Meckling).

**Media sector:**

On analysis of the various deals in the media sector, with respect to the various hypotheses, achieving cost efficiency and access to technology are the strategic motives behind the mergers and acquisitions in the media sector. On detailed case wise analysis it was observed that all the deals achieved their strategic objectives they intended to achieve in this sector.
The above findings are in concurrence with the statements made in the literature survey that the main trends that are driving M&A deal activity in this sector are the creation of specialized media and multimedia holding companies that include print and publishing companies, internet resources, radio and other media assets. (www.thirdworldtraveler.com, www.monthlyreview.org).

**Banking sector:**

On analysis of the various deals in the banking sector, with respect to the various hypotheses, exhibits that need for strong branch network, and meeting regulatory requirements were the strategic objectives behind the mergers and acquisitions in the banking sector. On detailed case wise analysis, it was observed that all the deals achieved their strategic objectives they intended to achieve in this sector.

These conclusions are in line with the literature review, where it is noted that, the mergers and acquisitions in banking sector have become an ongoing phenomenon across all countries. The major objective behind the merger and acquisition activities in the banking sector is to achieve economies of scale in operation, maximize the customer base and to control and minimize their cost to certain extent. One of the best and most important advantages is that by merging the banks would have to face reduced competition in the industry. (www.economywatch.com)
Implications for practice:

In this study we have studied the forty five mergers and acquisitions that have materialized in various sectors, where in we have analyzed the deals with respect to the strategic objectives behind these deals, which will help and guide the various organizations to plan and select their strategic partner so that the desired strategic objectives can be achieved.

This study also involves the analysis of the statements issued by the organizations in the published/media releases/print statements/ other secondary sources and matching of these statements/releases with the actual reasons is done with respect to sectoral analysis, which will help in reasoning out whether the imminent objectives are stated in the public domain or not, that is whether the statements issued by the organizations in the public domain actually imply the reasons behind the merger and acquisition activities or not, so that the organizations can visualize and understand the implied meaning behind these statements made in the public domain.

Limitations of the Study

1. The deals were analyzed on the basis of the various published statements by the organizations. It, therefore cannot capture the hidden objectives, if any in the deals.

2. In a continuous changing economy the findings are merely situational. In the bargain when the economies change, new demands may bring out new objectives. Therefore, one can only state that the findings are situational and apply to the period in which these have taken place. Long term generalizations therefore has to be done cautiously.
3. Performance of organizations have been done using short run. Perhaps this may be different in the long run, which will have implications on the points discussed above.

Scope for future research:

In this study we have analyzed the forty five deals of various sectors deal wise/case wise based on the various articles/media releases/statements/interviews/press notes given by various corporates. On detailed analysis of these secondary data, the reason behind each merger activity of each sector was identified and analyzed and the deals were grouped under the various hypothesis which were formulated on the various theories of mergers and acquisitions.

There were several reasons for mergers and acquisitions, different for different sectors, depending on various factors attached to sectors and companies. Market entry, Market Dominance, Market consolidation, Cost Efficiency, Technological synergy and cultural match etc can be various reasons for merger and acquisition.

As mentioned above this study analyzed the various public statements made by the organizations in the various media, further research can be carried out to corroborate and support this findings with the primary data that can be collected from the various organizations in the deals.
This study can be continued and a more detailed study can be done by validating this data for a larger sample size. The various financial parameters like taxation etc were not included in this study which can be included and studied.

The various hypotheses that are developed can be tested for other sectors which are excluded in this study. This research will pave the path for understanding and analyzing the implied and stated strategies of the various organizations in this corporate universe and will assist the management practitioners to plan their strategies accordingly to tackle the changes of the external environment.