

Babes Bolyai University
Faculty of Economics and Business Administration
Department of Management

Summary of doctoral thesis

**STRATEGIES OF MERGERS AND ACQUISITIONS.
PRACTICAL STUDY ON MEASURING THEIR
IMPACT ON ROMANIAN ECONOMY**

Scientific advisor:

Professor Anca Borza, PhD

Phd Student:

CIPRIAN RADU DOBOCAN

Cluj-Napoca

-2010-

Contents summary sentence

Contents doctoral thesis / 2

Keywords / 5

Introduction / 5

Part I study literature / 7

Part II of the research methodology and data analysis / 16

Part II of the research methodology and data analysis / 16

Part III of Conclusions/ 32

References/ 36

CONTENTS Thesis

Introduction / 1

Part I: Studies Literature / 4

Chapter 1: The employment strategy as the management concept / 5

1.1. Schools of strategic thinking / 6

1.1.1. School strategic analysis of industries and competition / 6

1.1.1.1. Five forces model of competition / 10

1.1.1.2. Extending the five forces model of competition / 20

1.1.2. School resources and strategic skills / 22

1.2. Outside schools approach strategic thinking / 24

1.3. Strategic management and strategic planning / 26

Chapter 2: Types of strategies / 28

2.1. General classification strategies / 28

2.1.1. Typology of strategies - addressing foreign authors / 28

2.1.2. Typology of strategies - addressing the Romanian authors / 32

2.2. Generic competitive strategy / 36

2.2.1. Michael Porter's approach on generic strategies / 37

2.2.1.1. Domination by the total cost strategy / 38

2.2.1.2. Differentiation strategy / 40

2.2.1.3. Strategy Focus / 42

2.2.1.4. Integrated strategy and cost differentiation / 44

2.2.2. H. Mintzberg's approach on generic strategies / 46

2.3. Competitive strategies of the company / 48

2.3.1. Diversification strategy / 48

2.3.2. Acquisition strategy and merger / 51

2.3.3. Restructuring Strategy / 53

2.3.4. International Strategy / 54

2.3.5. Strategies depending on the level of development of the industry / 57

2.3.5.1. Competitive strategy in development sectors / 57

2.3.5.2. S competitive strategy in the stage of maturity / 58

2.3.5.3. Competitive strategy in declining sectors / 59

2.3.5.4. Competitive strategies in fragmented sectors / 60

2.3.5.5. Strategies in global sectors / 61

2.3.6. Situational strategies depending on the competitive / 62

2.3.6.1. Strategies leaders / 62

- 2.3.6.2. Strategies challenger / 64
- 2.3.6.3. Strategies trackback / 65
- 2.3.6.4. Small business strategies / 65
- 2.3.7. Offensive and defensive strategies / 66
 - 2.3.7.1. Offensive strategy to acquire competitive advantage / 66
 - 2.3.7.2. Defensive strategies to protect competitive advantage / 69
- 2.3.8. Strategy based on product life cycle / 71
 - 2.3.8.1. Strategies used in the initial stage / 72
 - 2.3.8.2. Strategies used in growth stage / 74
 - 2.3.8.3. Strategies used in the stage of maturity / 74
 - 2.3.8.4. Strategies used in the stage of decline / 76
- 2.3.9. Functional strategies / 78
 - 2.3.9.1. Marketing Strategies / 79
 - 2.3.9.2. R & D Strategies / 80
 - 2.3.9.3. Production Strategies / 81
 - 2.3.9.4. Financial Strategies / 82
 - 2.3.9.5. HR Strategy / 83
- 2.3.10. Business development strategies / 83
 - 2.3.10.1. Growth Strategies / 83
 - 2.3.10.2. Strategies for maintaining / 85
 - 2.3.10.3. Strategies to restrict / 86
- 2.4 Develop strategy / 87**
 - 2.4.1 Develop bottom-up / 89
 - 2.4.2 Develop top-down / 90
 - 2.4.3 Develop interactive / 90
 - 2.4.4 Development of Semi-Autonomous / 91

Chapter 3: Features new trends caused strategic competitive / 92

- 3.1. Redefining competition / 95**
- 3.2. Changing the look competitive advantage / 98
- 3.3. Repositioning for Growth / 100
- 3.4. Acquisitions, mergers and alliances - a strategy for rapid development / 102
 - 3.4.1 Battle for deposition giants in the IT industry, automotive and personal care products / 104
- 3.5 Reflecting the latest trends in the strategic Romania / 110
 - 3.5.1. Acquisitions and mergers in the Romanian economy / 111
 - 3.5.2. Blue Ocean Strategy in the Romanian IT industry / 112
 - 3.5.3. Competitive advantage in Romanian Textile / 113

Chapter 4: Allocating conceptual strategy of mergers and acquisitions / 115

4.1. Definition and classification of merger / 118

4.2. Definition and classification of acquisition / 119

4.3. Reasons for carrying out mergers and acquisitions / 122

4.3.1. The decision to buy a company / 125

4.3.2. The decision to sell a business 130

4.3.3. Prepare to achieve settlement buyer / 131

4.3.4 Preparation of the seller to achieve transaction / 133

Conclusions on the literature study / 136

Part II: RESEARCH METHODOLOGY AND DATA ANALYSIS / 140

Chapter 5: Methodological considerations of research / 141

Chapter 6: Analysis of the use of mergers and acquisitions strategy in Romania / 145

6.1. Analysis of global mergers and acquisitions / 146

6.2. Analysis at European mergers and acquisitions / 149

6.3 Analysis on the Romania of mergers and acquisitions / 152

6.3.1 Overview of mergers and acquisitions in the situation of Romania / 152

6.3.2. Particular analysis of each area / 158

Chapter 7: Testing hypotheses based on data processed and formulate proposals / 192

Part III: CONCLUSIONS / 203

Chapter 8: Final Conclusions / 204

Bibliography / 207

Keywords

strategic management, business strategy, enterprise-wide strategy, mergers, acquisitions, globalization, business sectors

Introduction

Due to the competitive environment of increasingly acerbic formulate the best strategies each company has become imperative. Strategic management theorizing began in the '60s through the works of renowned authors such as Peter Drucker or Igor Ansoff, the study on the competitive behavior of firms have defined several strategic directions. From there began the gradual development of strategic management, in a first phase by developing generic strategies (basic) by Michael Porter in 1979 and then by identifying a growing number of private strategies classified according to criteria of various authors . Between these particular strategies include mergers and acquisitions strategy. Studying mergers and acquisitions began to gain interest as the magnitude increased especially in the last decade. In the '80s and '90s, such studies were only at a basic level, and there were no bodies empowered to monitor and quantify this phenomenon. Only in the last decade, when it was realized that mergers and acquisitions are a key component of globalization, they were observed more carefully. Thus more and more researchers began to devote them self to studying this type of strategy, appearing many books and articles covering mergers and acquisitions.

This doctoral thesis entitled *Merger and acquisition strategies. Practical study on measuring their impact in the Romanian economy* is based on two main objectives:

1. The first objective is to position the merger and acquisition strategy in the vast literature on strategies that a company has on hand;
2. The second objective is to measure the size use this strategy in Romania by the national and international companies.

Following the two purposes, thesis is divided into three parts: Part I Literature study, containing four chapters, Part II The research methodology and analysis, including two chapters, Part III Conclusions including one chapter.

Part I LITERATURE STUDY	Chapter 1: The employment of strategy as a management concept	Chapter 2: Tipology of strategies	Chapter 3: Strategic features defined by new competitive trends	Chapter 4: Allocating conceptual strategy of mergers and acquisitions	<i>Conclusion on literature study</i>
Part II THE METHODOLOGY OF RESEARCH AND DATA ANALYSIS	Chapter 5: Methodological considerations of research		Chapter 6: Analysis of the use of mergers and acquisitions strategy in Romania	Chapter7: Testing hypotheses based on data processed and formulating proposals	
Part III CONCLUSIONS	Chapter 8: Final conclusions				

Part I

Literature Study

Chapter 1

The employment strategy as management concept

Chapter one begins by identifying two schools of strategic thinking that has defined strategic trends. Each of these schools relies on the strategy known elements: strategic analysis of industries and schools competition focused on the analysis of external environment on the school's resources and strategic skills analysis relies on the internal company environment. Before attempting a definition of the strategy we should start from the foundation of the organization, namely its purpose, because "the role of strategy is to determine, clarify or refine the goal, it could mean creating a new vision for the future to inspire the organization by a broader purpose "(Macmillan & Tampoe, 2000: 22). Although many experts, authors and people management simple to say that an organization is making a profit and maximize it, in my opinion

it should not be the main goal, this approach can damage long term, because a search with any profit price may destroy the entire company. The goal should provide a solid basis on which to achieve development. Seems more correct approach to Peter Drucker, who said that the ultimate goal of an organization must create a client, is a much better fundamental goal then will lead to profit by the fact that a customer is a to repeat the act of purchasing consumer. To achieve the goal requires tracing of lines of action that will enable to fulfill the purpose, and these directions are given in the strategy. If the strategy is "to the existence of an organization" (Lynch, 2002: 7), however, not only for itself only when the strategy is implemented through carefully planned action.

Although there are many definitions given strategy, in this doctoral thesis I tried to capture schools of strategic thinking that is more current, and through these schools to cover the vast territory in defining strategy.

Over time, there have emerged two schools of strategic thinking and have experienced an interesting evolution (Allaire & Fîrşirotu, 1998: 30). The first one was founded by Michael Porter in the early '80s and is known in literature as a school of industries and strategic analysis of competition is perhaps the most popular. The second school, resource and strategic skills gap occurred in a decade and having starring CK Prahalad and Gary Hamel. Although different, we can say that the two schools complement each other. While the former focuses on competition, product and market, the overall activity of companies is seen as a chess game, each depending on what moves are competitors, the second school has a resource center available to companies, and how they combine using their skills. But School of industries and strategic analysis of competition and school resources and strategic skills complement each other for that competitive advantage is achieved Porter speaks on strategic skills highlighted by CK Prahalad and Gary Hamel.

Chapter 2

Types of strategies

Chapter two is a chapter in which the division of strategic options available to companies in two categories: generic competitive strategies (basic strategy) and firm's competitive strategy (particular strategy).

One of the most challenging tasks of professionals in strategic management classification strategies were essentially the choice of criteria on which to succeed in drawing the best types to reflect economic reality.

Since was created a fierce controversy in the literature on classification strategies in this chapter we present the most relevant approach to both the authors of the Romanian and foreign, we analyzed each type in terms of relevance.

Although often criticized Michael Porter is best known specialist in strategic management. How it addresses strategies may seem at first glance quite simple, even superficial. Porter opts for two classifications: the first is a classification of strategies based on strategic advantage and the second is a classification by stage of development the industry is. Because discussions were caused from developing generic strategies typology by Michael Porter, H. Mintzberg has developed a different structure but using generic strategies as differentiation criterion.

Although renowned Harvard University professor Michael Porter offers a simple classification, we believe its main advantage is precisely that it is the basis for a broader classification, enabling each company to make more specific strategies focused solely on situations faced.

Another approach to the classification of strategies is sharing strategies based on the hierarchical level is adopted. It is perhaps the most used classification, enjoying a unanimous acceptance of the specialists.

Such strategies may be used at three levels:

- Strategies in the company (or corporate strategy)
- The business strategies
- Strategies to functional level

The Romanian literature classifications are very different strategies. Like Ovidiu Nicolescu offers 10 types of strategies. Moreover Yvan Allaire and Mihaela Fîrșirotu classified only in terms of market strategies as firms adopt their strategies depending on how the market evolves. From the two approaches, Anca Borza opts for a more simple classification, dividing

into two types of strategies: competitive strategy and business level competitive strategies at the firm.

Another structure that provides an easy understanding of the nature of strategies is Ruxandra Ciobanu and John Ciulu. And they stop on two types of strategies, of which the first is that of Michael Porter, and the second type is the specific strategies.

Chapter 3

Features of the new trends caused strategic competitive

Chapter 3 presents the latest trends in the choice of strategy and an analysis to see if these trends are also reflected in the Romania.

Many managers are attracted only to improve those activities which can effectively measure the results. Such improvements were made in the sphere of production is more developed many techniques that have increased efficiency: Total Quality Management, Supply Chain Management, Just In Time, Benchmarking. Trapped in operational efficiency managers do not understand why they need strategy. Few companies have managed to successfully compete based only on operational efficiency because of operational management techniques are very easy to copy so that it is a competitive advantage. Another disadvantage would be to use benchmarking site that will lead to increasing similarity of companies. Michael Porter argues that most Japanese companies rely solely on operational efficiency and not strategy. In our opinion such things are not just for an analysis that if we realize that the electronics industry is dominated by Japanese companies: Sony, Panasonic, Samsung, Sanyo, etc.. The auto industry also fell to the largest Japanese company, Toyota, which became the market leader since 2009, at the expense of General Motors. The same situation is found in telecommunications, Samsung has come closer to Nokia. Such strategy often not observed because it is not something immediately tangible, but the results are seen in a broader time horizon less.

Because the strategy is ultimately a fight with an opponent, I think that should be taken into account two fundamental rules of chess. The first would be to not ever underestimate your opponent, and the second involves anticipating movement's opponent. But how does a company

eventually anticipate competitors' moves? Overall analysis of competitors' analysis is based only on resources (human, technological and financial) and is viewed as a threat only those who have a significant amount of resources so they can earn as much a part of the market. But not only is the size of resources that determine the success of a competitor but more strategy it uses. To be able to anticipate a competitor's strategy believes that the state must start from Sun-Tzu (Chinese military strategist) over 3,000 years ago "everyone can see that conquer tactics, but what I see is the strategy by which great victory is obtained. Therefore, observing each other's company tactics to try to realize what strategy is used and what purposes are intended. And it all chess gives the answer: "what makes great players is not insight but their analytical power under pressure."

There is a continuing temptation for companies to grow rapidly, and this idea extends its product lines, add new features, products, acquisitions or appealing to mimic competitors. Compromises made to generate growth have a devastating effect diminishing competitive advantage. The main mistake many companies make is that launching simultaneous attacks on too many points, markets, the desire to grow. The danger comes in two parts: the probability of success is low because they strike force is smaller (divided into several parts) and can't provide an adequate response is greater attacking competitors. Be taken into account a basic principle in a battle: attack be given in one hand and there should be hit with full force. Increase system should be based on existing activities, that have found that feature or form of competition may be used using existing complementarily between activities. The new products will be launched in line with the strategy only if it is a single direction, from product strategy, and vice versa for that would mean an attempt by a molding product strategy. All actions must be mules after strategy to deliver growth.

Because more rapid changes occurring in the environment, the time horizon for which it can make a prediction becomes increasingly shorter, and on this basis, the ultimate objective (which is the newest leader of a global industry) can achieved only through a succession of plans by one year. So one can say that disappeared about medium-term planning and short term has become very short (one year). Some authors say that even long-term planning has no meaning in the new conditions but we disagree with such a statement because just a year planning a print company would conduct environmental adaptation with no final target. Such work is beginning to increasingly resemble a marathon, nobody knows how it will look a few miles so that land

managers role is to focus attention on the next 100 meters organization. Changing global economic developments very nature competitive, companies are increasingly hard to find a way to compete as effectively as commercial barriers between countries tend not to exist, information about products and prices are available, and niches market and monopolies tend to disappear (niches are harder to identify because it covered a very broad spectrum of needs and existing niches are not profitable because they attracted big companies, most state monopolies were abolished and the Antitrust law is not more severe enables formation of new monopolies). While lacking a clear growth in demand in developed countries where added and a decrease in fertility. Competition has increasingly tightened because there is no clear means of differentiation, and as the products become more like consumer companies deciding on the purchase price. Also no longer can rely on brand loyalty or because it has disappeared and the consumer.

To that extent the risk that companies should assume and acquires new dimensions. Peter Drucker has identified four categories of risks relating to the activity:

- risks that we must accept them because they are inherent to our business
- risks that we allow ourselves to accept them
- risks that we can't afford to accept them
- risks that we can't afford to not accept us

But the biggest risk is not to take a risk.

Chapter 4

Classification conceptual strategy of mergers and acquisitions

Chapter 4 Classification conceptual strategy of mergers and acquisitions, primarily aimed at defining the strategy of mergers and acquisitions and achievement of their classification, followed by a thorough analysis of why such strategies is achieved. Volume and extent of mergers and acquisitions worldwide has increased continuously. During the 80s there were over 55,000 mergers and acquisitions with a total of over 1.3 billion U.S. dollars, but the ensuing period (90 years) led to an explosion of such transactions can be done in

a double issue mergers and acquisitions worth about \$ 11 billion. Not even the beginning of the new millennium has not shown signs that growth would fall, mergers and acquisitions as a preferred strategy of firms. Many of these were made in order to achieve economies of scale and market power to increase of global competitiveness. The big companies wanted to be seen as experiencing rapid growth and being able to dominate markets acting. Despite their popularity many mergers and acquisitions fail to produce financial benefits that are expected. In fact studies show that almost 70% of mergers and acquisitions fail to improve the performance of firms involved.

It seems that creating value in a merger or acquisition is carried out only in the minds of management board and is supported by an increase in the share capital market. Failure of mergers and acquisitions, most times, is due to synergies illusory vanities managerial or slow integration. However not all mergers and acquisitions produce negative results is likely to produce significant positive effects but nevertheless remains one of the strategies with the highest risk. Mergers and acquisitions are a very complex type of strategy while challenging for the top management to solve problems such as integrating two totally different organizational cultures or uniformity of two diametrically different hierarchical structures. Top management role in a transaction is extremely important because if not carried out a proper assessment of the company to be acquired or that will merge, major difficulties may arise after the transaction actually took place.

One of the effects of mergers and acquisitions is to reduce innovation. Companies involved in multiple acquisitions along the time, unable to market due to far fewer new focuses on growth generated by acquisitions. To compensate for this deficiency, they tend to buy companies with high innovation, but the problem arises when these innovative firms are integrated into a structure that no longer practical innovation. Furthermore, when innovative new products of companies that were acquired will be integrated into the portfolio risk is that they are not complementary. Effective procurement always start from a strategic vision. All companies seeking to maximize the effects obtained, and for this have on hand three types of growth:

1. Organic growth - achieved by increasing the number of employees in sales, developing new products or enters new geographic markets

2. Inorganic growth - achieved through merger or acquisition in order to gain access to new product lines or new consumer segments

3. External growth - achieved through franchising, joint ventures or strategic alliances. Of all methods, mergers and acquisitions are one of the most discussed topics of strategic management of the last decade. This is because the scale that took it is overwhelming, and their effects can be observed in each country. Some experts say that mergers and acquisitions are one of the effects of globalization, but we believe that they, rather, is one of the determinants of globalization. Because a large number of companies adopt this type of growth, we can say that mergers and acquisitions strategy is favored, the main element is that they are so often used is that this type of strategy is one that offers the possibility of obtaining fastest growing. But economic reality has shown that mergers and acquisitions often hide negative side effects that may lead to slowdown or even collapse of the merger and the company purchased resale. Many mergers and acquisitions that took place globally were made in order to achieve economies of scale and power in global markets, to enhance competitiveness in a market increasingly dynamic. In the struggle to achieve supremacy on a large number of markets, firms will be seen as very active in achieving rapid growth.

Extent reached by mergers and acquisitions can be seen by the fact that they are limited to a few countries, which are present in most regions, such as for example Europe, Asia or North America. This type of strategy used by companies from developed countries to access markets in developing countries in Eastern Europe, China and Latin America, developing countries have become attractive due to the economic growth rate more large and because the record demand stagnation in developed countries.

Despite the popularity enjoyed by mergers and acquisitions strategy many of them do not produce the expected benefits. Studies show that approximately 70% of mergers and acquisitions worldwide have failed to improve the performance of firms. A study by McKinsey shows that only 37% of U.S. firms that made acquisitions fail to achieve better performance. Cases resulting in failure of mergers and acquisitions are many among them being unable to achieve synergies between the two companies, cultural differences or differences in management.

Part II
THE METHODOLOGY OF RESEARCH AND DATA ANALYSIS

Chapter 5
Methodological considerations of research

Chapter 5 describes how to choose the type of research used, namely quantitative research and presentation detailing how data processing. In this chapter launched five research hypotheses.

Conducting an analysis on how complex the phenomenon of mergers and acquisitions is in Romania, and a comparison with what happened in the world and European can't be made only by reference to data provided by agencies or consulting firms specializing in mergers and acquisitions quantification. Given these considerations, the two types of research were chosen for quantitative research to measure the national mergers and acquisitions and then detailed fields.

After studying several types of data on mergers and acquisitions have reached the conclusion that everything that exists on quantifying market mergers and acquisitions database provided by Thomson Reuters, is the most complex. Were studied and data provided by the consulting firm Price Waterhouse Coopers and also those offered by the OECD (Organization for Economic Cooperation and Development), but the database from Thomson One of the Thomson Reuters is the most complex and best structured. Also this database is the most widely used by magazines and journals to achieve economic analysis relating to mergers and acquisitions.

Thomson One database includes mergers and acquisitions with a value of at least one million dollars and a change in the shareholding of at least 3%. To study how it was used for merger and acquisition strategy in Romania, were chosen for review all mergers and acquisitions between 2005 - 2008, was chosen this time because only this time the Romanian data are available.

The first step was selecting data collection. Thomson One comprises seven sections: market awareness, Company Insight watch list views, deals analysis, ownership analysis, private equity funds. Among them was chosen for analysis section that deals here are quantified in all transactions involving mergers or acquisitions. After identifying the best sections that can

provide information on mergers and acquisitions, total values were collected on global mergers and acquisitions and geographic regions, followed by data collection at EU level on each member country, in order to achieve a ranking within the European Union. Then were collected data on the Romanian economy fields.

The database allows saving as Excel table, but this rescue is a crude and contains many types of information that could be used in our analysis, taking into account this followed a filter maintaining data saved only data relevant to the analysis that was to be done. Data were saved on areas and then followed by a rearrangement of their years to make comparisons not only between areas but also between years.

To better understand the phenomenon of mergers and acquisitions, analysis will be conducted at three levels: global, European and National (Romania), by an assertion of five hypotheses.

Given our scientific approach, namely to measure the impact of mergers and acquisitions in the Romanian economy, we used to establish the following empirical hypotheses:

Hypothesis 1: Change the number of mergers and acquisitions worldwide and Europe is influenced by major economic phenomena.

Hypothesis 2: Given that Romania is not yet a stable country (in terms of economic, political and social) did not follow the same pattern of increase and decrease in global and European registered.

Hypothesis 3: The share of mergers and acquisitions in each area of the Romanian economy is influenced by the annual share of each global domain.

Hypothesis 4: The largest numbers of companies that have used the strategy of mergers and acquisitions in Romania have chosen to diversify correlated.

Hypothesis 5: Romanian companies have succeeded in the greatest proportion of the expansion only to attract international companies, rather than to start them growing.

Merger and acquisition strategy, besides giving the possibility that corporate strategy to achieve the fastest growth in the volume of business by winning new markets or new areas of development, is the strategy which has the largest effect on national economies and regional economy is affecting the structure of a country where she analyzes single country or an

economic region as European Union. The effects are also have an impact on lenders to fund transactions will be increasingly larger while exposing to risks. Another group of stakeholders who are affected by mergers and acquisitions are employed, in most cases after a merger or acquisition followed reductions in staff costs trying to resize. After completion of the merger or acquisition, the company made a takeover has access to some information that before the transaction was not, because such considerations often occurs labor restructuring, although the close transaction was not such a thing.

Chapter 6

Analysis of the use of mergers and acquisitions strategy in Romania

Chapter 6 is the chapter in which the actual analysis of data from the general (analysis of global mergers and acquisitions) in particular (the analysis of mergers and acquisitions in the Romania), Romanian economy impact of this strategy is revealed by analyzing each area of national economy.

Increasing the number of transactions that relate to the acquisition or merger of companies is a phenomenon becoming increasingly clear, present in every national economy. One thing that stood out in recent years but has been making mega-deals, namely acquisitions or mergers between large companies that have given rise to new massive structures. Justification for carrying out these mega-deals is this: to succeed in conquering a huge market as the global market requires huge companies, i.e. companies that have the power to supply a huge market. Such examples are found in almost all areas: merger DaimlerChrysler cars, Procter & Gamble and Gillette in care products, AT & T and CBS communications, Saint-Gobain and BPB Construction, Mittal and Arcelor in metallurgical, Unicredit and HBV in the banking system, and numerous examples.

Globally there is a gradual increase in mergers and acquisitions, growth stopped in 2008, when the economic crisis began to unfold. Thus is demonstrated the growing appetite of companies for this strategy, but it is directly influenced by the lack of liquidity and credit restrictions, which are the result of economic crisis, thus explaining the decrease recorded in 2008.

In the figure below you can see how the trend evolved to use the strategy of global merger and acquisition within the years 2004-2008.

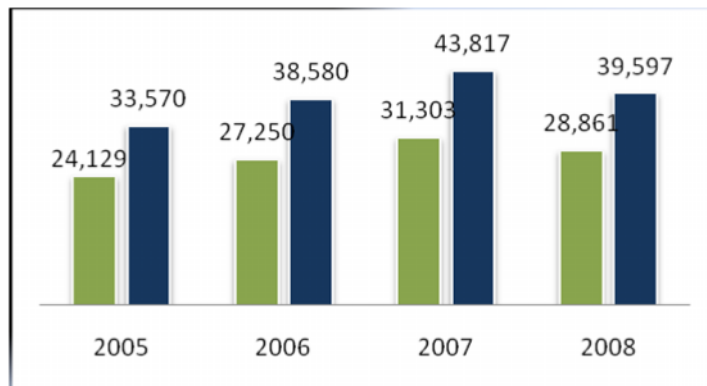


Figure 6.1 Number of global mergers and acquisitions
Source: Figure constructed using data from Thomson ONE - analysis deals

As the chart above shows that since 2005 the number of mergers and acquisitions increased gradually until 2007 after which followed a decline in 2008 amid the global economic crisis. After analyzing the graph it can be concluded that the success rate of mergers and acquisitions revolves around 70%, which is a relatively high value.

Year	2005	2006	2007	2008
success rate	71.87%	70.63%	71.44%	72.88%

Table 6.1 Success rate of global mergers and acquisitions
Source: Table constructed using data from Thomson ONE - analysis deals

The highest value was registered in 2008 and is due to increased caution from companies in times of crisis, although the difference from other years is not significant.

Of the five geographical areas, Europe is second in importance in terms of number of transactions. The figure below shows that even in Europe has followed the same upward trend between 2005-2007 and in 2008 drop.

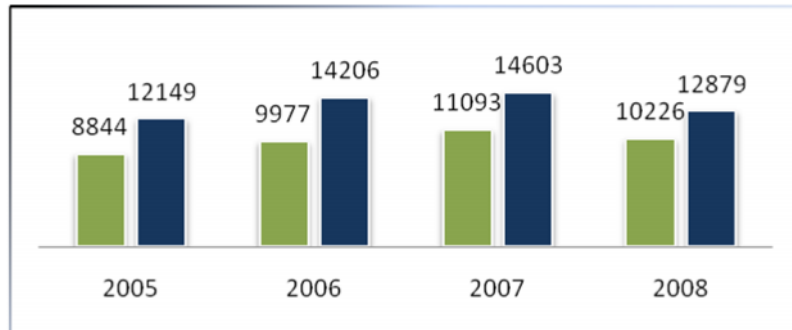


Figure 6.4 Number of mergers and acquisitions in Europe
Source: Figure constructed using data from Thomson ONE - analysis deals

Regarding the success rate of transactions, Europe is little more vigilant, giving somewhat higher values than the global rate.

Year	2005	2006	2007	2008
Success rate	79.40%	75.96%	70.23%	72.79%



Table 6.2 Success rate of European mergers and acquisitions
Source: Table constructed using data from Thomson ONE - analysis deals

Within Europe was conducted and an analysis of mergers and acquisitions in the European Union;

For a better understanding of the structure of European Union countries on the number of mergers and acquisitions that took place within each country, we made a table in which EU countries are grouped according to the number of mergers and purchases.

Number of transactions	Countries
2000-3000	Marea Britanie
800-1999	Franta, Germania
500-799	Italia, Olanda, Spania, Suedia
100-499	Austria, Cipru, Belgia, Danemarca, Finlanda, Irlanda, Luxemburg, Polonia, Portugalia, Cehia
1-99	Bulgaria, Cipru, Estonia, Grecia, Letonia, Lituania, Malta, Slovacia, Romania, Slovenia, Ungaria

Table 6.4 The division of the size of EU countries depending on the number of mergers and acquisitions
Source: Table constructed using data from Thomson ONE - analysis deals

In this hierarchy clearly emerges UK with over 2,000 mergers and acquisitions, followed by France and Germany with over 1,000 mergers and acquisitions. The three countries are those which have the largest contribution to the development of the European Union. Romania, like other small countries, is made in the last category with a very small number of mergers and acquisitions, 78 in 2007 and 74 in 2008.

In Romania, the use of mergers and acquisitions and strategy that has grown particularly, following the entry on the Romanian market of many foreign companies. They preferred this strategy over the implementation strategy of its own subsidiary in Romania for several reasons: entry is much faster because the acquired company has already established a customer is unable to adapt more rapidly to economic environment and benefit from transfer of know-how. Following processing can say that 2006 was most favorable for achieving mergers and acquisitions, recorded the highest number of mergers and acquisitions, namely 83.

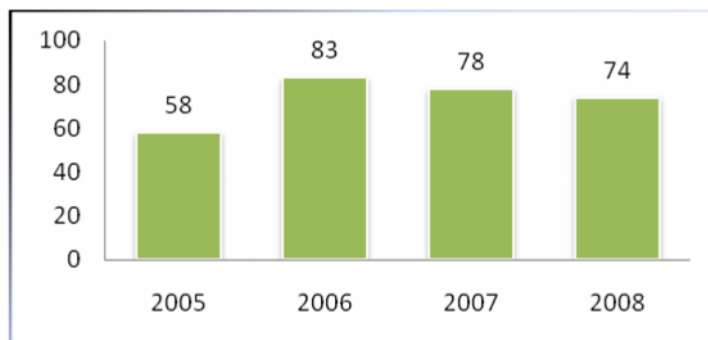


Figure 6.5 Evolution of mergers and acquisitions in Romania
Source: Figure constructed using data from Thomson ONE - analysis deals

The only increase was recorded in 2006 compared to 2005 growth was quite substantial, namely a rate of 43.10% but then followed a decrease in each of the next two years. To reveal much more fluctuation in this case we calculate the annual change in the index number of transactions that actually took place in Romania.

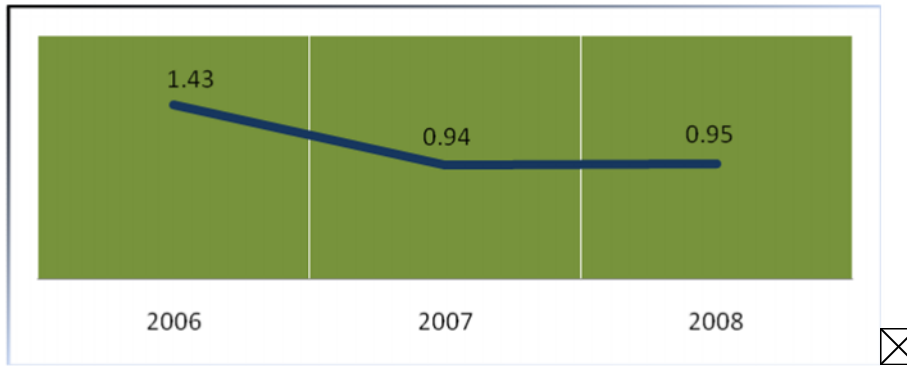


Figure 6.6 Annual change in index number of transactions in the Romania

Source: Figure constructed using data from Thomson ONE - analysis deals

But unlike global index register and European decline began in Romania in 2007. Differences can be seen by direct comparison of the development indices.

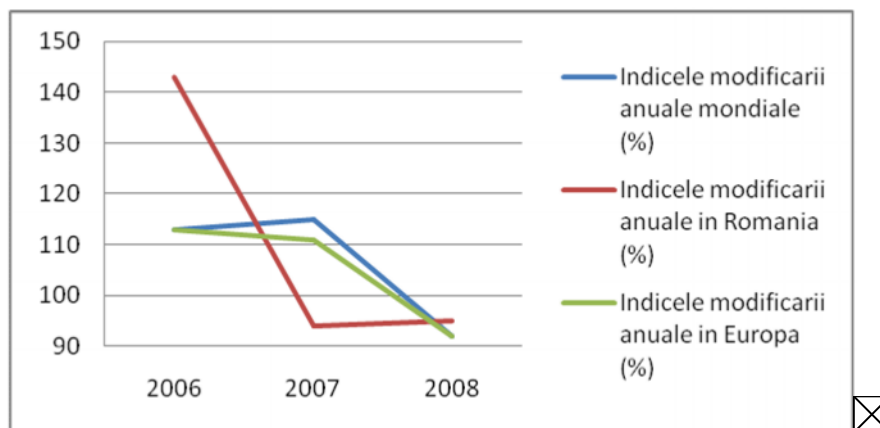


Figure 6.6.1 Comparison between annual change in the number of indices of transactions at the global, European and Romanian

Source: Figure constructed using data from Thomson ONE - analysis deals

Due to the nature of mergers and acquisitions are observed three categories of transactions that took place in Romania:

- Companies acquired national companies in other countries
- National companies acquired by other domestic companies
- Companies purchased by companies from other countries national

To obtain an image as detailed on mergers and acquisitions in Romania the situation should be monitored yearly progress and according to these three categories of transactions. As mergers

and acquisitions are strategies for expansion, we chose to divide those three categories depending on the type of expansion:

1. Initiated national expansion - Romanian companies are initiating the expansion through merger and acquisition, in which case national expansion can take two forms:
 - a. Domestic mergers and acquisitions (domestic companies acquired by other domestic companies)
 - b. Foreign mergers and acquisitions (acquired by companies from other countries national companies)
2. Attracted international expansion - expansion of Romanian companies attracted by merger and acquisition by foreign companies (domestic companies acquired by companies from other countries).

Foreign purchases made by a company are very important because the national economy as it contributes to increased country presence in foreign markets. In the context of EU membership, this thing is very important but unfortunately Romania's presence in foreign markets through foreign acquisitions is very small. In order to realize the extent to which our country should be compared with other countries, to obtain as detailed a comparison can be achieved only by making it the country with the same level, so I made the comparison with all countries in the EU mergers and acquisitions the number was between 1 and 99 (see Table 5.3). Figure 6.11 is apparent that Romania is among the last places, with eight others before our country from 11 countries that have higher values.

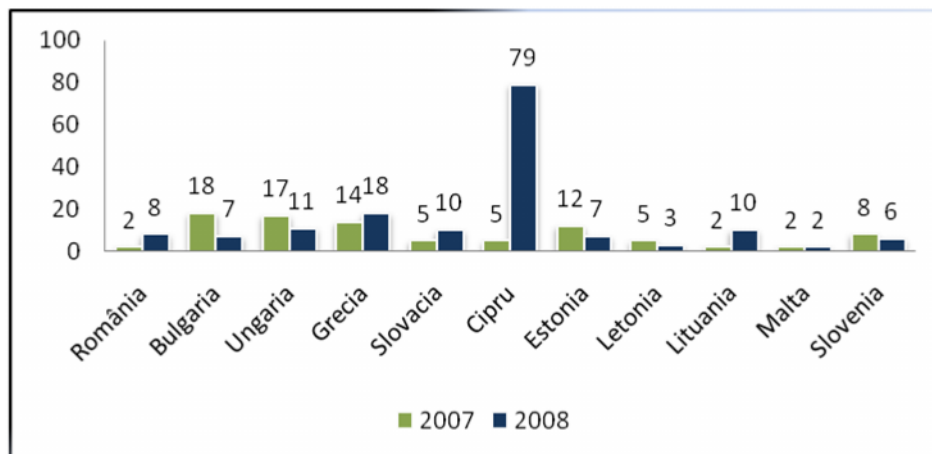


Figure 6.11 Comparison of EU countries on number of foreign acquisitions in 2007 and 2008
 Source: Figure constructed using data from Thomson ONE - analysis deals

Chapter7 Testing hypotheses based on data processed and formulating proposals

Chapter 7 is launched to test hypotheses in Chapter 5, and based on their confirmation or refutations of a number of proposals were formulated.

In this chapter tested the validity of each hypothesis set out in Chapter 5, testing was done mainly with figures and graphs in the previous chapter.

Hypothesis 1: Change the number of mergers and acquisitions worldwide and Europe is influenced by major economic phenomena.

Study how companies choose their strategy is very difficult because it requires detailed knowledge of the company to have an overview of the strategy they use. Merger and acquisition strategy is one of the most visible strategies, the most easily observed and quantified for each merger or acquisition should be reported to the competent bodies in the country occurs, there is also consulting firms specializing in this type of strategy that in addition to their actual implementation consultancy merger or acquisition offers analysis on the extent of this phenomenon both nationally and globally.

Increasing the growing number of global mergers and acquisitions shows that the strategy companies fail to participate in global markets over the last decade took a shape more clearly. Becoming more analysis and study talk about the global economy, on global price increases of certain resources such as oil and metals or about global labor migration. Even if annual growth is evident and the merger or acquisition is a preferred strategy of companies, is invulnerable at times of economic crisis precisely because its implementation requires considerable resources. Therefore the upward trend in the number of mergers and acquisitions has been a setback in 2008 when the economic crisis began to unfold.

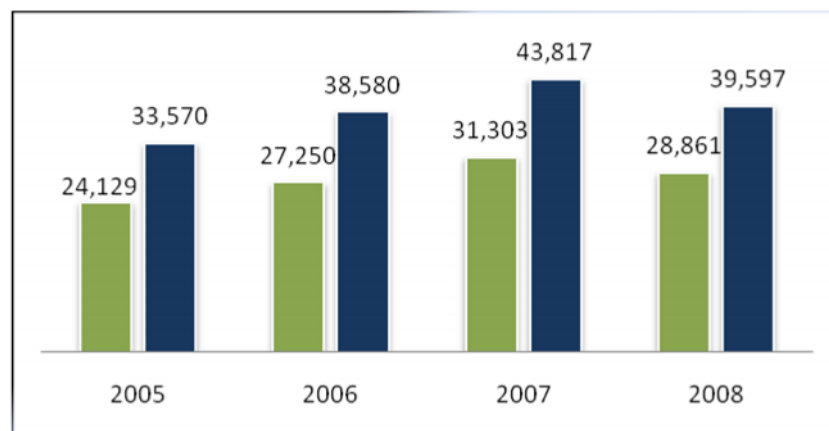


Figure 6.1 Number of global mergers and acquisitions
Source: Figure constructed using data from Thomson ONE - analysis deals

It has become something common to announce that a very large release from a developed country has acquired a small company located in a developing country. At first glance everything is very good, even commendable that could cause a small company to acquire a large company benefiting from a massive infusion of capital will enable them to develop a much stronger pace. But the negative aspects are not seen until a general review and a little more depth. Take the example of the automotive industry. Ago with 20 to 30 years there is almost one car manufacturer in each country or at worst one every two or three countries. Currently there are about 10 major manufacturers worldwide, which producers have come to be the largest by successive mergers and acquisitions. From dozens of car manufacturers worldwide now it was only 10, and is very easy to predict what will happen over the other 20 to 30 years, and such examples are found in almost every area. State monopolies were dangerous but far worse is a world monopoly. If we remember what Alvin Toffler said in 1980 in his book *The Third Wave*, namely that economic power will pass from hand to hand Member major companies, we realize that what he has achieved through this strategy. In addition to economic impact and social impact should be noted that controls who hold economic power, whether presidents and heads of government may be stepping down from office at least once every 4-5 years when the population finds abuse, the same can't said about the shareholders of large companies. In terms of geographical distribution, as expected the highest levels of mergers and acquisitions took place in America and Europe. Differences between the two areas are not significant, in America the number of transactions is higher by about 10%, so it can be said that the two areas are roughly equal. If we compare America and Europe to Asia Pacific and Japan regions are essential differences, about 50% in Asia Pacific and 85% for Japan, but given the fact that Japan is part of Asia geographically should collect values in Asia Pacific with Japan, such amount will be much closer to the mergers and acquisitions in America and Europe.

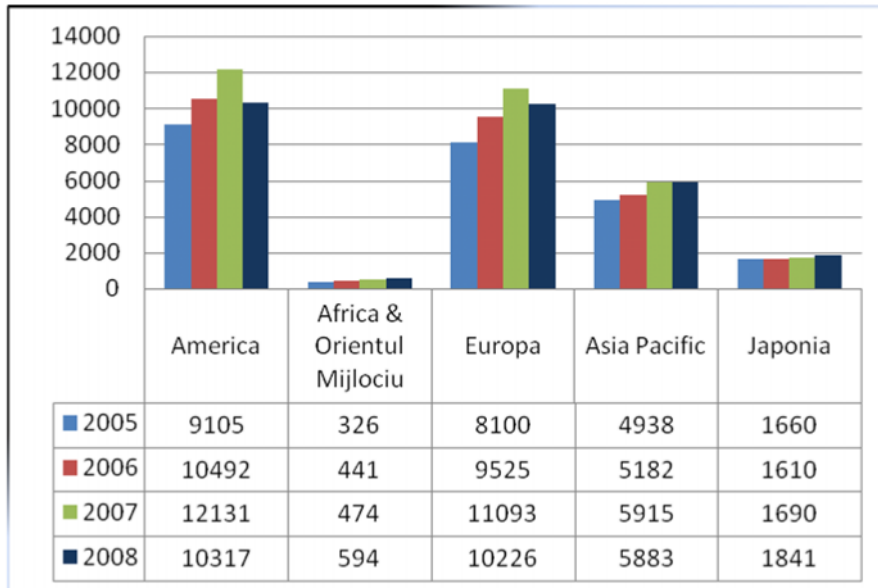


Figure 6.3 Geographical distribution of mergers and acquisitions
 Source: Figure constructed using data from Thomson ONE - analysis deals

So it can be said that differences between the three major geographical areas (America, Europe and Asia) are not significant, but to Africa and the Middle East the gap is huge and is due to low population level of economic development and very weak. As a conclusion the geographical distribution of mergers and acquisitions, we can say this strategy has succeeded in penetrating all areas and that in Asia there was a decrease in 2008 can give us a clue that will be linked to the will pull the global economy in crisis.

If you look at data at European level and in this case we see an increase in the 2005-2007 period and decrease in 2008 followed the pattern of evolution in the number of mergers and acquisitions was the same.

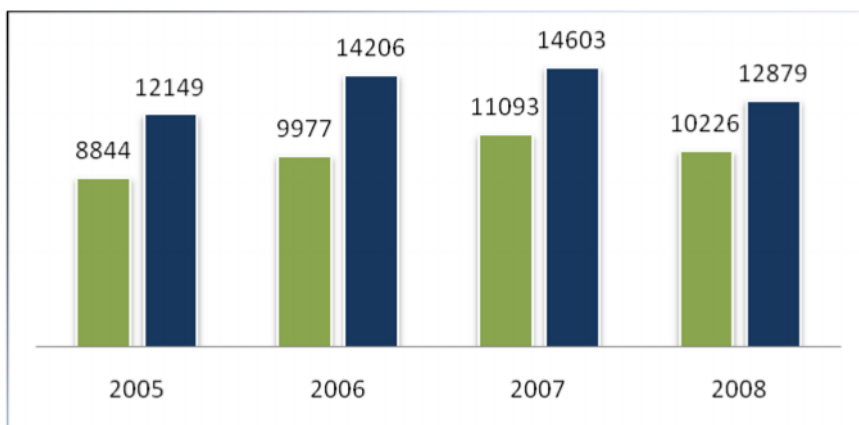


Figure 6.4 Number of mergers and acquisitions at European level
 Source: Figure constructed using data from Thomson ONE - analysis deals

Hypothesis 1 is confirmed that, although the range from 2005 to 2007 there were increases in both overall and on each individual area in 2008 was a decrease in the number of mergers and acquisitions due to economic crisis.

Proposal

There should be bodies in each country to monitor the way in which the mergers and acquisitions in order not to allow monopolies to form, and even if monopoly is formed to monitor and intervene where companies take measures that can create social disturbances such as mass redundancies. Problems created by large multinational companies which have incurred through the completion of several mergers and acquisitions may occur both in times of economic prosperity, especially in times of economic crisis when many companies can't cope with economic decline, thereby affecting a few great people and national economies.

Hypothesis 2: Given that Romania is not yet a stable country (in terms of economic, political and social) did not follow the same pattern of growth and decline recorded worldwide and European. How evolved the number of transactions involving mergers or acquisitions, is very similar to global and European developments but differs in Romania. Between 2006 and 2007 world and European have been moderate, while in Romania the increase took place only in 2006.

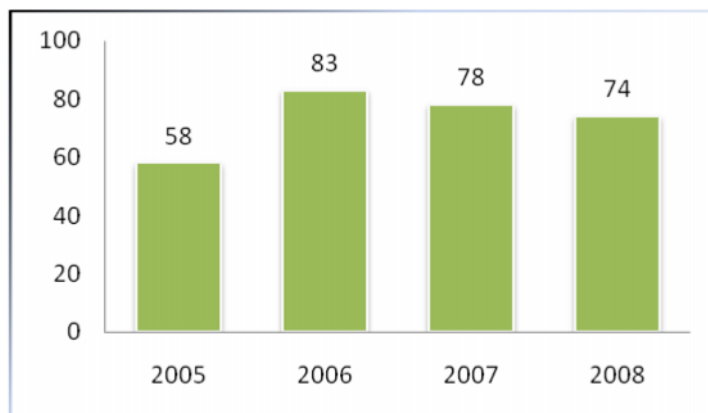


Figure 6.5 Evolution of mergers and acquisitions in Romania
Source: Figure constructed using data from Thomson ONE - analysis deals

Unlike developments in global and European mergers and acquisitions, the drop in Romania begun from 2007 and it seems that Romania failed to capitalize on this growth trend. But another

factor is that the decline began in 2007 Romania. These two conclusions are best seen by comparing the relative change in global annual change in the Romania.

Unlike developments in global mergers and acquisitions and where most European mergers and acquisitions took place in 2007, it seems that Romania failed to capitalize on this growth trend. But another factor is that the decline began in 2007 Romania. These two conclusions can be seen best by comparing annual global indices change with changes in the Romania.

Hypothesis 2 is confirmed because the decline in mergers and acquisitions globally and in Europe began only in 2008 and in Romania started in 2007.

Proposal

Political and social instability causes economic instability. How to solve problems of any kind would be them (political, social or economic) take each individual structure of society, how it relates to its peers. Change starts from the bottom up, just as a country becomes more stable and able to capitalize on emerging opportunities.

Hypothesis 3: The share of mergers and acquisitions in each area of the Romanian economy is influenced by the annual share of each global domain.

To test this hypothesis we constructed a second series of figures which show the distribution in the areas of mergers and acquisitions. Between 2005-2008, global distinguish five areas account for over 10% of the total number of mergers and acquisitions. Both global and Romania are the five main areas that account for at least 10% each. But if there is a global consistency of the five areas each year (in all years examined, the global top five areas were the same), our country level is observed in the four years that there is consistency of first five areas. To confirm or refute the hypothesis requires a direct comparison of the top five areas for years. Thus in 2005 the global top five areas have been leading technology, industry, finance, services and materials when Romania were the finance, high technology, media and entertainment materials and services, so four of the five areas were also found in the Romania. In 2006 global fields were the same leading technology, industry, finance, services and materials while Romania was the energy, high technology, materials, finance, media and entertainment, so three of the five areas were recovered and the Romanian. In 2007 the structure was kept the same world leading

technology, industry, finance, services and materials when Romania were the finance, consumer products, technologies, services and energy, so three of the five areas were also found in the Romania. In 2008 the world was again the same structure leading technology, industry, finance, services and materials while Romania was the finance, industry, real estate, energy and high technology, so only two of five areas have were recovered and the Romanian.

Hypothesis 3 is partially confirmed the hypothesis that the main areas for Romania are not entirely the same as in the global market and also not have an annual constancy. The conclusion is that Romania has managed to attract investment in a given individual relative attractiveness of national economy was attractive in other areas than those who gave the tone worldwide.

Proposal

There must be sought to obtain the same structure attractive sectors of national economy in the world but rather the development of strategic sectors that can compete globally in terms of mergers and acquisitions.

Hypothesis 4: The largest shares of companies that have used the strategy of mergers and acquisitions in Romania have chosen to diversify correlated.

After analyzing data from four years show that 76.45% of companies chose to diversify correlated, so it appears that their share is much higher than those that were unrelated diversified. Hypothesis 4 is confirmed.

Proposal

Related diversification requires less effort from the companies but they offer stability and especially in turbulent periods is lower. Taking into account that companies should weigh their options and review the best type of diversification strategy that I use.

Hypothesis 5: Romanian companies have succeeded in the greatest proportion of the expansion only to attract international companies, rather than expanding them to initiate. After analyzing data from four years show that in 71% of transactions was an expansion by attracting international companies.

Hypothesis 5 is confirmed

Proposal

National presence in the initiation of mergers and acquisitions has been very low but this can be remedied by increasing the competitiveness of Romanian companies, which will be competitive once the domestic market must fall into place convenience of being purchased but want an increase deeper by entering foreign markets, where entry can be obtained by initiating mergers and acquisitions.

Of the five cases, four of them are fully confirmed and one is partially confirmed.

References:

1. Ahammad M., Glaister K, *Recent trends in UK cross-border mergers and acquisitions*, Management Research News, Vol. 31, 2008
2. Allaire Y., Fîrșirotu M., *Management strategic*, Ed. Economică 1998
3. Baker M, *Marketing-an introductory text*, sixth edition, Ed. Macmillan 1996
4. Bărbulescu C, *Sistemele strategice ale întreprinderii*, Ed. Economică 1999;
5. Best R, *Market based management*, Ed. Prentice Hall 2005
6. Blowfiel, M., Murray, A., *Corporate responsibility – a critical introduction*, Ed. Oxford 2008
7. Borza A, *Management strategic și competitivitate în afaceri*, Ed. Dacia 2003
8. Borza A., Bordean O., Dobocan C., (2007), *The Evolution and the Perspectives of Strategic management as a Field of Study and a Tool for Managing Businesses*, The Romanian Journal of Business Ethics, nr. 2, Timișoara.
9. Borza A., Bordean O., Dobocan C., (2007), *The role of the strategic group analysis in the hotel industry*, International Conference *Competitiveness and European Integration*, Cluj-Napoca, România.
10. Borza A., Sonea E., Bordean O., Dobocan C., (2007), *Developing capabilities in order to gain the competitive advantage*, International scientific conference, University of Miskolc, Hungary, ME SokszorositoUzeme.
11. Borza, A. , Dobocan C. – *The need for changing strategic thinking*, International Conference „The Impact of European Integration on the National Economy, Babeș-Bolyai” 2005 University, Faculty of Economics and Business Administration, Cluj-Napoca, România
12. Borza, A. , Dobocan C. - *Who wins in the battle outsourcing against self production?*, „microCAD 2006 International Scientific Conference”, Miskolc, Ungaria
13. Borza, A., Bordean, O., Dobocan, C., Mitra, C., (2008), *Management strategic. Concepte și studii de caz*, Editura Risoprint, Cluj-Napoca.
14. Borza, A., Dobocan C. – *Modern strategic orientation for achieving competitiveness*, International Conference „The Impact of European Integration on the National Economy” 2005, Babeș-Bolyai University, Faculty of Economics and Business Administration, Cluj-Napoca, România
15. Borza, A., Dobocan, C., Bordean, O., (2006), *The importance of strategic management upon the Romanian companies*, In Strategic Leadership in the context of Globalization and Regionalization, 9-10 June, 2006, Cluj-Napoca.
16. Brătianu C, *Management strategic*, Ed. Universitaria Craiova 2002;
17. Capital, *BCR merge la Erste Bank*, 27.12.2005

18. Capital, *Calculatorul românesc își face upgrade la vânzări*, 18.09.06
19. Capital, *Clujul se leapădă de lohn*, 29.04.2004
20. Capital, *Michael Porter, numarul unu mondial in domeniul strategiei de business*, 26.11.2007
21. Capital, *Peter Drucker: Eu nu cred în lideri*, 09.08.2005
22. Capital, *Producătorii de hard au descoperit softul*, 15.11.2005
23. Capital, *Verdele Connex vireaza spre rosul Vodafone*, 24.03.2005
24. Câmpeanu-Sonea E., Osoian C., *Managementul resurselor umane*, Ed. Presa Universitară Clujeană 2004
25. Certo S, *Managementul modern*, Ed. Teora 2002;
26. Chelcea, S. *Metodologia cercetării sociologice. Metode cantitative și calitative*, Editura Economică 2007
27. Ciobanu I., Ciulu R., *Strategiile competitive ale firmei*, Ed. Polirom 2005
28. Cole G.A., *Strategic management*, DP Publications 1994
29. Conrad G, *Unexplored assets for diversification*, Harvard Business Review, Sept-Oct. 1963
30. Donald L.L., Yves L.D., Claude P.S., *Creating new growth platform*, Harvard Business Review, May 2006
31. Doz Y, Kosonen M, *Fast strategy*, Ed. Pearson 2008
32. Drucker P, *Management-tasks, responsibilities, practices*, Ed. Butterworth Heinemann 2001
33. Drucker P, *The practice of management*, Ed. Butterworth Heinemann 2001
34. Drucker P., *Managementul strategic*, Ed. Teora 2001
35. Florescu C., Malcomete P., Pop N., *Marketing dicționar explicativ*, Ed. Economică 2003;
36. Frankel M, *Mergers and acquisitions basics*, Ed. Wiley 2005
37. French S., *Cogito ergo sum: exploring epistemological options for strategic management*, Journal of Management Development, Vol. 28, 2009
38. Frois G. A, *Economia politică*, Ed. Humanitas 1998;
39. Ghemawat P, *Redefining global strategy*, Ed. Harvard Business Press 2007
40. Grant R, *Contemporary strategy analysis*, Ed. Blackwell 2002;
41. Hamel G, Prahalad C.K., *Strategic intend*, Harvard Business Review, July-August 2005
42. Hamel G., Prahalad C.K., *Competing for the future*, Harvard Business Review, July-Aug. 1994
43. Hamel G., *Strategy as revolution*, Harvard Business Review, july-aug. 1996;
44. Harmon F, *Business 2010*, Ed. Kiplinger Books 2001;
45. Hitt M, Ireland R. D., Hoskisson R., *Strategic management*, Ed. South Western 2009
46. Hitt M., Ireland R., Harrison J., *Mergers and Acquisitions: A Value Creating or Value Destroying Strategy?*, Ed. Blackwell, 2006
47. Ilieș L., *Managementul calității totale*, Ed. Dacia 2003
48. Ilieș L., Osoian C., Petelean A., *Managementul resurselor umane*, Ed. Dacia 2002
49. Ilut P, *Abordarea calitativă a socioumanului*, Ed. Polirom 1997

50. Inkpen A, Ramaswamy K, *Global strategy*, Ed. Oxford University Press 2006
51. Johnson G. & Scholes K., *Exploring corporate strategy*, Ed. Pearson 2008
52. Johnson G., Scholes K., *Exploring corporate strategy*, Ed. Prentice Hall 2002
53. Joyce P., Woods A., *Essential strategic management*, Ed. Butterworth Heinemann 1996
54. Kasparov G., Coutu D., *Strategic intensity*, Harvard Business Review, April 2005, online version;
55. Kim W. C., Mauborgner R., *Blue Ocean Strategy*, Harvard Business Review, October 2004;
56. Kim W.C, Mauborgne R, *Blue Ocean Strategy*, Ed. Harvard Business School Press 2005
57. Koch R, *The Financial Times guide to strategy*, Ed. Prentice Hall 2000
58. Koch R, *Dicționar de management și finanțe*, Ed. Teora 2001
59. Kotha S., Vadlamani B.L., *Assessing generic strategies*, Strategic Management Journal, vol 16, 1995
60. Kotler Ph., *Managementul marketingului*, Ed. Teora 2001
61. Kotler Ph., *Principiile marketingului*, Ed. Teora 2001
62. Kotler Ph., Singh R., *Marketing warfare in the 1980's*, The McKinsey Quarterly, Summer 1981
63. Lynch R, *Strategia Corporativă*, Ed. Arc 2002
64. Macmillan H., Tampoe M., *Strategic management*, Ed. Oxford 2000;
65. Markides C, *To diversify or not to diversify*, Harvard Business Review, Nov.-Dec. 1997
66. McGee J, *The Blackwell encyclopedia of management*, Ed. Blackwell 2005;
67. Mellahi K., Frynas J.G., Finlay P., *Global strategic management*, Ed. Oxford 2005
68. Mellat-Parast M., Dignan L., *A framework for quality management practices in strategic alliances*, Management Decision, Vol. 45, 2007
69. Mintzberg H, *Generic Strategies: Toward A Comprehensive Framework*, Advances in strategic management, vol. 5, 1988
70. Mochler R, *Management strategic multinațional*, Ed. Economică 2001
71. Moon Y, *Break free from the product life cycle*, Harvard Business Review, May 2005;
72. Nicolescu O, *Sisteme, metode și tehnici manageriale ale organizației*, Ed. Economică 2000;
73. Nicolescu O, *Strategii manageriale de firmă*, Ed. Economică 1998
74. Orr G., Xing J., *When Chinese companies go global*, The McKinsey Quarterly, Spring 2007
75. Paina N., Pop M.D., *Politici de marketing*, Ed. Presa Universitară Clujeană 1998
76. Popa M, *Un model de management strategic*, Ed. Dacia 2002
77. Porter M, *How competitive forces shape strategy*, Harvard Business Review, Mar-Apr 1979
78. Porter M, *On competition*, Ed. Harvard Business Publishing 2008
79. Porter M, *Strategie concurențială*, Ed. Teora 2001
80. Porter M, *The competitive advantage of nations*, Ed. Free Press 1990

81. Porter M, *What is strategy*, Harvard Business Review, Nov.-Dec. 1996
82. Prahalad C.K., Hamel G., *The core competence of the corporation*, Harvard Business Review, May-June 1990
83. Rise Al, Trout Jack, *Marketingul ca război*, Ed. Antet 1997
84. Sherman A, Hart M, *Mergers and acquisitions from A to Z*, Ed. Amacon 2006
85. Smit S., Thompson C., Viguerie P., *The do-or-die struggle for growth*, The McKinsey Quarterly 2005
86. Sonea, E., Borza A, Sonea, A., Dobocan, C., *The organization chart - a basic component of the corporate culture*, volum microCAD2007, International scientific Conference, University of Miskolc
87. Sun Tzu, *Arta războiului*, Ed. Antet 1996
88. The Economist, *Apple new core*, 3.20.2006
89. The Economist, *Brand new*, 1.15.2005
90. The Economist, *Extinction of the predator*, 9.10.2005
91. The Economist, *Spot the dinosaur*, 3.30.2006
92. The Economist, *Technology Mr. Predictable*, 9.24.2005
93. The Economist, *The body beautiful*, 3.25.2006
94. Thomas D.A., *Diversity as strategy*, Harvard Business Review, Sept. 2004
95. Toffler A, *The third wave*, Ed. Bantam Books 1980
96. Warren K., *Building strategy and performance through time*, Ed. Business Expert Press 2009
97. Wharton Knowledge, *Boy meets girl: Gillette and P&G hook up their brands*, 30 march 2005
98. Wharton Knowledge, *Why Is Microsoft Afraid of Google?*, Oct. 2005;
99. Zyman S, *Sfârșitul marketingului*, Ed. Nemira 2001;