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Strategy and Tactics of International Mergers and Acquisitions *

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ABSTRACT. The article reviews contemporary strategy and tactics issues in terms of international mergers and acquisitions, along with displaying cyclical waves of mergers and acquisitions over the last century as well as motivation thereof. Five strategies adhered to by international companies initiating conclusion of such agreements as well as challenges accompanying execution thereof have been analyzed. Modern strategic and tactical tools of international mergers and acquisitions process management have been researched on exemplary buyer (a corporation) case-study.

KEY WORDS: International mergers and acquisitions, horizontal merger, vertical merger, hostile takeover, friendly takeover, strategy, tactics, negotiations, synergy, consolidation.

Introduction

At present, international mergers and acquisitions imply one of the key features of economic development globalization. Multi-billion agreements concluded by transnational corporations over sale and purchase of individual companies or parts of businesses have become common not only in the developed countries but also worldwide and, particularly, in Ukraine. Acquisition of Ukrainian enterprises by such corporations as *MittalSteel*, *Nestlй*, *Coca-Cola*, leading banks in different countries and other transnational corporations radically alters management activities in these enterprises and significantly affects performance of their employees, business relations with public authorities, as well as requires implementation of the modern labour discipline and organization of production. Thus, international mergers and acquisitions affect interests of the general population of Ukraine employed by the acquired enterprises, as well as those of governmental and administrating authorities engaged in establishing relationship with transnational corporations in terms of complying with national legislation, tax requirements, environmental protection etc. There-

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?ore, the study of international mergers and acquisitions (M&A) problems is quite relevant for national scientists and researchers.

Although the mergers and acquisitions experience dates back to over a century, not all problems arising in connection to these processes are understandable or have clear solutions. The overwhelming majority of transnational corporations consider themselves experts in this case. However, mergers and acquisitions statistics look pretty alarming. Only one-third of transactions in this field can be considered succe-?sful.[1] In this regard, it would be relevant to offer example of automotive giants *Daimler-Benz* (Germany) and *Chrysler* (USA) failed merger of 1998, ending in sale of the latter in 2007.[2] Why do such failures and miscalculations occur even on part of the world's prominent corporations having more than a century of history and extensive experience in international business?

When it comes to making decisions on international mergers and acquisitions, it turns out that traditional thinking standards and technologies prove to be of little use. Merger mechanics require a different type of skill: top managers have to consider lots of factors usually not faced by them. A lot of unfamiliar foreign players such as bankers, lawyers and consultants become involved in the agreement concluding process. The situation is complicated by the fact that each of them pursues own interests. For instance, recent publications clearly show that investment bankers often receive rewards for concluding the agreement, even when inexpediency of the decision becomes obvious. Lawyers and accountants are also concerned of complying with external rules and avoiding liability.

Thus, it becomes clear that the purchase subject is far more complex than expected. The comprehensive inspection takes place within a short period of time. The target company strives at perking itself up for sale so that while determining its value the drawbacks will not be easy to detect. The top managers of the company ceased to perform their original duties and direct all of their efforts at achieving goals critical for themselves. Most personnel are under stress. Mutual distrust can be observed. Prior to concluding the agreement, the top managers are joined by shareholders of both companies, government officials of one or several countries, officials of regional organizations such as the EU, etc.

What kind of conclusions should be made of the international mergers and acquisitions sad picture based on summarizing current scientific developments and research results in this field? The basic

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[1] David Harding, Sam Rovit, Mastering the Merger: Four Critical Decisions That Make Or Break the Deal / Translated from English (Minsk: Grevtsov Publisher, 2007), p. 17

[2] Global Economic Development Resources and Models: Monography, under the editorship of D.G. Lukianenko and A.M. Poruchnyk (K.: KNEU, 2011), p.366. [in Ukrainian].

among them is the fact that such agreements should be based on sound strategies and rational tactical tools proven in practice and confirmed by successful results of post-integration activities. Results of researches by the leading experts in the field provide certain contribution.[1]

Patterns of international mergers and acquisitions

As noted above, most M&A deals prove to be a failure. Of course, this is known by top managers of companies resorting to such actions. However, despite the disappointing results of mergers and acquisitions in general, they are taking risky decisions. Why? The answer is simple: this process is natural. In this regard, I. Bunin's opinion that «he who does not take a risk, risks most» is quite appropriate.[2] It has been proven by both research and practice that companies concluding a lot of merger and acquisition agreements prevail over companies concluding few agreements. Convincing analysis of these results was provided by *Bain&Company, Inc.* global consulting firm, inputs for the analysis being the fifteen years of M&A activity history involving circa 700 corporations of the USA, Great Britain, Germany, Italy, Japan.[3]

The agreement concluding paradox is as follows: academic studies show that 70% of all deals do not lead to the added value creation, but on the other hand, empirical observations suggest that it is too difficult to build a world-class company solely through organic growth, i.e. due to profit recapitalization or share capital increase. This paradox implies a classic case of two alternatives: a merger quite more often ends up in a failure than in a success, but they are inevitable. It is no coincidence that the vast majority of *Fortune 500* companies are a product of numerous mergers.

The basic strategic imperative of international mergers and acquisitions process rationalization is consideration of respective transaction peculiarities at the beginning of the third millennium. In order to understand these peculiarities one should consider the cyclic-wave nature of mergers and acquisitions.

M&A processes belong to the category of economic phenomena characterized by cyclicity and wavelike dynamics that are equally applicable to both national and international corporate consolidation. Typical activity periods in the M&A market are observed when within a certain time lag every year more mergers and acquisitions occur (with their aggregate value increasing), followed by decline in interest on

[1] See reference list: Harding D., Rovit S., Cited work, p. 235-244
[2] Yelashvili M., “The Best Sonnet in My Life,” *Harvard Business Review Russia* (October 2008): p.22
[3] Harding D., Rovit S., Cited work, p. 17

part of the purchasing companies (in case of acquisition) and initiating companies (in case of merger), which leads to maintenance of the M&A transactions aggregate value at an insignificant level during the next few years. It should also be noted that «M&A waves» or «consolidation waves» are closely associated with abrupt changes in the market observed during periods of either technological breakthroughs or tumultuous economic upswings and downturns. Since North America in general and the USA in particular have been historically considered the most active M&A region in the world, scientists agree that the most expedient would be distinguishing between six American M&A waves, of which only the latter two are considered as global consolidation periods (table 1).

Table 1. **M&A Waves Periods**

Period	M&A market characteristics
The first wave of consolidation (monopolistic) (1897—1904)	Most mergers/acquisitions were carried out according to the horizontal integration principle (accounting for over 78 % of deals). Horizontal merger/acquisition implies a merger of companies specializing in the same type of production, sale and consumption of similar products, or providing similar services. Monopoly dominated virtually in all branches. The first wave peak occurred during the 1898 – 1902 period, as M&A activities were inherent to all economy branches (steelmaking, food branch, petroleum industry, machine building industry). A distinctive feature of the agreements during this period was their multilateral nature: 75 % of M&A deals involved at least 5 companies, whereas regarding 26% of cases this number increased to 10 or more participants. As a result of consolidation in certain industries such giants as *Standard Oil Co.*, *British American Tobacco* and *General Electric Co.* were established. The first wave ended in 1904 with the stock market crash.
The second wave of consolidation (oligopolistic) (1916—1929)	The second wave was caused by the investment capital influx to the stock markets as a result of the economic boom following World War I combined with favourable economic conditions. In connection with the Clayton Act passed in 1914, which limited such expressions of anti-competitive behaviour as price discrimination and acquiring large stakes in competing companies, mergers in industries led to domination of not monopolies any longer but oligopolies, i.e. the domination of a small number of powerful companies. M&A deals were mostly of vertical nature. **Vertical mergers/acquisitions** (vertical integration; vertical combination) imply mergers of companies specializing in different (most often – sequential) types of production, sale and consumption of similar products/services. The economic intention of such mergers mainly implies reduction of transaction costs (e.g., merger of an air carrier company and a travel agency). An example would be purchase by *Ford Motor Co.* of a major part of companies supplying spare parts and expendables for production of cars during the said period. As in the case of

	the first wave, the decline in the mergers and acquisitions market occurred no the «black Thursday» in 1929.
Period	**M&A market characteristics**
The third wave of consolidation (conglomerate) (1965—1973)	The increasing third wave of M&A activity in the USA was largely due to the economic boom in the world economy of 1960s-1970s, ensuing rapid growth of share prices in the stock markets, which in turn has lead to wider use thereof as a means of payment when concluding M&A agreements. At the same time the process of payment by shares was simplified due to introduction of the first convertible securities during this period. According to the FTC (Federal Trade Commission) estimations, during 1965 to 1975 80 % of M&A deals entailed formation of conglomerations, whereas the number of «pure conglomerate» M&A deals increased from 10.1 % (1948—1955) to 45.5 % (1972—1979). At the same time, the n?-mber of horizontal mergers decreased significantly from 39% (1948—1955) to 12% (1964—1971).
The fourth wave of consolidation (The wave of corporate incentives) (1981—1989)	A significant increase in the number and value of M&A deals in the early 1980s reflected profound changes in the economic and financial climate, which were characteristic for this period (significant role was played by the steadiness of the world economy growth process in 1982 — 1990). The peak of activity occurred in 1984 — 1989, with the most pronounced tendency being rapid growth of hostile takeover share in the aggregate value of M&A deals (in some years reaching 25 %). **Hostile takeover** (unfriendly takeover) implies acquisition at which the acquiring company attempts to gain control of the target company by purchasing its shares in the market without consent of the top management or major shareholders of the latter. Another feature of this period was related to the nature of the agreements, with widespreading mega-mergers/mega-acquisitions and the number of deals worth over USD 100 million increasing 24 times (1974 – 1986). Using debt obligations as a funding source for M&A deals (LBO deals) has become a norm for most of the participating companies. **Leveraged buy-out** implies purchase of the major share in the target company, which is financed by issuing new shares or by loans to be repaid by the acquiring company (its own assets serving as loan security).
The fifth wave of consolidation (The wave of international agreements) (1992—2000)	Starting with 1988, M&A waves take on international scale, since as resulted from nearly 100-year long consolidation, most sectors of the world economy are headed by international companies whose influence on the M&A process has become most crucial and dominant (this is confirmed, in particular, by the tendency of mega-deals growth (if late in 1980s their share in the total value of international mergers/acquisitions was 40—42 %, then in 1998 it made 60%, and in 2000 — 75.7 %)). The primary motive for the most part of merger/acquisition deals during that period was the desire of

	transnational companies to ensure stability of their own development under the ever-changing market conditions.
Period	**M&A market characteristics**
The fifth wave of consolidation (The wave of international agreements) (1992—2000)	In the West, horizontal M&A deals become popular again as during 1900–1950s, with the popularity reaching its peak in 1998 – 2000, as the largest consolidation deals in history were made. The process of European countries consolidation (EU establishment in 1993) and access to Eastern European and Asian markets after the collapse of the Soviet Union also had a significant effect on the increase in the number of agreements during the 1990s (26.2 thousand agreements were concluded in 1998 exceeding respective number of 1990 by 2.2 times (with their value increasing fivefold)). The merger in media industry as *America Online* (AOL) Internet company acquired its rival *TimeWarnerInc.* publishing concern for USD 164.75 billion in 2000 is considered to be the climax of this consolidation period. Two months after concluding the most expensive M&A agreement in the history the infamous «dot-com bubble» occurred. The M&A market figures fell from USD 3.35 trillion. (in 2000) to USD 1.78 trillion (in 2001).
The sixth wave of consolidation (The wave of mega-deals) (2002-first half 2008)	The cheap money era led to the total domination of LBO type of deals (in 2005 annual average price of such a deal was at the level of USD 0.49 billion, whereas in two years it reached USD 1.3 billion). The leading sectors in terms of the mega-deals number were pharmaceuticals industry (*AventisSA* acquired *Sanofi-Synthelabo SA* for USD 60.24 billion), power-generating sector (merger between *RoyalDutchPetroleum* and *ShellTransport & Trading* worth USD 74.35 billion) and telecommunications sector (in 2006 AT & T (*American Telephone and Telegraph Company* acquired *BellSouth Corp.* for USD 72.67 billion). During 2006 – 2007 it seemed that nothing could restrain the rapid growth in the number of LBO mergers/acquisitions agreements concluded. During these two years, the value of LBO deals amounted to USD 1.4 trillion, which is equivalent to one third of this type mergers/acquisitions deals concluded at all times. At the same time, many LBO-agreements of 2006 – 2008 show the following trend: stable growth in profits of target companies enabled the acquiring companies/initiating companies to improve their loan interest coverage ratio, while the share of hostile takeovers showed drastically rapid growth (from 4 % in 2000 to 20% in 2008) along with the possibility of «losing» the earning asset. At the peak of M&A activity in 2007, about 47 % of M&A deals were made in the USA and the Great Britain. The onset of the global financial crisis in the summer of 2008 put an end to the «cheap loans» and led to circa 40 % collapse of M&A market to USD 2.5 trillion late in 2008. One of the first to suffer the global financial crisis effect was company *Thomson Reuters*, one of the largest news agencies in the world (established in 2007 as a result of *Thomson Corporation* from Canada acquiring *British Reuters Group* for USD 17 billion). Its net profit for the first half of 2008 fell by 38.9 % (to USD 367 million) along with a turnover increase by 43.1% (to USD 4.96 billion).

Source: Financial Times Special Report: Deals and Dealmakers (2010): 27 p.

It must be emphasized that each wave of mergers and acquisitions was characterized by a motivation of its own: from obtaining monopoly power and expanding sales markets for the first waves to a more diversified motivation of the subsequent waves implying synergies and cost reduction due to scales for the latest waves. Regarding the third and fourth waves managerial motivation was crucial, as shown in table 2.

Table 1. **The Basic Motives for Companies in Terms of Merger and Acquisition Cyclical Waves**

No.	Merger and acquisition motivation	Wave I	Wave II	Wave III	Wave IV	Wave V	Wave VI
1	Obtaining monopoly power						
2	Expanding sales markets						
3	Accessing target company resources						
4	Synergy						
5	Cost reduction due to scales						
6	Production diversification						
7	Tax motives						
8	Company underestimation						
9	Managerial «pride»						
10	Inefficient management elimination						

Source: Aiello R. J., *Harvard Business Review on Mergers and Acquisitions*, second ed. (Boston: Harvard Business School Press, 2010): p.192

It should be noted that each of the above M&A waves should be considered as a separate new phenomenon requiring application of new theories, analysis forms and hypotheses. Detailed reviewing the global M&A market activity period from 2002 to the present day (fig. 1) allows distinguishing between the following inherent tendencies:

• the number of M&A deals after the collapse in 2008 which continued during 2009 shows the average annual growth of 2 % during the 2009 – 2011 period, however, the figure of 2011 was by 21 % lower than 33.4 thousand M&A deals concluded during 2007

(at the same time, the value of deals made in 2009 — 2011 grew more slowly — at the average of 1.24 %);

• according to Bloomberg, the average M&A deal value in 2011 made USD 86.4 million (the average for the recent three years being USD 81.9 million), which is by 32 % lower than the peak figure of 2006 (USD 127 million). This indicates a significant decrease of opportunities for funding the agreements after the second half of 2008, since free access to the primary source of the deal payment, i.e. money (in 2011, it accounted for the share of 72 %) is now complicated by the eurozone and the U.S. banking sector debt crisis;

• starting with 2004, the monetary share of M&A activity in the emerging markets has been showing steady increase (even during the crisis period): from 9 % (2004) to almost 29 % (2011). Through acquisitions (particularly, international), companies from less developed countries usually do not seek traditional synergy and do not attempt to reduce their own costs. They acquire Western companies aimed at gaining complementary competencies), i.e. learning to apply (use) such assets as technologies and brands, and well as such competencies as new business models or innovative skills, which helps them to become global leaders.[1]

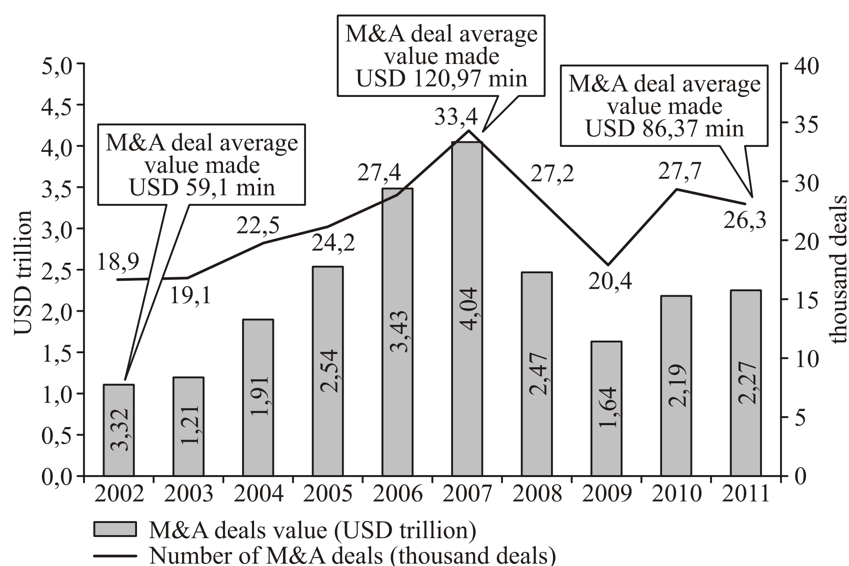


Fig. 1. Global mergers and acquisitions market dynamics

Source: Bloomberg Global Legal Advisory Mergers&Acquisitions Rankings (2011), p. 5—40

[1] Bloomberg Global Legal Advisory Mergers&Acquisitions Rankings (2011), p. 7-35

In addition, the developing countries will adopt and master more high-tech products manufactured by Western companies. Aimed at achieving their goals, the companies from developing countries use new methods of objectives identification and consolidation. They acquire only in order to achieve strategic goals; they do not completely assimilate acquired companies (no total integration takes place); the board of directors focuses on long-term acquisition planning and evaluation of results. One of the companies taking this road is *Hindalco* (India), which used the M&A tool in order to become one of the largest aluminium producers in the world. During this process, the mass market Indian player transformed into a global integrated company, and in 7 years alone increased its income by 30 times, from USD 500 million to USD 15 billion[1].

The share of mega-deals exceeding USD 1 billion in the aggregate value of agreements in 2007 amounted to circa 66 %, whereas today this figure does not exceed 45 %, which is by 5 % less than the value of 2002. Major M&A deals are still traditionally made in such sectors as media, power generation, finance, medicine and pharm-?ceuticals, telecommunications (table 3).

Table 3. **Major M&A Deals of the 21st Century**

M&A deal subject/ acquirer (initiator)	Year	Value, USD bln	Sector
Time Warner/AOL	2000	**164,75**	Media
Rio Tinto/BHP Billiton	2007	**152**	Power generation
ABN Ambro Holdings/ Royal Bank of Scotland	2007	**95,6**	Finance
Warner Lambert/Pfizer	2000	**93,4**	Medicine and pharmaceuticals
SmithKline Beecham/ GlaxoWellcom	2000	**75,96**	Medicine and pharm-aceuticals
Shell Transport&Trading/ Royal Dutch Petroleum	2004	**74,35**	Power generation
BellSouth Corp./AT&TInc.	2006	**72,67**	Telecommunications
AT&A Broadband/Comcast	2001	**72,04**	Telecommunications
Wyeth/Pfizer Inc.	2009	**63,266**	Medicine and pharmaceuticals
Aventis SA/ Sanofi-Synthelabo SA	2004	**60,24**	Medicine and pharmaceuticals

Source: Ryabkova D., “Merge and Take Over,” *Investgazeta*, No. 1–2 (18–24.01 2010): p. 15

[1] Kumar N., “How Emerging Giants Are Rewriting The Rules Of M&A.,” *Harvard Business Review* (May 2009): p. 116-117

When reviewing M&A from the perspective of the sectors in which the relevant mergers/acquisitions take place (table 4), it should be noted that the greatest increase in activity during 2002 — 2008 was demonstrated by the financial sector (its share increased from 23 % to 28 %), which following the global banking system collapse in mid-2008 gave the gained ground but still remains the leader in comparison with other areas of economic activity (the closest sector in terms of share is that of noncyclic consumer goods/services with the share of 16 % (2011)). The most major deal in the financial sector was takeover of *Prologis by AMB Property Corp.* for USD 16.5 billion.

Table 4. **Sectoral Structure of International Mergers and Acquisitions In 2002 — 2011, %**

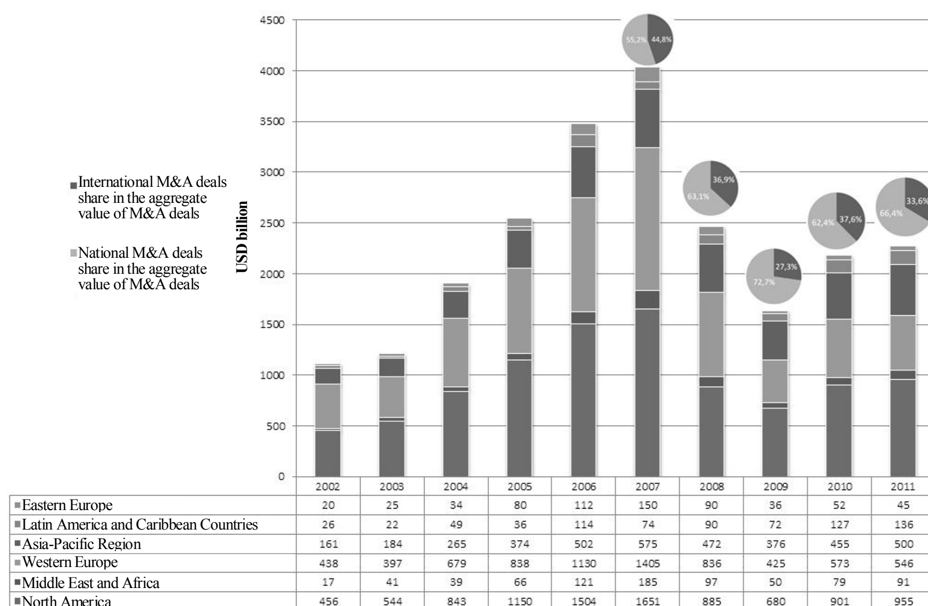
Sectors	2002	2008	2011
Financial sector	23 %	28 %	18 %
Cyclic consumer goods/services sector	20 %	20 %	10 %
Noncyclic consumer goods/services sector	9 %	7 %	16 %
Power generation	7 %	9 %	15 %
Telecommunications	14 %	11 %	10 %
Heavy and light industry	11 %	8 %	11 %
Utilities, trade and other services sector	8 %	5 %	6 %
Base materials sector	5 %	8 %	9 %
Process engineering sector	3 %	3 %	4 %
Others	0,5 %	1 %	1 %

Source: Bloomberg Global Legal Advisory Mergers & Acquisitions Rankings (2011), p. 12—18

Consumer goods sector along with telecommunications sector, power generation sector, heavy and chemical industry remain the most attractive for applying the M&A tool. Examples are global deals (with the agreement subject company being global) made in 2011, with the following among them: purchase of *T-Mobile USA Inc.* by *AT&T Inc.* (its competitor) for USD 39 billion, *El Paso Corp.* takeover by *Kinder Morgan Inc.* for USD 37.4 billion and the agreement between *Express Scripts Inc.* and *Medco Health Solutions Inc.* worth USD 33.4 billion.

Analysis of geographical changes in terms of global M&A-activity (fig. 2) shows that before the 2008 crisis the value share of M&A deals made at the international level was almost equal to the

proportion of so-called 'domestic' agreements (45 % vs 55 % respe-?tively). In 2011, the number of cross-border mergers and acquisit - ons fell significantly making 33.6 % or USD 763.8 billion (according to some investors, the reason was change in potential target search regions by American and European transnational giants of the Asia-Pacific Region and the Middle East for the domestic market). The leaders in M&A activity are traditionally North America and Western Europe, whose share in 2011 amounted to 42 % and 24 % respectively.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Eastern Europe	20	25	34	80	112	150	90	36	52	45
Latin America and Caribbean Countries	26	22	49	36	114	74	90	72	127	136
Asia-Pacific Region	161	184	265	374	502	575	472	376	455	500
Western Europe	438	397	679	838	1130	1405	836	425	573	546
Middle East and Africa	17	41	39	66	121	185	97	50	79	91
North America	456	544	843	1150	1504	1651	885	680	901	955

Fig. 2. Volume of M&A deals per regions of the world

Source: Bloomberg Global Legal Advisory Mergers & Acquisitions Rankings (2011), p. 18—28

One should consider the fact that only three of ten mega-deals create real shareholder value for the merged companies (according to D. Harding and Sam Rovit, authors of *Mastering the Merger*). Having analyzed circa 790 deals made by American companies during the period from 1986 to 2001, Bain&Company specialists concluded that the M&A art is directly related to the experience in this field. Companies for which agreements concluding becomes one of the central activities demonstrate better results than those making occasional deals (fig. 3). Primarily, those «rolling the dice» and «sitting on the sidelines» lose.

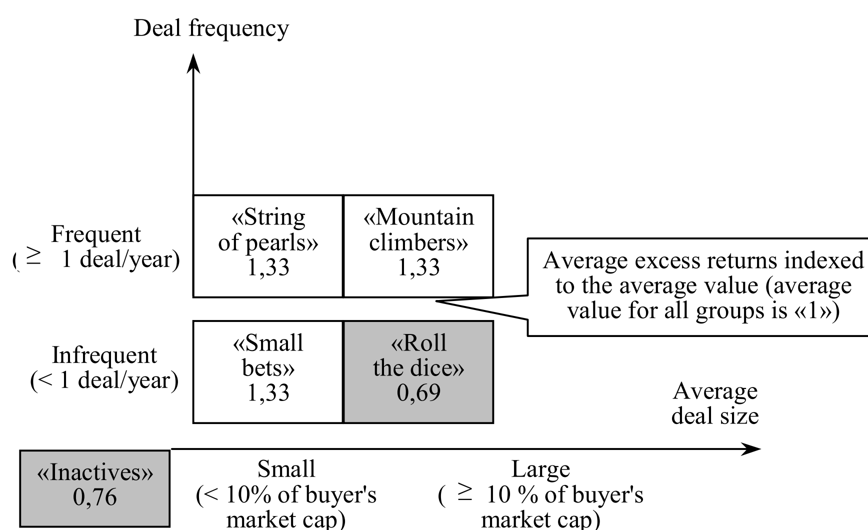


Fig. 3. Company groups indexed to average size and M&A deals frequency

Source: Harding D., Rovit S., Cited work, p. 219

International mergers and acquisitions strategies

As noted above, only a third of mergers and acquisitions prove successful. The main success factor is associated with refuting the widespread thesis of such agreements similarity. Instead, each agreement of the kind requires development of an individual strategy. A number of reputable publications researching synergy resulting from mergers and acquisitions are dedicated to this issue. In particular, M. Sirower in his *The Synergy Trap* bestseller draws attention to the inequality of merger success and failure chances and particular difficulty of achieving merger synergy: «Investors around the world have already valued the future expected performance of the target firm. That value equals the pre-acquisition share price. So synergy must translate into performance gains beyond those that are already expected. Simply put, achieving synergy means competing better. But in current hypercompetitive markets, it is a difficult challenge just to achieve the expected performance that is already built into existing share prices — at a zero premium».[1]

[1] Sirower M. L., *The Synergy Trap: How Lose the Acquisition Game* (New York: Free Press, 1997), p. 9

From the standpoint of individualized strategic approaches to international mergers and acquisitions, the most effective concept is that of Professor Joseph Bower, Harvard Business School. After a detailed study of hundreds of M&A deals worth over USD 500 million the author has formulated five strategies adhered to by international companies initiating such deals, and a range of challenges accompanying implementation thereof.[1] In this regard, two key features of the conducted study should be noted:

1. Prior to this study no author of a book or an article related to M&A attempted to establish a link between the strategic intent of the acquiring company (or both companies in case of a merger) and its effect on the integration process. The study was conducted using the **resources-processes-values-framework structure**. **Resources** imply tangible (money, materials, human resources, etc.) / intangible (information, brands and relationship) assets; **processes** imply all activities converting resources into goods and services, **values** (including general idea of what the company «owes» to the employees and vice versa; what kind of actions (behaviour) and values are approved by the company) support decisions taken by employees and determine the decision-taking process.

2. The key challenge that may accompany any M&A deal is the so-called «bluefish phenomenon». The essence of this phenomenon is explained by the author via detailed description of a situation when a hungry family of predatory bluefish attacks a stock of herring dividing it into a few small groups in order to further ruthlessly deal with disoriented and confused victims. Joseph Bower compares this type of bluefish hunting with the fish being in a state of uncontrollable desire to eat as much as possible at any price to the behaviour of some CEOs who under conditions of excess capital and excessive concern with finding ways for their companies growth start to make lots of random M&A deals (since acquisition or merging is a process no less exciting than the desire to grow and develop faster). Even if such agreements prove successful, the reason for that is not a brilliant strategy, detailed preparation and skilled approach, but most likely, a simple combination of luck and persistence. At that, the cost of error is too high: loss of the CEO office as well as the threat to independence of the target company/initiating company.

Further we shall consider these strategies in more detail accor?ing to J. Bower's methodology.

[1] Bower J. L., "Not All M&As Are Alike – and That Matters," *Harvard Business Review* (March 2001): p. 93-94

Overcapacity strategy			
Example	• *Daimler-Benz* and *Chrysler* merger • *Chemical Bank* take-over of *Manufacturers Hanover* and *Chase* banks	**Strategic objectives**	> Elimination of production capacity problems; > Market share increase; > Operational efficiency improvement (solving certain business function and / or business process duplication problems).
Features	– characteristic of such developed (mature) branches as automobile building industry, steelmaking and petrochemical industries (usually with oligopoly domination); – allows giant companies to lower their costs under conditions of ever increasing consolidation level in the industry.		
Main problems	**Resources** **1.1** Managers of the target company will offer serious resistance to any attempt of selling even one asset of the previous company (after M&A deal), because they had directly participated in creation and development thereof; **1.2** There is a high probability that the price of the target company will be overestimated; **1.3** Since such agreements usually are mega-deals, each time they are executed as for the first time, therefore target company has no possibility of making use of the previous experience; **1.4** Formation of the top management team of the company established as a result of merging is a long, clandestine and overly politicized process. Each managerial team stands for its own interests, which is reflected at all hierarchical levels of the organization and, ultimately, impairs business activity; **1.5** The combined company may leave All (or a greater part) of professionals due to whom the company had been successful in the past may leave the newly created company. **Processes** **1.6** The business processes integration is a process not less complicated than personnel uniting (each company has its own elaborate and, in its opinion, perfect systems of results measurement, development of products/services and allocation of resources that are specific to its activities only). Simply imposing systems radically opposite in nature as well as gaining expertise in effective applying thereof may take many years. **Values** **1.7** Experience shows that impenitence of processes and phenomena in two multinational companies with a stable market position and long history of activity makes the process of their merging (integration) extremely compl-?cated and time-consuming. **1.8** After conclusion of such agreements the target company will inevitably come off a loser, since it will be obliged to accept the rules and requirements set forth by the acquiring company; **1.9** Noncompatibility of the two companies' cultures may prove the main reason for the merger company collapse (for example, in the case of *Manufacturers Hanover* and *Chase* takeover by *Chemical Bank*, the cultures of the New York acquiring company and target company coincided, thus contributing to their successful integration. The case of American automotive company *Chrysler* merger with its German competitor *Daimler* shows the effect of the cultures and values incompatibility on the deal result).		
Recommend	– Shortly after the M&A deal concluding the acquiring company must		

ations	decide as to which plants of the target company will be shutdown, and the respective number of employees to be dismissed; it should also work out a detailed rationalization (improvement) plan regarding administrative processes in the merger company. — The acquiring company should not consider target company resources as inferior and less essential for efficient performance of the newly created organization. Also, it should not expect smooth and unhindered process of selling assets regarded «extra» by the target company; — Applying a very responsible approach to organizing both companies personnel adaptation to the new working environment and implementation of processes involving personnel of the merged companies; — Avoiding attempts to completely eradicate differences between the two companies concerning the country, religion, ethnicity and gender identity; — The higher is the price paid by the acquiring company for target company, the less time will the first have for achieving actual results. However, if objective of M&A deal implies acquisition of values and processes, then synergy should not be expected soon (especially, if the values and processes of both companies are oppositely different).

Many industries exist for a long time in the state of «fragmented representation», i.e. local business does not go beyond local scale, and no company becomes dominant on the national and/or regional scale. Eventually, companies applying effective strategies of their own business development, resort to geographical expansion by acquiring smaller competitors within adjacent territories. This process is called «roll-up». At that, production units becoming property of the acquiring company, do not change their location in case it is crucial for maintaining relationship with customers/clients. For a smaller local target company the «roll-up» agreement may yield the following advantages: opportunity of following corporate culture and approaches to business activity of the national/regional industry leader, access to the capital and nationwide product/services sales network, gaining access to the advanced technologies and developments, as well as solving certain problems of competition with larger companies[1].

Geographically-competitive strategies			
Example	• Taking over a large number of local and regional banks by *Banc One* in 1980s—1990s; • This type of deals contributed to establishing lots of modern auditing firms, hotel chains, online consulting companies and regional banks	**Strategic objectives**	> Geographical expansion of the company (at that, location of production units acquired remains unchanged).
Features	— usually characteristic of the early development stages of any industry; — allow for comprehensive economies of the scale; — result in formation of the giant companies in the branch; — subject to mutual consent of all M/A parties, as implying equal benefits from the deal («win-win deals»).		
Main	**Resources**		

[1] Bower J. L., Cited work, p.96

problems	**1.1** The resource problem is almost irrelevant for this type with exception of cases that may occur after conclusion of any M&A deal: stating the fact that the target company was not worth the price paid. Usually, the acquiring company does not consider it necessary to make any changes to the local management traditions and structure in the target company. **Processes** **1.2** Leaving the target company resources unchanged, such as local managers, brands and customers, the acquiring company seeks to impose its own appro-?ches to procurement policy, use of certain information technology etc. However, at that the acquiring company mistakenly seeks to accelerate the implementation of its own processes, which does not allow target company managers to learn them in detail and understand them profoundly. **Values** **1.3** Lots of «roll-up» agreements are related to acquisition of smaller and, sometimes, family businesses. In the case, when the clearly defined target company values are different as compared to those of the acquiring company, the latter if driven by desire to quickly alter views of conducting business activity in the taken-over company may simply lose employees of the latter.
Recom-?endations	– The target company is always open to adopting more streamlined, well-established processes. In case of any resistance to new processes on the part of the target company, the acquiring company should reschedule integration and enable the new employees to adjust to the new approaches. In terms of «roll-up» agreements it is far more important not to lose the key employees and customers/consumers, rather than to achieve effective performance indicators as soon as possible. – In case the target company has radically different culture, the acquiring company should very carefully and gradually introduce its own culture to the new employees («the carrot» in this case works much better than the «stick», especially when it comes to high-paid workers being hard to replace).

After *Quaker Oats* acquired *Snapple*, the acquiring company discovered that its distribution and advertising processes were absolutely unsuitable for the target company's product line. Similar was the case with *Marks&Spencer* British retailer, as after acquisition of *Peoples Department Stores*, it became apparent that its famous distribution system could not be applied in Canada. In contrast to these errors, a brilliant example of building up strategy of success in terms of similar acquisitions is provided by *General Electric Co.* (hereinafter referred to as «GE») headed by Jack Welch. The U.S. electrical industry giant paid great attention to each merger (especially, to the differences between the companies merged) both prior to signing of the agreement and during integration. A relevant example is acquisition of Italian engine manufacturer *Nuovo Pignone* by GE from *ENI* in 1992. It was difficult to imagine at first how the two companies would coexist, with one located in Turin (Italy) and the other – in Schenectady (NY), while each of them also had different cultures (both companies strove to excellence in their products, but the Italians were part of the state conglomerate and too dependent on subsidies and political goals of the government). Paolo Fresco who had been

put in charge of the two companies integration succeeded in removing all bureaucratic obstacles that prevented *Nuovo Pignone* from using GE resources for their own development. Differentiation strategy applied by the mentioned companies has a hidden specific process-related risk, i.e. high probability of the merged companies processes incompatibility with their product portfolio[1].

Differentiation strategy			
Example	• *Snapple* takeover by *Quaker Oats.*	**Strategic objectives**	> Existing product line expansion by acquiring new brands or rights to use thereof; > Expanding existing portfolio sales markets
Features	– usually between large companies implying expansion of business activity of the acquiring company not only on the scale of neighbouring cities or states (as administrative regions), but also countries – problems with the business processes integration and adoption of new values by both parties to the agreement are much more acute than in Geographic Roll-up M&A's.		
Main problems	**Resources** **1.1.** In case when M&A deal involves two relatively equal-sized companies, the problems associated with the merger and integration of their resources will be similar to those arising after the concluding the Over Capacity M&A's (chances to pool resources without obstacles are much higher in terms of frequently made M&A deals between large companies and small players in the market); **Processes** **1.2** There is a high probability of incompatibility regarding processes and product portfolio of the companies signing M&A agreement. **Values** **1.3** If this type merger/acquisition primary objective implies entering markets with a radically different culture and values in comparison with the culture and values of the acquiring company (for example, acquiring a European or Asian company by American company), the integration process can be jeopardized.		
Recommendations	– The acquiring company should clearly understand what kind of company it intends to acquire (or to merge with), since the farther companies or their cultures are located from each other, the more difficult it is to assess the prospects for future cooperation and the lower are chances of success in the merged company; – it should be taken into account that the processes understood by the target company as underlying and key ones may significantly differ from the business processes of the target company. This can be supplemented with cultural differences and government regulation posing an obstacle to successful integration. – Practice in terms of such M&A types plays a key role: the wider experience, the higher the chances of success regarding each following M&A deal; – It is worth while paying attention to studying stories of success, e.g. regarding development of a certain target company which prompted the acquiring company to sign the M&A agreement and researching the reasons for lack of similar achievements in the acquiring company.		

[1] Bower J. L., Cited work, p.97

John Chambers, the *Cisco Systems* President and CEO, once said: «If you lack resources to develop a component or a product in six months, you either buy what you need, or lose the opportun»-ty».[1] His IT-company, along with the leading pharmaceutical giants considers M&A key to success in high-tech industries.

<table>
<tr><th colspan="4">Innovation strategy</th></tr>
<tr><td>Example</td><td>• Takeover of 62 companies by CiscoSystems (hereinafter referred to as «Cisco»);
• M&A history of Micro-?oft Corporation.</td><td>Strategic objectives</td><td>> Expansion of existing technological developments and innovations (as an alternative to R&D within the company);
> For target company such agreements can be beneficial in terms of significant investment influx that will contribute to its strengthen position and competing with the industry giants (as an alternative to direct competition doomed to failure).</td></tr>
<tr><td>Features</td><td colspan="3">– usually between high-tech companies (including IT-companies) and companies of the biotech and pharmaceutical fields;
– the main motive for participating in such agreements is the goods life cycle reduction.</td></tr>
<tr><td>Main problems</td><td colspan="3">Resources
1.1 This type of mergers/acquisitions works much better in the IT-industry as compared to the pharmaceutical or biotech sectors. The reason is «modularity» nature of IT-projects/IT designs. Organic/natural origin of pharmaceutical products significantly complicates the resources integration process;
1.2 Quite often the acquiring company faces the need to preserve key persons on whom R&D success depends in the newly established company (the main resources being priceless experience and competence of such specialists);

Processes
1.3 The acquiring company simply has no time for the gradual integration of the target company and its assimilation with the existing structure of business, since technologies develop very rapidly.

Values
1.4 The R&D Department experts of the acquiring company may regard such M&A deals as dismissive attitude to their work (the «not invented here» syndrome);
1.5 In the case when target company places its major stake on solving certain technological issues, while the acquiring company counts on addressing other problems, there is a high probability of outrage and unsympathetic attitude to the acquiring company experts on the part of outsiders.</td></tr>
<tr><td>Recommendations</td><td colspan="3">– the acquiring company should clearly understand what kind of company it intends to acquire (or to merge with), because errors in evaluation of target</td></tr>
</table>

[1] Bower J. L., Cited work, p.98

	companies may result in total fiasco of such merger/acquisition initiator; — it should be taken into account that the time for complete integration will be very scarce, and the new people may refuse to work under the incompatibility of their views and values with those of the acquiring company. Therefore, cultural Due Diligence is particularly important when the target company has people wealthy enough to leave the merged company from their CEO and executive director positions. — the acquiring company/initiating company under the M&A deal should appoint professional, competent and influential officials as responsible for the integration process at the same time relieving them to the maximum extent from all other duties until the merger/acquisition has been compl-?ted and outlining their new scope of work as clearly as possible. Eventually, this should become the key competence of the acquiring company/initiating company. — time should be evenly allocated for maintaining the satisfaction level of new employees and integration of acquired products/technologies into the existing business processes of the acquiring company/initiating company.

Viacom company is regarded one of the most influential global players in the entertainment industry. It owns motion picture and videos studio (*Paramount*), *MTV* and *Nickelodeon* cable TV channels, and *Blockbuster*, the U.S. largest movie and video game rental chain, with all the four mentioned being independent from each other. *Viacom* uses *Paramount* video library for spreading the popularity of its *MTV* and *Nickelodeon* channels, as well as for strengthening position in the field of video and audio rental. In turn, the success rate of branded cartoons on *Nickelodeon* allowed Paramount to control the cost of their creation. Companies *Disney* and *News Corporation* of Rupert Murdoch actively compete in these fields by entering into the industry convergence M&A agreements. The author believes that complexity of researching such M&A deals is grounded by the fact that all attempts to gain strategic leverage by combining incomparable companies are unique or idiosyncratic.

Intersectoral convergence strategy			
Example	• Takeover of *Paramount* and *Blockbuster* by *Viacom*; • Takeover of *NCRCorporation*, developer of mass parallelism computer service systems, *McCaw Cellular Communications*, the U.S. cellular market leader, and *TCI*, one of the key players in the cable television market, by *American Telephone and Telegraph Company* (AT&T)	**Strategic objectives**	> Becoming leader in the emerging promi-sing sector; > Becoming founder and leader of the new sector by means of successful M&A deals
Features	— this type of mergers/acquisitions is a radically different type of restructuring companies under M&A agreement in comparison with other types of mergers/acquisitions implying relationship between specific players in the same sector. The hypothesis guiding the acquiring company/initiating company in this case is as follows: the greatest synergy can be achieved through takeover of resources from the existing sectors whose boundaries disappear, and use thereof for creating a new sector/business; — success of such M&A deals depends not only on how successful acquisition or integration is but also on the correct assessment of the newly formed sector boundaries.		
Main	**Resources, processes and values**		

problems	**1.1** Resources, processes and values of the companies under such agreements may be incompatible (not only because of their geographical location, but also due to the limited experience of business activity conduct in only one (at best, two) sectors), which may lead to sale of previously acquired assets or split-off of the previously merged companies.
Recom-?endations	— The perfect pattern of such a merger/acquisition is consistent implementation of the following stages: а) implementation of accounting and control systems in the target company; б) rationalization of the existing processes in the target company; в) reducing that part of the product portfolio, which does not meet the strategic objectives of the acquiring company/initiaing company; г) providing the newly established company divisions with high degree of freedom; — Successful integration should be guided primarily by specific opportunities for creating added value for the newly established company, and not by the need to create a symmetrical organization; — Top management should be prepared to accept and change their own decisions as to which assets should be integrated, and which are better to be disposed of by the newly established company (to this end, not only diplo-?atic qualities, but also personal authority will be necessary).

Nestlй tactics in the global mergers and acquisitions market

Nestlй global corporation has over the past decades been not only one of the leading corporations in the field of nutrition and healthy lifestyle, but also a kind of model in the field of international mergers and acquisitions. As it is known, the company was founded in 1866 by Henri Nestlй in Vevey, Switzerland, where it is headq-?artered. A chemist by education, Henri Nestlй focused on the development and improvement of milk-based baby food and break-?ast cereals, which was how *Nestlй* business started. The company employs about 280 000 people in its offices and factories covering almost all countries of the world; *Nestlй* sales in 2011 amounted to 83.6 billion Swiss francs. *Nestlй* mission expressed in the slogan «Good Food, Good Life» is formulated as follows: «to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions, from morning to night». In order to fulfill this mission, the company is engaged in further developing its most famous brands listed in table 5.

Apart from specializing in food and beverage production, *Nestlй* is a shareholder of *L'Oreal*. *Nestlй* strategy is fully correlated with its business principles[1], as follows:

1. Nutrition, Health and Wellness
2. Quality Assurance and product safety
3. Consumer Communication
4. Human rights in our business activities

[1] Nestlé Business Principles (2009), p.3-8

5. Leadership and personal responsibility
6. Safety and health at work
7. Supplier and customer relations
8. Agriculture and rural development
9. Environmental sustainability
10. Water.

Table 3. **Nestlй Most Famous Brands Worldwide**

Category	Most famous brands
Baby foods	Cerelac, Gerber, Gerber Graduates, NaturNes, Nestum
Bottled water	Nestlй PureLife, Perrier, Poland Spring, S.Pellegrino
Cereals	Chocapic, Cini Minis, Cookie Crisp, Estrelitas, Fitness, Nesquik Cereal
Chocolate and confectionery	Aero, Butterfinger, Cailler, Crunch, Kit Kat, Orion, Smarties, Wonka
Coffee	Nescafй, Nescafй 3 in 1, Nescafй Cappuccino, Nescafй Classic, Nescafй Decaff, Nescafй DolceGusto, Nescafй Gold, Nespresso
Culinary, chilled and frozen food	Buitoni, Herta, Hot Pockets, Lean Cuisine, Maggi, Stouffer's, Thomy
Dairy	Carnation, Coffee-Mate, La Laitиre, Nido
Drinks	Juicy Juice, Milo, Nesquik, Nestea
Ice cream	Dreyer's, Extrкme, Hдagen-Dazs, Mцvenpick, Nestlй IceCream
Petcare	Alpo, Bakers Complete, Beneful, Cat Chow, Chef Michael's Canine Creations, Dog Chow, Fancy Feast, Felix, Friskies, Gourmet, Purina, Purina ONE, Pro Plan
Sports nutrition	PowerBar

Source: Nestlй Group Annual Report 2010 (2010): p.15

The leading position of *Nestlй* in the global food market is largely ensured by the weighted tactics in concluding M&A agreements. It is not a coincidence that D. Harding and S. Rovit call *Nestlй* an exemplary customer in the chapter of their monog-?aph *The Art of Mergers and Acquisitions* covering corporation experience in this field.[1]

Nestlй tactics is based on the major principle of corporation performance, which implies that the core business emphasis is made on the historic core, which is complemented by systematic

[1] Harding D., Rovit S., Cited work, p. 191

replenishments by means of small-scale and carefully thought-out acquisitions. Thus, the M&A deals for *Nestlй* are complementary and not the main factor of increasing global competitiveness within the stable mission of the company.

Nestlй tactics in terms of international M&A deals is fundamentally different as regards sale of certain businesses to other companies and acquiring enterprises.

While performing sales of business parts that do not meet the requirements set, the emphasis is made on the flexibility of this business performance criteria in order to reach a mutually beneficial agreement with a potential buyer. Success of such tactics can be vividly illustrated by *Nestlй* sale of *Beringer Wine Estates* subsidiary to American corporation *Texas Pacific Group* in 1996.[1] The point is that the wine-producing subsidiary was a capital-intensive business, since production of high quality wine requires ripening thereof. In turn, this requires considerable premises and significant time consumption. These factors produced adverse effect on the two key business performance indicators of *Nestlй*: return on assets (ROA) and economic value added (EVA). For technical reasons, calculation of these indicators implies deduction of assets depreciation from profits, even if in fact it is not cash expenditure. Despite the fact that wine ripening in cellars is a significant factor of achieving appropriate quality to demand price premium, ROA indicator calculation deteriorates «financial look» of a company, including Nestlй which accumulates reserves. Cooperation of *Nestlй* managers with colleagues from *Texas Pacific Group* allowed drawing conclusion that it would be more appropriate in this case to apply other criteria such as cash flow generated by operating activities, cash margin and growth. This position allowed *Texas Pacific Group* to evaluate Beringer based on those factors that actually produced the biggest impact on cash flow. Having analyzed this correct and positive idea of *Beringer* autonomous value, *Texas Pacific Group* signed the agreement, which proved very successful. *Beringer* was prosperous when owned by *Texas Pacific Group* reaching ninefold return on the initial investment within five years after the takeover.

Acquisition tactics of *Nestlй* looks more diverse and complex, since following Peter Brabeck-Letmathe appointment as the CEO in June 1997 success in this field was not quite obvious. At that time sales volume grew annually by 2.7 %, which was significantly lower than the targeted 4 %. Net profit barely reached 6 %, while the annual growth rate of shares was at 3 %. Situation was even

[1] Rogers P., Holland T., Haas D., “Value Acceleration: Lessons from Private-Equity Masters,” *Harvard Business Review* (June 2002): p. 42-49

more complicated by *Nestlй*, usually the leader, falling behind competitors in the field of innovations. The company focused on upgrading the existing product lines for existing customers instead of developing new products for both the old and new customers.[1]

Under such intense conditions the Nestlй top management had to develop new tactics of international acquisitions management, which included the following components:[2]

1. The dual corporate strategy has been clearly outlined. *Nestlй* should direct resources at developing its brands and also invest in research and development of the new promising food technologies. It was probably not a revolution, but rather a return to the classic form of corporate business with circa 150 years of history.

2. Institutionalization of each deal was introduced. Now, *Nestlй* carries out an annual audit of each strategic business unit in order to establish specific qualities and competencies of each product category. Based on this analysis, *Nestlй* managerial team identifies opportunities for increasing business competitiveness either by organic growth or through acquisitions.

3. A special team and a separate Mergers and Acquisitions Department have been established.

4. Procedure for concluding agreements has been structured based on a template and clear criteria governing any agreement and significant capital investments. These criteria have been communicated to each employee involved. Template adjustability to specific features of an agreement and local environment should be noted.

5. The agreement concluding process actively involves line managers and operational specialists responsible for the evaluation of potential synergies under the guidance of the mergers and acqui-?itions team.

6. The key factor for success in the field of mergers and acquisitions is the top management leadership and support. Such support ensures regular and effective communication with top management, thanks to which respective instructions are given before an error is made.

7. *Nestlй* regularly carries out audits of each agreement after it has been executed. Previously, the company also used to carry out individual agreement review, however the formalized agreement audit process is more effective after 2—3 years following its concluding. During these audits the results achieved are compared against objectives in terms of synergies, growth rates, management structure, etc.

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[1] Pfiffner A., Renk H., *Transformational Challenge Nestlé* 1990–2005 (2005), p. 34
[2] Daly J., "John Chambers: The Art of Deal," *Business 2.0.* (October 1999), p. 18-28

Due to introducing the new tactics of international mergers and acquisitions management *Nestlй* drew ahead of its competitors in terms of all the major indicators, recovered its reputation of innovator with the net profit growth in 1998–2006 reaching 20 % annually. A certain contribution to achieving these results was provided by enterprises of Ukraine acquired by *Nestlй* in different years.

Nestlй started its activities in Ukraine in 1994 by opening a representative office in Kyiv. In May 2003, *Nestle Ukraine* Ltd. was established with the main purpose thereof being development of a distribution network. The total company sales in the Ukrainian market reached UAH 4.016 billion in 2010, reflecting 30.5 % growth compared to 2009. In 2010 Nestlй companies in Ukraine (*Nestle Ukraine* Ltd., *Volynholding* PrJSC, *Technocom* Ltd. and *Svitoch* PJSC) contributed UAH 325 million to the state budget in terms of various taxes and fees, whereas the number of employees in Nestlй companies in Ukraine reached 4.5 thousand people. The company global brands (NESCAFE, Nesquik, Nuts, Friskies, KitKat) enjoy great popularity among domestic consumers. Despite this, the company is actively promoting local brands (Svitoch, Torchyn, Mivina), which is the strategy of its activity in the markets of host countries.

In 1998, Nestlй acquired the controlling stake at *Svitoch* Lviv confectionery, one of the oldest enterprises in Ukraine. Today, *Svitoch* is a modern high-tech and knowledge-intensive enterprise products range of which comprises chocolate bars, candy boxes, chocolate wafer bars, wafers in packs, cookies, sugar cookies, crackers, chocolate dragees, Christmas gift baskets and candies sold by weight. The company invested circa USD 60 million in development and modernization of the factory. The major innovations comprise the following: a modern distribution centre, new analytical, microbiological, pathogenic laboratories; launched production line of waffles, chocolate bars and candies; fundamentally new automated production facilities of chocolate mixtures. In late 2009, the factory put into operation a new production line of *NESCAFE 3 in 1* coffee sticks. To *Svitoch,* successful implementation of this project implies status upgrade from a local to the regional Nestlй confectionery manufacturing centre.

In December 2003, *Nestlй* acquired 100 % of *Volynholding* PrJSC shares products of which (mayonnaise, ketchup, sauces, mustard and seasonings) are sold under *Torchyn* trademark. In 2010, the company reached its maximum capacity of 100 thousand tons of finished products per year. Furthermore, a new venture

first stage of was commissioned, including raw materials wareh-warehouse for *Volynholding* PrJSC production facilities as well as finished products warehouse, today being one of Europe's largest logistics centres for storage of finished products and raw materials. The warehouse premises capacity is 250 thousand tons per year.

In February 2010, Nestlй acquired *Technocom* Ltd. — the leader of Ukrainian fast food products and seasonings market with its produce sold under *Mivina* trademark. Established in 1993 by several young Vietnamese, Kharkiv State University graduates, the *Technocom* company almost immediately won the affection of Ukrainian consumers due to tasty instant noodles called *Mivina* (abridged translation of the Vietnamese phrase «Vietnamese noodles»). One of the company founders, Lionh Quoc Binh, engaged in its further development to the present day as Deputy Director General, had found the «gold mine.» Thus, the Ukrainian market of fast food products in 2010 made USD 120 million, with 90 % of which due to *Technocom.* In addition, *Technocom* exports its products to 20 countries, including Russia, the Baltic States, Hungary, Germany, Israel, Poland and Romania. *Nestlй* has not been disclosed the deal value, but according to experts it ranges from USD 100 to 150 million. Acquisition of this company allowed *Nestlй* to expand its culinary portfolio and strengthen the company's presence in one of the fastest growing segments of the Ukrainian food market.

Further in 2010 Nestlй decided to open Nestlй United Business Service Centre in Lviv. The third internal business service centre in the world being a part of Nestlй Business Service international division provides performance of certain financial transactions, including accruals and payments of wages, as well as certain personnel management processes. The Centre in Lviv will be the first one in Central and Eastern Europe to combine financial and personnel management activities in one institution servicing Nestlй companies located in different European countries. Over the next three years 25 million Swiss francs will be invested in development of the Centre, which will employ circa 350 skilled finance and personnel management professionals to serve 20 countries in the region, such as Russia, Poland, Romania, Hungary, Bulgaria.[1]

Conclusions

[1] Infonest. Periodical for Nestlé Personnel in Ukraine and Moldova (winter 2012): p. 14-17; Infonest. Periodical for Nestlé Personnel in Ukraine and Moldova (summer 2011): p. 18-20

In the age of globalization international mergers and acquisitions, including the mega-mergers valued at over USD 1 billion, have become everyday practice. Although only one-third of deals in this field prove successful, the number of mergers and acquisitions remains high. The international mergers and acquisitions paradox is as follows: on the one hand, it is too difficult to develop a world-class transnational corporation solely through organic growth, i.e. due to profits recapitalization or share capital increase; on the other hand, the mergers and acquisitions process entails huge risks. However, since corporations often resorting to mergers and acquisitions are more competitive in global markets and dominate the Fortune 500 list, the scale increase of international mergers and acquisitions is quite natural.

Scientific generalization of mergers and acquisitions over the last century allowed to establish the cyclic-wave nature of the process, implying that the scale and nature of merger and acquisition deals tend to change during certain periods. Research in this field allowed to distinguish six waves of corporate consolidation: monopolistic (1897–1904), oligopolistic (1916–1929), conglomerate (1965–1973), the wave of corporate incentives (1981–1989), the wave of international agreements (1992–2000) and the wave of mega-deals (2002–2008). Each wave has features of its own, especially the merger nature and motivation. The mergers and acquisitions scale declined sharply twofold or more in the intervals between the waves. The following should be considered the main international mergers and acquisitions trends:

—M&A deals scale decrease after the 2008-2010 crisis caused by decreased opportunities of their funding;

—steady growth (even during the crisis period) of M&A deals value in the emerging markets;

—structural changes in the M&A markets in favour of the financial sector;

—preserving leading positions by North America and Western Europe in the global M&A market.

Success in the M&A market is typically achieved by transnational corporations adhering to advanced strategies: overcapacity, geographically-competitive focus, differentiation, innovation and inter-sectoral convergence, each of those to be detailed in terms of three key factors: resources, processes and values. Contradictions between the said parameters nullify expediency of a M&A deal.

In addition to strategic tools of international mergers and acquisitions management, tactical systems are also important. *Nestlŭ* corporation uses such tactical tools as corporate strategy clarification, acquisition agreement institutionalization, establish-

ment of special team and department, agreement concluding procedure structuring and involvement of line managers and various profile experts, top management leadership and support, total audit of concluded agreements efficiency. The new tactical assurance system of international acquisition has provided for Nestlй corporate success in this field in many countries, including Ukraine. Nestlй had acquired a number of companies, which in 2011 produced goods worth UAH 4.5 billion, paid taxes in the amount of UAH 325 million and provided employment of 4.5 thousand people.

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