Paper –Strategic Management
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Topic- Expansion Through Cooperation Part 1

The term 'cooperation expresses the idea of simultaneous competition and cooperation among rival firms for mutual benefit. Hence, cooperation strategies deal with the strategic alternatives based on cooperation among firms.

Cooperative strategies are of the following types:

- Mergers
- Takeovers or acquisitions
- Joint ventures
- Strategic alliances

1.Mergers-A merger is a combination of two or more organizations in which one acquires the assets and liabilities of the other in exchange for shares or cash or both the organizations are dissolved and the assets and liabilities are combined and new stock is issued

For the organization which acquires another, it is an acquisition and for the organization which is acquired, it is a merger. If both the organizations dissolve their identity to create a new organization, it is consolidation

Basically, a merger can take place in the following two ways:

1. Acquisition of an organization by another organization

2 Creation of a new organization by amalgamation of two or more organizations.

There are several examples of mergers in the corporate world, such as TVS Whirlpool Lid with Whirlpool of India Ltd., Sandoz (India) Ltd. with Hindustan Ciba Gigy Lid. and Shiva Soaps and Detergents Ltd. with Nirma Ltd.

There are several examples of demergers in the Indian corporate world, such as the demerger of Aptech from Apple Industries Ltd, and Sandoz India Ltd. from Sandoz named as Clariant India,

For a merger, it is necessary that one buyer act as seller and the other as buyer. Gleuck has identified several reasons on the basis of which organizations merge with each other. According to him, buyers wish to merge due to the following reasons:

- To increase the value of organization's stock.
- To increase the growth rate and make a good investment.
- To improve stability of earnings and sales.
- To reduce competition
- To balance, compete or diversify product line.
- To acquire needed resources quickly.
- To avail of tax concessions and benefits. To take advantage of synergy.

  Gleuck gives the following reasons for the seller organization to merge

- To increase the value of the owner's stock and investments.
- To increase the growth rate.
- To acquire resource to stabilise operations.
- To benefit from tax legislation.
- To deal with top management succession problems.

Takeovers or Acquisitions-

It is the most popular strategic alternative adopted by the organizations. The six-step procedure recommended for acquisition by the organizations is: Defining the objectives of the organization.

Indicting how the objectives can be achieved by the organization. Assessing the managerial qualities of the organization.

Assessing the compatibility of business styles of the organization Identifying and assessing the techniques used in production and management of the organization Treating the staff of the organization with dignity and concern.

For takeovers, organizations may involve funds by pledging the assets of the firm to be taken over. It can also use the methods of financing, which are used in the merger firms. There are various reasons for takeovers by the organizations. A few reasons are as follows:

- To attain quick growth.
- To diversify the business of the company
- Need for establishing oneself as an industrialist.
- To increase the market share of its company
- To create goodwill in the market.
- To build an industrial empire.
- To humble business opponents
- To reduce competition for itself.

Takeovers are advantageous due to the following reasons:

- They ensure management accountability
- They offer easy growth opportunities.

- They create mobility in resources
- They avoid gestation periods and hurdles involved in new projects.
- They offer a chance to the sick units of the organization.
- They open up alternatives for selective units of the organization.

Takeovers are not necessarily beneficial for the organizations. There are various negative effects of this process on the organizations. The following are the disadvantages of takeovers:

- They do not create any real assets for the society and are detrimental in nature.
- Professionalism gets replaced by money, power and greed for money and status in society
- Interests of minority shareholders are not protected

Joint Ventures-

A joint venture is a strategy developed by two or more organizations that mutually participate in a business venture, contribute to the total equity capital and establish a new organization. The following are examples of joint ventures:

Tata Steel joined hands with IPICOL to promote IPITATA Sponge Iron Limited, involving a total capital outlay of Rs 35 crore. The tie-up between Tata Industries Ltd, and IBM World Trade Corporation led to the setting up of Tata Information Systems Ltd. Hindustan Computers Ltd or HCL and Hewlett-Packard of USA formed HCL-HP, a joint venture to set up a multi-purpose plant.

The main purposes of joint ventures are controlling, influencing and reducing competition among the organizations. The following are reasons for firms to enter into a joint venture:

- To conveniently introduce new technologies,

- To reduce the amount of risk involved in a new venture.
- To compete with larger organizations.

Organizations of different countries find it beneficial to enter into the joint venture due to the following reasons:

- To reduce the amount of capital outlays to be made by respective parties.
- To conveniently finance the import contents of a project.
- To allow the entry of multi-national corporations as governments in the developing countries do not favour foreign companies entering in their market.
- To reduce the production and marketing cost with the help of increased sales due to joint venture.