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The effect of merger and acquisition on business growth

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Abstract
The examination of mergers and acquisitions (M&A) in the business world reveals their critical role in fostering growth, enhancing competitive advantage, and expanding market presence. Through an analysis of several high-profile cases in the automobile sector - including Volkswagen and Porsche, Hero Honda, Fiat Chrysler and PSA, Nissan and Mitsubishi Motors, Daimler-Benz and Chrysler, and Tata Motors with Jaguar and Land Rover - the multifaceted outcomes of M&As are explored. These instances demonstrate that while M&As present substantial opportunities for operational synergies, technological advancement, and financial improvement, they also pose significant challenges related to cultural integration, financial volatility, and strategic alignment. This comprehensive overview underscores the importance of strategic management and meticulous integration processes in realizing the potential benefits of M&As, highlighting the dual-edged nature of such corporate strategies in the quest for business expansion and sectoral dominance.

Keywords: Merger, acquisition, business growth

Introduction

Mergers and Acquisitions (MandA) are being increasingly utilized in the field over, for upgrading the competitiveness of offices through picking up additional commercial centre shares, broadening the portfolio to n reduce commercial venture chance, entering modern markets and geographies, and capitalising n on economies of scale, etc. Mergers and in securing n for n long n have been a pivotal wonders in the US and UK financial matters. In India also, they have presently developed to be dependent on standard events. They are the circumstance of tallying leisure activity to uncommon people such as the commercial endeavour administrators who are n looking out capacity merger accomplices, financing investors who oversee the mergers, lawyers who propose the parties, and administrative government issues with the operations of stock commercial centre and creating company divisions with inside the economy n and analysts who have to be secure these concepts higher Mergers and acquisitions (MandA) are one of the key strategies utilized by bunches to development profit and create rapid to be able to proceed to exist in the modern commercial centre. MandA began in 1987, in any case, the greatest offers had been presently now not finished till 20 centuries afterwards. Lord (2019) characterizes MandA as the total of two or additional agencies that outcomes in current substance. Securing is translated as a commercial endeavour intrigued that objective additional than 50% of a few other firm's reasonableness. When 2 or additional offices combine, they are much more likely to grow synergies than compete on their possess. From an operational calculation of see, MandA advances the increment of organizations and will increment operational benefit. As fabricating increases, it decreases working charges and grants companies to find modern buyer databases and improve their commercial centre control. With superior reasonableness returns and additional shareholder riches, agencies' obligation capability will increase, while they advantage a couple of tax-blessings using way of implies of developing their use degree. Over the past 35 a long time, there have been more than a million MandA exchanges universally. As it were 10,000 instances had been inevitably closed in 2020, which ended up the foot drop given that 2014. MandA is one of the essential methods of development, in any case, it is too a double-edged sword. Consolidation can extend terrible results on the off

chance that the association comes up short to form synergies. For the case, inside the zone of representative control, the work cost of the post-merge commercial venture might drop via way of implies of 10–20%. As an association grows, the related money-related and control-demanding situations turn into increasingly more complex. Usually why it is miles vital to behaviour a have a take a watch that examines the MandA effect via genuine occurrences, caution organizations presently not to handiest consideration at the focal points. In this paper, we are ready to begin by highlighting the results that MandA has on the financial and administrative performance of agencies and allow a clarification for the experts and cons from a fundamental calculation of view. In addition, we are ready to also take a watch of the results of different strategies to Manda, each before and after the merger. The number one intention of this take-watch is to construct up">to construct up auxiliary records to get money-related records and to advantage of better information on LVHM's control inclinations before and after MandA, in arrange that we are going behavior a comparative investigation. N Administrative Impacts on Mergers and acquisitions (MandA) have developed to be a lower estimated way to lease excessive-degree staff at a time while the work commercial centre needs assets. It is not an unusual place for snared-up and mature companies to purchase start-up tech organizations. Prove shows that innovative MandAs development acquirers' innovation productiveness as before long as the offers are closed. From 1990 to 2011, there had been a total of 4000 intemperate tech start-ups inside the U.S. that had been gotten using way of implies of distinctive companies, bringing them roughly 350,000 modern workforces. In any case, the reason in the back of MandA is that synergies may be more grounded through way of implying diminishing operational charges. When an association gives additional operational focal points after a procurement, it is getting to hearthplace a terrible parcel additional low-degree workforce to keep on recompense. One cause for the low accomplishment price of MandAs is the unfavourable reaction of faculty, besides over-the-top labourer versatility (Cartwright and Schoenberg, 2006). In their have a take a observe, "25% of senior supervisors decided to go absent from the association before the acquisition," (additionally, Kim, 2020). In the essential 12 months following the securing, 33% of gotten representatives left, whilst an ordinary workforce with the same capabilities and works of art delight accounted for 12% of the total gathered. N Workers who do priestly not find the commercial endeavour tradition to be extraordinary after a merger and acquisition (MandA) are likely to go absent from the organization. This can be because of the quickened chance of breaking implicit mental contracts and past understandings, which cause a lower commitment and specialist turnover. Also, the workforce might revaluate their identification and choose whether or not they are appropriate for the organization. Subsequently, making certain labourer turnover fees is vital to be able to form certain that commercial venture execution is not unfavourably influenced, particularly via way of implies of the lack of top-tier ability, which might hurt the organisation's forceful side and, in a few instances, disrupt operations. Furthermore, a fluctuating workforce turnover price will presently now not have an impact on the resolve of individuals who stay.

Financial Effects

Profitability: Neoclassical economics suggests that successful mergers and acquisitions (M&A) can lead to the achievement of profit maximization. Gugler (2007) suggests that M&A can have a positive impact on a company's profitability, as it can lead to economies of scale, reorganization of financial resources, post-adjustment cost reduction, and knowledge spillover. Synergies, on the other hand, are the results of integration between different businesses that modify the characteristics of business operations. According to Edi (2020), the factors of production that are shared across different firms are such that operational synergies resulting from mergers and acquisitions can help businesses achieve economies of scale. These factors of production are labour, capital, soil, and enterprise. Integration between two or more firms may increase the number of these elements owned by an acquisition, as well as the complementarity of the resources owned by the different enterprises. The extent of synergy is contingent upon the degree of similarity and complementarity of the acquired company.

Cultural differences can also open up opportunities for redeploying resources to enhance corporate value, which can be measured through a cluster of metrics, such as market share, revenue, and return on profit (ROP). For example, LVMH, since 1987, has been expanding its business through acquisitions of other luxury firms and has since grown to become the largest luxury conglomerate in the world. One of the most recent and well-known M&A deals of LVHM is the acquisition of Tiffany&Co. In 2021, Tiffany & Co. accounted for about $16 billion in total group revenues, while LVHM's watch and jewellery segment accounted for only 8% of group revenues, which is the least profitable segment. However, after the acquisition of Tiffany & Co. by LVHM, the revenue of the entire watches and jewellery segment increased from e302 million in 2020 to e1,964 million in 2021, and the profit also increased from e1,679 million in 2021. The reason for this is that the transaction strengthens the position of LVMH in the luxury jewellery market, as Tiffany & Co. has a dominant market position.

The operating margin index increased by 9.7% in comparison to the previous year, indicating that LVHM's profitability has been improved due to the acquisition of Tiffany&Co. The watch and jewellery department were able to rank among the top three profitable departments of LVHM until 2021, and from a year-over-year perspective, the total revenue and operating margin improved. This demonstrates that a successful acquisition can have a positive impact on a company's profitability in all aspects.

Liquidity M&A

Create a bigger company with more assets, more profits, and more debt capacity. Firms have more leverage when negotiating lower interest rates with banks, longer payback periods, and larger loan amounts. In addition, if both companies conduct typical M&A, their total assets grow primarily. As profitability increases, the extra profits will be transferred to liquid cash flows to be reinvested in day-to-day operations. A study of the top 50 American M&A transactions from 1979 to 1984 shows that the acquired companies' asset productivity will increase significantly after the deal closes, especially their return on operating cash (ROOC). Additionally, when a private equity firm

takes over the management board, cash flow performance also improves. Positive net cash flows are a part of current assets and can be used for a variety of purposes. For example, a company may decide to use positive net cash flow to settle debts or to return interest to shareholders. LVHM's total assets or total capital and liabilities increased after the acquisition of Tiffany Co.

Merged business typically attempts to conceal negative turnover to obtain tax benefits. If profitable corporations focus on acquiring debt-ridden companies, the end-of-year profit of the merged business will be converted into a loss, thus reducing the corporation's tax burden. According to Palepu, (1990), LBO is a business approach in which investors finance the acquisition of a target company. Leverage can be used to reduce the corporation's tax liability in two ways: when leverage is employed for the purchase of a business, a tax shield is created during the transaction, and deductions in depreciation and amortization increase while tangible assets grow after the acquisition. Bruner, (2004) found that the average company's leverage ratio before the acquisition was 23.7%, but after the acquisition, the leverage ratio increased to almost 70%. Asymmetric knowledge often prevents target organizations from disclosing unfavourable facts, exaggerating their advantages, or making false claims, thus compromising the success of M&A.

The acquisition of a target company is likely to result in the acquisition of debt that is past due, which can lead to bankruptcy if not investigated by the acquirer promptly. If an acquirer does not investigate the origin of the target company's debt promptly, the debt will default over an extended period, resulting in bankruptcy. In the 1980s, the bankruptcy rate of leveraged buyout (LBO) companies was highlighted at 27%, however, this rate decreased to 17% between 1990 and 2006. According to van de Gucht (1998), a sample of 343 LBO companies was taken from 1980 to 1992. On average, 27% of these companies experienced bankruptcy after 3.5 years following the initial public offering (IPO). Additionally, 9% of the companies were sold to listed entities and 12% of the companies went bankrupt.

Stock Price

The reaction of the stock price to a merger or acquisition reflects changes in the value of the company associated with the adjustment of the debt structure. Furthermore, the volatility of the stock price implies changes in several aspects, such as cash flows, which provide information about future expectations, information asymmetry, which encourages corporate managers to issue securities at an overvalued market price, and ownership, which will affect the stock price. Additionally, the effect of the announcement of a merger or acquisition will vary depending on the type of consolidation. When the merger is conducted via a stock exchange, the stock exchange ratio determines if one of the companies receives a premium (additional acquisition fee) over its share price. The share price of the target company may rise; however, the extent of the increase may be limited if the stock of the merger partner's share price declines, thereby eroding the initial premium.

Mitigate the adverse effect, a restriction agreement may be included in the terms of the merger. The exchange ratio will be higher if the shares are exchanged at a lower level than a certain level. Such a restrictive agreement may be detrimental to the interests of both the merging partner and the company's shareholders. In the acquisition scenario, the acquiring business typically pays a premium to attract the target company's business. The acquirer's share price may decrease temporarily while the target company's share price increases. This may be because the acquirer usually pays a premium and may have liabilities. Pop's research (2006) found that the average premium was 40%, while the typical starting premium was only 27%. In the short term, the share price of a target company's share tends to increase, as it only attracts shareholders' attention at the time of the transaction.

In Tang and Xu's (2016) study, it was observed that the abnormal return increased significantly from the 10 trading days before the announcement date until it reached the announcement date. The growth rate was approximately 5.2% within 30-20 days before the release, and 4.8% within 20 days post-announcement. This rate of return accounted for over one-third of the overall market response to the M&A announcement. Elad (2016) further noted that the market was efficient and responsive to the announcement of M&A, as demonstrated by the sudden change in the rate of return. However, there is a potential downside risk that consolidation may bring, as managers of target companies are reluctant to disclose shocking news as it could damage their corporate reputation and lead to a drop in the stock price. Nevertheless, they cannot conceal the fact forever as the market will eventually become aware of the shocking news, resulting in a more significant decrease in prices.

Table 3: Notifications of Mergers and Acquisitions, 21 September 1990 to 28 February 2021

Year	1990	1995	2000	2005	2010	2015	2020	2021 (Feb)	Total
Number of Notified Cases	11	95	330	318	274	337	361	63	**8 025**
Cases Withdrawn Phase 1	0	4	8	6	4	6	7	1	**171**
Cases Withdrawn Phase 2	0	0	5	3	0	2	2	1	**47**

European Commission (EC) (2021).

Table 4: Mergers and Acquisitions Worldwide 1990-2020

Year	1990	1995	2000	2005	2010	2015	2020
Mergers & Acquisitions Completed Annually Worldwide	10 814	20 278	39 783	36 025	43 940	47 400	45 562

Review of literature

1. Impact of mergers & acquisitions on job satisfaction and employee productivity

"As the Indian economy undergoes globalization, Indian corporate and financial sectors are compelled to consolidate to remain competitive in the global arena. It is widely acknowledged that businesses, especially corporate houses, have been actively pursuing strategies involving mergers and acquisitions (M&A) to achieve their organizational goals. According to insights from Price Waterhouse Coopers, a crucial aspect of the M&A process is addressing the corporate culture and human resource function, as these elements have a substantial impact on post-merger outcomes.

This research project aimed to investigate how mergers or acquisitions affect job satisfaction and performance, with a specific focus on various dimensions of job satisfaction. The study sought to explore whether employee satisfaction varied based on demographic factors. The research was conducted exclusively in the Delhi National Capital Region (NCR), where 30 bank branches were carefully chosen for the study. The primary objective was to formulate hypotheses based on data collected through a structured survey questionnaire. Various statistical methods, including Frequency Distribution, Cross Tabs, Chi-Square, Pearson's Correlation, and the Friedman Test, were employed to analyse the data. The research arrived at conclusions based on this analysis and provided recommendations for future research.

In summary, the findings revealed that a majority of bank employees in various branches were content with their jobs post-merger. They expressed satisfaction across various aspects of their work, which could significantly influence overall employee job satisfaction."

2. Impact of Mergers and Acquisitions on Accounting-based Performance of Acquiring Firms in India

Since the 1990s, during the post-liberalization era, business restructuring transactions have dramatically increased in India. This has been caused by an increase in competition from foreign players as a result of the economy's opening up, a decrease in the amount of bureaucratic intervention in the process, which makes it simpler to implement changes in corporate control, advancements in technology that make processes transparent, and a decrease in transaction costs throughout the business cycle. The most common type of business restructuring has been M&A. There are several reasons why businesses choose M&A. The primary business objectives are to increase market dominance, get access to innovative expertise, minimising the risks associated with the creation of a new good or service, maximising expertise through economies of scale and scope, and eventually in some cases,

The pre-and post-merger performance of the merging firms is the main focus of M&A literature. Despite being numerous, these research' contradictory findings prevent them from being definitive. According to several research, M&A is a powerful instrument for inorganic development and also increases shareholder wealth. Others, however, discovered that M&A degrades shareholder wealth and causes a drop in the firm's operating performance. The M&A literature is not just replete with contradictory findings, but performance measurements also differ significantly between different researches.

In the research done thus far, both accounting-based and market-based indicators have been employed extensively. Though senior executives trust accounting measurements more for long-term post-merger success, market-based measures intuitively are superior predictors of a company's performance. In empirical research, accounting rates of return are frequently employed to evaluate post-merger performance (Stanton, 1987). CEOs in a sample of the 400 largest M&A deals between 1995 and 2000 were asked, in a poll by Kukalis (2007), which sort of indicator better measures the post-merger performance. The vast majority of CEOs polled said accounting-based metrics are preferable to market-based metrics (share price) for gauging post-merger performance.

Analysts, investors, and academics are all fundamentally interested in how accounting statistics affect corporate value (Habib & Azim, 2008). Earnings are a crucial statistic for assessing management and corporate success (Cheng, Ferris, Hsieh, & Su, 2005). Understand the potential and capitalised synergy in situations of M&As in the long term, a fundamental analysis of the firm with the aid of ratio analysis and comparative statement analysis is available (Kumar & Bansal, 2008). We have evaluated the effectiveness of a merger based on its influence on accounting performance due to the broad acceptance of accounting performance metrics. Two sections make up the literature evaluation on the acquiring entities' post-merger performance.

The studies that concluded that mergers improved the performance of the acquiring organisation come first. Second, research has shown that mergers have a detrimental effect on the acquiring entity's performance after the merger.

3. Impact of merger and acquisition on asset management

Whenever two firms merge one such merging will lead to a large firm since large firms have a greater degree of market influence than small ones, hence this larger firm will have the monopoly power.

Large-scale production may lead to the elimination of competition leading to increased sales.

Companies can take advantage of revenue synergies and make more money in many ways, including reducing competition.

The assets that come with mergers and acquisitions can help

your company operate at a lower cost. A direct consequence of operating at a lower cost is the ability to lower prices and, therefore reduce competition. More value for shareholders.
Mergers and acquisitions allow businesses to consolidate their resources, workforce, and products. While a merger involves two or more business entities coming together to form a new singular entity, an acquisition often involves a larger company absorbing a smaller company.
Mergers and acquisitions are key prongs for the growth strategy of any company.

4. Impact of Merger in Banking Sector

Here, an attempt has been made to study the insight into the motives and benefits of the mergers in the Indian banking sector. This is done by examining the 8 merger deals of the banks in India during the time of many reforms from the year 1999 to the year 2006. Through the empirical methods by applying methods like t-test and EVA value calculations. The potential of the mergers has been evaluated to study the efficiencies or benefits achieved due to the merger. Through this paper and the sample taken for analysis, it has been concluded that the mergers in the banking sector in the post-reform period possessed considerable gains which were then justified by the EVA of the banks in the post-merger period.
It also focussed on the post-merger financial performance of the acquirer companies in India and the performance of firms going through mergers in the Indian industry. Those merger cases for the year 2003 have been taken for analysis. The financial data has been collected for 6 long years from 2000-2006. Pre-merger and post-merger financial ratios have been examined using paired sample t-tests. The results of the analysis reveal that there is a significant difference between the financial performance of the companies before and after the merger. Further, it has been found that the type of industry does seem to be effective on the post-merger operating performance of acquiring many firms.

Objective of the study

1. To know the current prevailing scenario of M&A in the automobile sector
2. To determine if mergers and acquisitions have an impact on the overall performance of the companies which have undergone M&A

Research Methodology

The methodology used for this study will be qualitative, with quantitative components added through data collection in numbers and values to support the text. This will be followed by an examination of the theory and statistics. The quantitative sections of the study will make use of the topic's related theory, previous investigations,
The current study attempts to depict the distinction between the performance of the firms before and after the merger. We will try to comprehend the issue by using different examples of mergers which have taken place in the automobile sector in past years to gain a better understanding of their development before and after the merger. Below are a few cases of merger and acquisition.
This study is fully based on secondary data which we have collected from diverse sources to justify the objectives of our paper.

Data Analysis

Example 1: Volkswagen and Porsche

There has always seemed to be a gunfight for territory throughout the history of the car business. The entrepreneurs in the back will only know how to stay alive if they study the earlier situations.
Let us go back ten years to the most spectacular merger and acquisition deal of the previous ten years: Volkswagen's purchase of Porsche.
Let us start by contrasting the fundamental information from the two sides of the combined business.
Volkswagen produced more than 6.3 million cars a year in 2008.

Brand	2006		2007		2008	
Thousand vehicles/ € million	Vehicle sales	Sales revenue	Vehicle sales	Sales revenue	Vehicle sales	Sales revenue
VW passenger cars	3451	70710	3664	73944	3648	72928
Audi	1139	31720	1200	33617	1275	34196
Skoda	562	7186	620	8004	626	8039
SEAT	419	5874	411	5899	375	5196
Bentley	10	1340	10	1376	8	1016
VW commercial vehicles	388	8092	427	9297	439	9607
Scania	-	-	-	-	31	3865
VW China	694	-	930	-	989	-
Total	5720	96004	6192	98752	6272	102632

Fig 1: Volkswagen brand sales

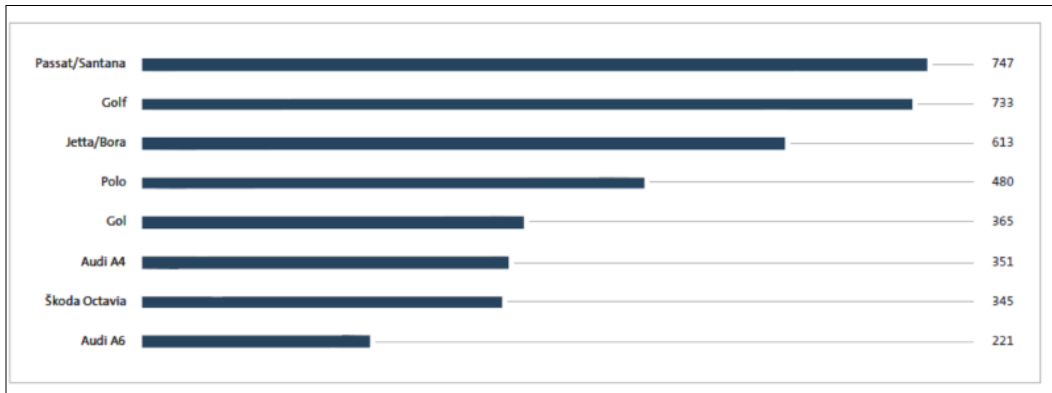

Fig 2: Volkswagen's best-selling models in 2008

	2006	2007	2008
Operating income	104875	108897	113808
Gross margin	13.2%	15.0%	15.11%
Net profit	2750	4122	4688
ROE	16.9%	16.1%	12.1%
EPS	7.04	10.34	11.88
Total assets	136603	145357	167919
Shareholders' equity	26959	31938	37388
Net assets per share	68.59	80.38	87.49
Common stock	-	291,337,267	294,920,207

Fig 3: Volkswagen's basic financial indicators

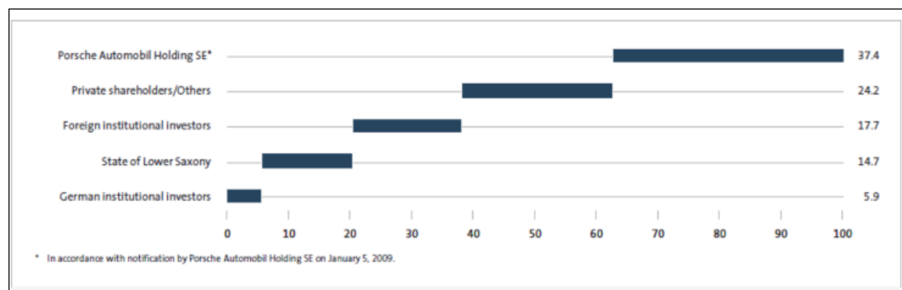

Fig 4: The equity structure of the Volkswagen Group

Fig 5: Volkswagen stock price

Porsches Financial Data

(in units)

Model	2005/2006	2006/2007	2007/2008
911	34386	37415	31423
Boxster/Cayman	27906	26146	21747
Panamera	-	-	-
Carrera GT	368	9	-
RS Spyder		2	4
Cayenne	34134	33943	45478
Total	96794	97515	98652

Note: a fiscal year is for the period from 1 August to 31 July of the following year.

Fig 6: Porsche sales by brand

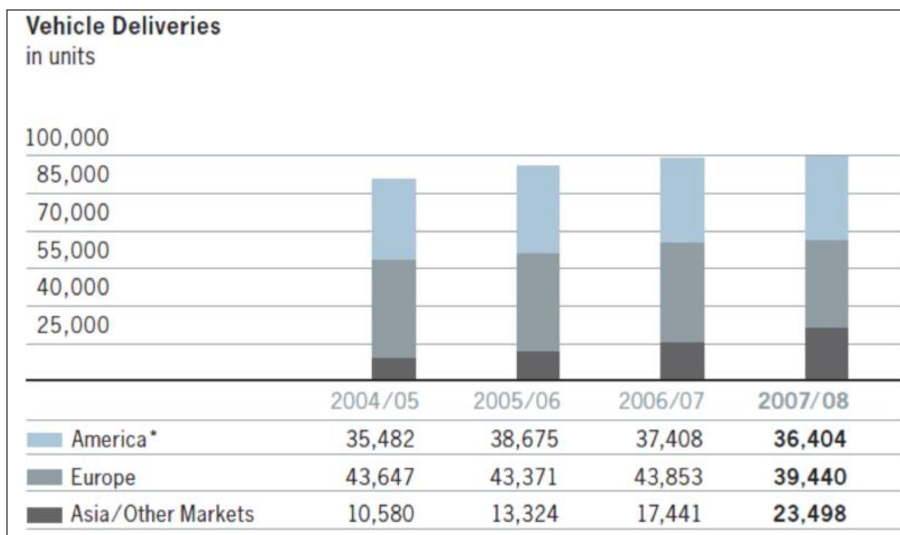

Fig 7: Porsche Sales Chart by Region

	200/2006	2006/2007	2007/2008
Operating income	7273	7368	7466
R&D	-	723	874
Net profit	1393	4242	6392
ROE	26.06%	44.74%	37.94%
EPS	7.81	23.98	35.94
Total assets	14640	23332	45577
Shareholders' equity	5338	9481	16846
Net assets per share	61	108.35	192.53
Common stock	-	8750M	8750M

Fig 8: Porsche's basic financial indicators

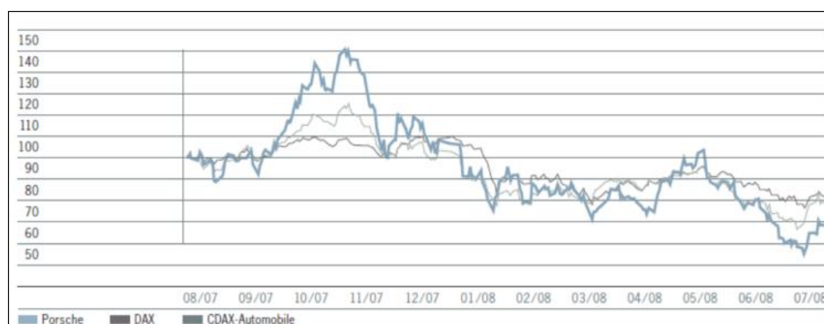

Fig 9: Porsche stock price trend [up to 2/9/2009]

Porsche has an extremely high net profit margin, according to the financial statistics. Porsche has a far smaller total market value than Volkswagen, but its exceptionally high net income per share makes it one of the most valuable companies.

But since 2007, the price of Porsche's stock has ceased growing and has instead been trending lower. On the other hand, the public's condition is direr in comparison. Porsche will undoubtedly require significant positive development to overcome the current economic slowdown at a crucial juncture.

The public is the target of the astute Porsche family. Stuttgart received fantastic news early in October 2008: Porsche's 2008 earnings would surpass sales due to its involvement in VW! Porsche has steadily raised its stake in Volkswagen, driving up the company's stock price to all-time highs. The stock price currently stands at 275 euros per share, a significant premium over the average stock price of Porsche's batch acquisitions. Porsche's pre-tax profit in the first half of 2008 was 11. Billion euros, more than sales of 8.6 billion euros at the same time, according to Credit Suisse. The pretax profit of Volkswagen grew by 5.9 billion euros as a result of the share revaluation.

Porsche now owns 42.6% of Volkswagen along with an extra 31.5% of options as of October 24. Shortly after, on October 26, Porsche made the astounding announcement that it would not be altering its intention to acquire more than 50% of Volkswagen stock by the end of 2008. By the end of 2008, if the economy allows it, it will have increased its ownership of Volkswagen shares to 75%.

Panic sweeps the German stock market. It is not conceivable for Porsche to grow its ownership by as much as 75%, based on the actions of several hedge funds that are shorting Volkswagen equities. Porsche has also made indications in recent months that it will no longer be adding to its holdings.

But Porsche discreetly increased its ownership over time via intricate financial instruments, all in line with the rhythm that Wolfgang and Weidekin had meticulously planned.

Volkswagen's stock price was already extremely high when they announced the news.

Hedge funds are forced to liquidate their short bets by panicking and purchasing public equities at exorbitant rates. A wild acquisition like this sent Volkswagen's stock price skyrocketing. Volkswagen's stock price surged by 147% on October 27, 82% the next day to 945 Euros, and as high as 1005 Euros. At this cost, Volkswagen easily outperformed it. By market capitalization, Exxon Mobil rose to the top of the global corporate rankings.

But as the 2008 global budgetary crisis hit the car sector, Porsche's sales plummeted, particularly in the US, which is the brand's most significant sales market. The future seems much bleaker. Shorting VW will have enough of an effect on Porsche to lessen their insane attack. Weidekin regretfully declared in November 2008 that Porsche's intention to raise its ownership of Volkswagen by more than 50% would now take place in early 2009 instead of by the end of 2008.

During this period, Volkswagen achieved a profit of over 4 billion euros in 2008 by relying on its consistent strategies and excellent cost management methods. It rose to the second position in the globe while GM, Toyota, Ford, and other companies saw severe declines.

Piëch had anticipated that Wolfgang, who had always been a winner, would meet his match at Waterloo, and that Porsche, which was leading the whole way, would now get mired in debt.

On August 13, 2009, the Volkswagen Group concluded a series of activities and came to a thorough merger agreement with Porsche. Volkswagen plans to purchase 42% of Porsche for around 3.3 billion euros by the end of 2009. The two companies will combine to form a new automotive business with over 400,000 workers and an annual production of 6.4 million automobiles.

According to Volkswagen, the complete integration of Volkswagen-Porsche is anticipated to result in savings of 700 million euros annually, the elimination of Porsche's outstanding debt, a rise in Volkswagen's yearly profit of over 9 billion euros, and a decrease in net liquidity of 7 billion euros.

VW formally concluded the acquisition of Porsche in 2012. History has shown that Porsche is not a loser as a result of the purchase event. Quite the contrary - it is a historically significant opportunity.

Porsche was not as dejected as everyone had assumed when the transaction was finalised in 2012. Porsche's market worth increased several times in the next four years, and its stock price skyrocketed by 39 per cent.

Naturally, the acquisition is a highly positive event for the Volkswagen Group. Volkswagen's market share has grown even more since getting Porsche's approval, and it is now even more of a fish out of water in the financial sector. In the image, we can observe that the stock price has steadily increased since the transaction was completed in 2012, reaching its pre-crisis level.

Fig 10: Porsche stock price that completed the acquisition in 2012

Fig 11: Stock price of Volkswagen after acquiring Porsche

Naturally, all of this is essential to the Volkswagen Group think tank's credibility following the acquisition. VW started to update the group's general structure, and the company's

continuous cost-cutting initiatives were extended to Porsche goods. For instance, the platforms of the Porsche Macan and Volkswagen's Audi Q5, the Porsche Cayenne and Audi Q7, and Volkswagen's Touareg are shared for certain models. Not only do these activities significantly slow down the development of Porsche and Volkswagen cars. capital, and has significantly improved the Volkswagen Group's product lineup. Volkswagen does not need to wait until 2018 to implement its world-class plan.
In the end, we can conclude the overall performance of both companies for the success of the merger between the companies.

Financial Performance
Volkswagen

- Became the world's largest automaker by volume in 2016.
- Porsche's profitability significantly boosted Volkswagen's overall financial health.

Porsche

- Continued strong financial performance and brand image.
- Gained access to Volkswagen's resources for expansion and R&D.

Market Share & Brand Portfolio

- Created a powerful automotive group with a diverse brand portfolio (Audi, Lamborghini, Bentley, etc.).
- Increased global market share and presence.

Synergies

- Cost savings through economies of scale and shared platforms.
- Joint research and development efforts lead to technological advancements.
- Leveraged Volkswagen's production and distribution network for Porsche's benefit.

Example 2: Hero Honda
Hero Honda started its operations in 1984 as a joint venture between Hero Cycles of India and Honda of Japan. Becoming one of the leading motorcycle manufacturers in India, until it lasted till 2010. In June 2012, Hero MotoCorp approved a proposal to merge the investment arm of its parent Hero Investment Ltd, with the automaker. This decision came 18 months after its split from Hero Honda.

Strengths and Synergies

- **Hero's strengths:** Strong brand recognition, extensive distribution network across India, understanding of local market and regulations.
- **Honda's strengths** include advanced technology, efficient production processes, and global expertise in motorcycle manufacturing.
- **Synergies:** Combining these strengths led to several advantages. Hero Honda introduced fuel-efficient, reliable motorcycles at competitive prices, catering to the Indian market's needs. Honda's technology improved quality and production efficiency, while Hero's network ensured widespread reach.

Successes

- **Market Dominance:** Hero Honda captured over 50% of the Indian motorcycle market, becoming the world's largest two-wheeler manufacturer by volume.
- **Product Development:** The JV launched iconic models like the CD 100, Splendour, and Passion, which dominated their respective segments.
- **Employment and Skill Development:** The company created thousands of jobs, contributing to India's economic growth, and training a skilled workforce.

Sales & Market Share of Hero Honda
Hero MotoCorp sold 6,97,293 units in September 2020, as compared to 4,33,641 units for Hero Honda in September 2010. That is an increase in sales by 60% from 2010 to 2020. However - in terms of market share - from 38.4% in September 2010, to 37.7% now - they lost 1% over 10 years.

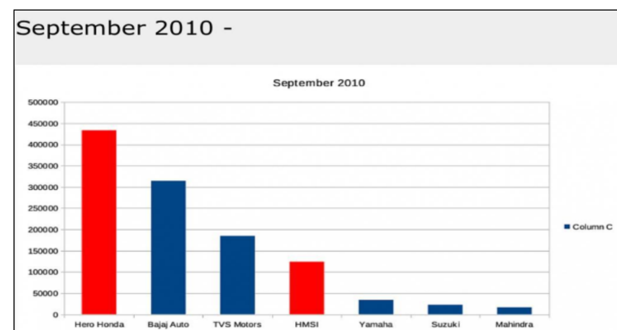

Fig 12: Market Share of Hero Honda in September 2010

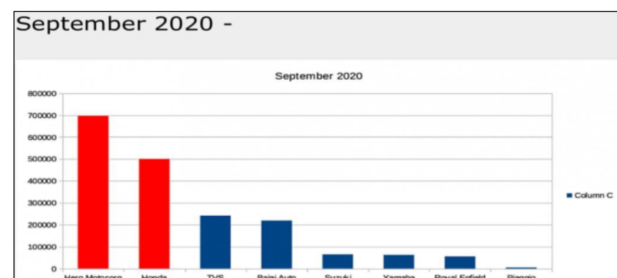

Fig 13: Market Share of Hero Honda in September 2020

Challenges and Dissolution

- **Divergent Views:** As the market evolved, differences in growth strategies and technology aspirations emerged between the partners.
- **Technology Transfer Dispute:** Hero sought access to higher-tech engines, which Honda was hesitant to share, leading to friction.

Hero felt that its ambition to go international was being hampered by the joint venture. Both companies decided to end the joint venture and signed their parting agreement on December 16, 2010. With the split, the erstwhile partners became competitors.

Reasons for the split
1. Differences in Management Style
One of the primary reasons behind the Hero-Honda split was the differences in management style between Hero Group and Honda Motor Company. Hero Group was a family-run business, and the management was centralized, whereas Honda was a more democratic company, with decision-making powers distributed across various levels.

This difference in management style led to conflicts and differences in the way the companies operated, and this, in turn, led to a breakdown in the partnership.

2. Branding and Marketing Strategies

Another significant factor that led to the partnership's failure was differences in branding and marketing strategies. Honda wanted to promote its brand in India, while Hero Group was keen on continuing with the Hero Honda brand. This led to disagreements and conflicts over branding and marketing, and Honda decided to pull out of the joint venture.

3. Dispute over Joint Venture Agreement

The joint venture agreement between Hero Group and Honda Motor Company had several clauses related to technology transfer, intellectual property rights, and other issues. However, over time, there were disputes over the interpretation and implementation of these clauses. This led to legal battles and increased tensions between the two companies, eventually leading to the end of the partnership.

4. Conflict in Visions

When the joint venture was started in 1984, it was a different world then, and in 2010, the visions of both the companies, Hero Honda and Honda begged to differ from each other. Hero Honda wanted to expand its business and scale it up by entering into the next growth phase by focusing on manufacturing its products. So, it needed to invest in its own Research & development for which it had to get approval from the head office in Japan, with which Honda was not comfortable.

In the end, we can conclude that the Hero Honda merger stands as a successful case study of cross-cultural collaboration and strategic synergy. However, the challenges it faced highlight the importance of continuous adaptation and open communication, especially in long-term partnerships. Even though in the end they parted ways, the split was the result of several complex and interrelated issues, ranging from differences in management style and product strategy to disagreements over export and joint venture agreements. The split was a painful and challenging process for both companies, but it also paved the way for new opportunities and growth. Today, Hero Group and Honda Motor Company continue to thrive as independent companies, and their successes are a testament to their resilience and adaptability.

Example 3: Fiat Chrysler Automobiles (FCA) and PSA

The merger between Fiat Chrysler Automobiles (FCA) and PSA Group to form Stellantis was driven by the desire to create a global automotive powerhouse with increased scale and competitiveness. The analysis of this merger includes several key aspects:

Global Presence: The merger allowed the newly formed Stellantis to enhance its global presence, leveraging the combined strengths of FCA and PSA in different regions. This global footprint provides opportunities for increased market share and improved access to diverse markets.

Product Portfolio Synergies: Stellantis benefits from a more diversified and comprehensive product portfolio. The merger brought together brands with complementary strengths, allowing the company to offer a broader range of vehicles, from mass-market to luxury, and electric to traditional internal combustion engine models.

Cost Savings and Efficiencies: Mergers often aim to achieve synergies and cost savings through shared resources, reduced overlapping operations, and optimized supply chains. Stellantis aimed to realize significant cost efficiencies, particularly in areas such as research and development, manufacturing, and procurement.

Technology and Innovation Sharing: The merger facilitated the exchange of technological expertise and innovations between FCA and PSA, enabling Stellantis to stay competitive in an evolving automotive landscape. This is crucial, especially in the context of the industry's increasing focus on electric and autonomous vehicles.

Challenges and Integration Risks: Mergers also come with challenges, including cultural differences, potential resistance from employees, and the integration of disparate systems and processes. Successfully navigating these challenges is crucial for the long-term success of the merged entity.

Market Conditions: The success of the merger is influenced by broader market conditions, economic factors, and regulatory landscapes. External factors, such as changes in consumer preferences, global economic downturns, or shifts in government policies, can impact the outcomes of the merger.

Overall, the FCA-PSA merger to create Stellantis reflects a strategic move to enhance competitiveness, achieve economies of scale, and navigate the evolving automotive industry landscape. The long-term success of Stellantis will depend on effective integration, continued innovation, and adaptability to changing market dynamics.

Example 4: Nissan and Mitsubishi Motors

The merger between Nissan and Mitsubishi Motors took place primarily to address challenges faced by both companies and capitalize on synergies that could strengthen their positions in the global automotive market.

1. Financial Challenges: Mitsubishi Motors faced financial difficulties, particularly related to a fuel efficiency scandal in 2016, which damaged its reputation and impacted sales. The merger with Nissan provided Mitsubishi with a lifeline, offering financial support and stability.

2. Technological Collaboration: The automotive industry is undergoing a rapid transformation with the rise of electric vehicles and autonomous driving technologies. The merger allowed Nissan and Mitsubishi to pool resources for research and development, enabling them to stay competitive in the evolving market.

3. Economies of Scale: Combining production capabilities and sharing platforms allowed both companies to achieve economies of scale. This collaboration led to cost savings in areas such as manufacturing, procurement, and supply chain management.

4. Global Market Presence: By merging, Nissan and Mitsubishi aimed to strengthen their global market presence.

The collaboration provided an opportunity to expand into new regions, leverage each other's distribution networks, and collectively compete with other major players in the industry.

5. Strategic Alliance: Before the merger, Nissan had already acquired a significant stake in Mitsubishi Motors. This strategic alliance was a proactive step to foster collaboration and create a more integrated and efficient partnership.

The merger between Nissan and Mitsubishi Motors has significantly impacted both companies, fostering operational efficiency and synergies. One key aspect of this collaboration is the sharing of technologies and platforms, leading to cost reduction and improved resource utilization. The joint efforts in research and development have resulted in streamlined processes and accelerated innovation.

The integration of supply chains has been a pivotal factor in enhancing efficiency. By consolidating procurement and production processes, the merged entity has achieved economies of scale, reducing overall costs. This is evident in the increased output and competitiveness of their vehicle lineup.

Furthermore, the merger has facilitated knowledge exchange and skill transfer between the two companies. Cross-functional teams and collaborative projects have leveraged the strengths of each organization, fostering a culture of continuous improvement. This has not only enhanced product quality but has also optimized workforce capabilities.

Analysing financial data post-merger reveals positive trends. Cost savings from shared resources and joint ventures have contributed to increased profitability. The collaborative efforts have attracted investments and strengthened the financial position of the merged entity.

In conclusion, the Nissan and Mitsubishi Motors merger has proven to be a strategic move that significantly improved operational efficiency. Through technological collaboration, supply chain integration, and knowledge exchange, the merged entity has positioned itself as a more competitive player in the automotive industry. Analysing the data and trends through charts provides a comprehensive understanding of the positive outcomes stemming from this alliance.

Example 5: Daimler – Benz and Chrysler

Table 1. Daimler – Chrysler Statistics in 1997 (Schulten Thorsten, 1998)

Revenues, profits and employment of Daimler-Chrysler, 1997

	Daimler-Benz AG	Chrysler Corporation	Daimler-Chrysler AG (pro-forma)
Revenues	USD 68,917 million	USD 61,147 million	USD 130,064 million
Operating profit	USD 2,404 million	USD 4,723 million	USD 7,127 million
Number of employees	300,168	121,000	421,168

Fig 14: Daimler-Chrysler Statistics

Daimler – Benz AG

Daimler Benz or Daimler Mercedes Benz (DMB) was incorporated in 1926 after a merger of Daimler and Benz companies. The new company made the famous Mercedes cars that have dominated the market for premium, luxury, and race cars for the past few decades. The company has drastically changed how cars are made and driven and has brought in several technology changes in areas such as the engine, transmission, safety, and in providing a rich riding experience. The company has introduced innovations such as safety crumple zones, anti-lock brakes, airbags, seat belt pre-tensioners, and many more. The carmaker has manufacturing facilities in several countries and Mercedes cars are sold throughout the world. The company also makes race cars, trucks, buses, and SUVs.

What did Daimler Benz bring into the merger?

DMB brought into the merger, world-class engineering and top-of-the-line premium and luxury cars through its M and E class series. The company has a worldwide dealer and after-sales network and has an extraordinarily strong brand identity as an exclusive and prestigious car and owning a Mercedes car is considered a status symbol. DMB also brought in its excellent research and development lab which is highly regarded and very well-equipped to develop high-speed and high-performance cars with an important level of safety.

Chrysler

Chrysler Corporation (CC) was founded in 1925 in America by Walter Chrysler. The company had created a powerful reputation with its well-engineered cars that were targeted at the middle class. In 1965, CC entered the European market and challenged the market with cars such as the Plymouth Road Runner, Plymouth GTX, Dodge Charger, and a few others, and these were called the muscle cars. It also introduced the concept of minivans which became extraordinarily successful. It also had a stable of well-received Jeeps such as Commander, Compass, Grand Cherokee, Liberty, Patriot, and Wrangler and these were in

the 15000/ 30000 USD price range. Over the years, the company had peaks of high revenues followed by a fall in sales and the US Government has bailed it out on a few occasions. At the time of the merger with Daimler Benz, the revenues were 61, 147 million USD. Faced with increasing competition from Japanese carmakers, CC was seeing falling sales and was not in a dominant position in the merger.

What did Chrysler bring into the merger?

CC had great acceptance with middle-class Americans. It had an excellent marketing strategy in place and the cars were categorized to cover different market segments such as Town and Country. Cruiser, Convertible, Jeep, mid-size, full-size, sports, and SUV. It brought its expertise in marketing in recession-struck economies, an exceptionally good brand identity, an excellent and skilled workforce, and a huge sales network made of many dealers and sales agents. The car was identified with the blue-collar worker, middle-class segment and people who required value for money, and with people who shopped on a tight budget.

What the Merger was supposed to do

The merger between Daimler and Chrysler was supposed to create a vast automobile manufacturing company that would create a virtual monopoly in all market segments. The market cap was supposed to be more than 130 billion USD. Daimler had an exceptionally good presence in the premium and luxury car market while Chrysler had a good hold in the middle-level car market segment. While Chrysler had managed to salvage its operation from bankruptcy on more than a few occasions, it was financially vulnerable. Daimler on the other hand had a sound business model and had enjoyed stable growth. Both these companies were expected to use their knowledge proactively and cooperatively to increase their business. The merger was also supposed to produce huge savings in the form of reduced development costs, sharing of resources, and reduction in procurement and outsourcing costs. US Suppliers to Chrysler were looking forward to sales in the European market while the German suppliers looked for similar opportunities in the US, South America, and Canada. The market was supposed to include OEM sales as well as the spare parts market. "If Daimler Chrysler were a country, it would rank 37th in the world in terms of Gross Domestic Product, just behind Austria, but well ahead of six other members of the European Union–Greece, Portugal, Norway, Denmark, Finland and Ireland".

Clash of Cultures

Though Schrempp had announced that this was a merger of equals, this was not the case. Daimler has paid 37 billion USD in a stock swap exchange, and it wanted excellent value for its money. When the merger was to be signed, the Americans had the impression that the Germans were simpletons, diligent but brilliant who had a low profile and kept to themselves. The Germans on the other hand had imagined a 'Cowboy' image of the Americans and were expecting a gung-ho team. The Americans were expecting a sober German, but they were facing someone who was more fun than their serious CEO, Eaton and it was clear who was in charge. This incident created a new change in basic assumptions in the relations, and it was understood that the Germans with their money and superior cars would be in a dominant position.

Disparities in wages

There were wide disparities in wages between the US and the German workers. It was felt the US workers were being a larger amount when compared to the amount the Germans were getting much lesser. According to Orr (Orr Deborah, 17 May 1999), Eaton, the head of Chrysler was getting about 11.7 million USD while his counterpart, Schrempp was being paid about 2 million USD. The company had filed a declaration with the Securities and Exchange Commission and had declared that only 17 managers and board members were paid a total sum of 40.4 million USD. The big question that was being asked was if the US workers would have to take a pay cut or would the Germans be given a massive pay hike. Certain changes were made, bonuses paid to the Daimler staff and the options given to the Chrysler staff disappeared when the merger came into effect. This issue continued to cause severe strain in the interactions between the US and German employees, but incidentally, before the issue became profoundly serious, the merger itself was doomed.

Different business models

There was an apparent clash of business models and ethics for the stakeholders. The Germans catered to the high and premium market segment and consequently followed the high-cost, low-volume manufacturing model. The value proposition offered to its customers was brand identity and exclusiveness. The company made and sold its cars with the finest engineering technology and quality, and it demanded a premium price from its discerning customers that the customers paid. Chrysler, on the other hand, had to skim off each cent it could save and provide low-cost models to price-sensitive and fuel economy-minded customers. It had adopted a low-cost, high-volume manufacturing model that relied on mass production techniques. While the engineering and technology adopted were acceptable, the quality control was aimed at meeting the requirements and not exceeding them.

Technology issues

Chrysler had certain technologies that could have helped the German company. Chrysler had always used the front-wheel-drive transmission that got power from the New Venture gearbox that had been developed along with General Motors. This was supposed to help the Daimler cars, which were always rear-drive vehicles. Mercedes on the other hand had the famous 5-speed automatic transmission that is a standard feature in its cars while this technology was not used at all by Chrysler. The Mercedes engine could be adapted to the Chrysler vehicles and vice versa, then an extremely competitive model could have been developed for Chrysler in the 4-cylinder to 12-cylinder automobiles.

Daimler cars were renowned for certain safety measures that were built into the cars and these included features such as anti-lock braking systems, smart baby seats, ultrasonic obstacle detectors, seat belt pre-tensioners, safety airbags, and others. Chrysler did not implement these systems in their cars since they felt there was no need for these innovations, the cost of the car would go up and find fewer takers. Chrysler used aluminium and impact-resistant composite materials in the body panel construction.

Both companies had developed prototypes of hybrid

vehicles that could run on alternative fuels such as electricity, biodiesel, fuel cells, hydrogen-based fuel cells, and so on. However common projects were never taken up to develop these vehicles. Unfortunately, deep distrust and the 'we are better' attitude functioned as sound barriers to knowledge sharing.

Cost-cutting measures

With reducing sales and increasing overheads, there was an urgent need to control costs. The management decided to cut about 13,000 jobs and close several plants and factories. This was deemed necessary since sales were down and there was excess capacity, so closing down idle plants was the immediate solution to control costs. This has created a lot of unrest in the workforce and the labour unions**.** Both companies were using SAP Financials for enterprise planning and CATIA for computer-aided designing. This proved beneficial to the IT systems people who were given the task of cost-cutting and identifying redundant systems that could be scrapped. The IT systems did an exceptionally excellent job and managed to provide substantial savings in the form of system maintenance and upgrades. This was one effort that had proved beneficial and effective for both organizations.

Market segments issues

Chrysler had an upper hand in the gas-guzzling card such as the SUVs and the minivan. While these vehicles were popular in the early 1990s, the market demand for these cars fell in the early 2000s. While there was a demand for fuel-efficient, compact cars, Chrysler did not have any good car models to meet this demand. Consequently, Chrysler lost about 1.5 billion USD in 2006. There have been increasing demands from major shareholders such as the Deutsche Bank to sell off the ailing unit**.**

Where do mergers stand now?

Daimler had spent 36 billion USD to acquire Chrysler. With steeply falling sales, Chrysler is worth only about 14 billion dollars and it has a pension and health liability of 12 billion USD. This leaves a ridiculously small operating margin. Daimler has announced that it wants to sell the company and is seeking buyers**.**

Daimler on the other hand has shown steady growth and increased sales. In 2006, Daimler showed an operating income of 7.28 billion USD up from 8.84 billion USD in 2005. The earnings per share of the company have also gone up to 4.17 USD from 3.7 USD in 2005,

Example 6: Tata Motors LTD and Ford LTD (Jaguar and Land Rover)

The US automaker Ford Motor Company (Ford) sold its Jaguar and Land Rover (JLR) divisions to India-based Tata Motors on June 02, 2008, for a cash-free, debt-free sum of US$ 2.3 billion. JLR was regarded as a British icon and was a member of Ford's Premier Automotive Group (PAG). Jaguar produced premium luxury vehicles, and Land Rover produced premium sport utility vehicles.

The acquisition fee included licences for all relevant intellectual property rights, national sales firms worldwide, two advanced design centres in the UK, and JLR's production sites. Tata Motors boasts several significant foreign acquisitions to its name. It had purchased Anglo-Dutch Steel manufacturer Corus and Tetley, the commercial vehicle division of Daewoo, located in South Korea. Tata Motors' long-term plan called for strengthening its position in the Indian home market and extending its reach internationally through acquisitions and strategic partnerships in addition to using its goods and skills. Analysts believed that Tata Motors would become a key participant in the global auto industry with the acquisition of Jaguar and Land Rover, which had a global presence and a repertory of well-established brands. "We are very pleased at the prospect of Jaguar and Land Rover being a significant part of our automotive business," said Rattan Tata, Chairperson of the Tata Group, in response to the acquisition of JLR. We will work to maintain and enhance the two brands' competitiveness and legacy while upholding their identities since we have a great deal of respect for them. While adhering to our values of letting management and staff contribute their experience and knowledge to the company's expansion, we want to assist their expansion. In 1989, Ford paid US$ 2.5 billion to Jaguar, while in 2000, US$ 2.7 billion was paid to Land Rover. But as time went on, the business saw it was not getting the advantages it was hoping for from these purchases.

Ford Motors Company (Ford) is the third-biggest multinational firm in the automotive sector and one of the top automakers. For US$ 2.5 billion in 1989, the business purchased Jaguar from British Leyland Limited. Following Ford's acquisition of Jaguar, the 1990s saw a decline in the demand for luxury vehicles due to challenging market conditions and global economic conditions. While Jaguar's sales were down in several areas, they were still up in Germany, Italy, Japan, and other places. Ford formed the PAG with Lincoln, Jaguar, and Aston Martin in March 1999. Throughout the year, Volvo was purchased for US$ 6.45 billion and joined the PAG.

Ford sells Land Rover and Jaguar

The well-known Ford Motor Company, which is currently the third-largest manufacturer in the world based on global vehicle sales, announced the worst yearly loss in the company's existence since 1903 in the year 2007. The business declared a $12.8 billion loss. It also said that 2009 will be the year it turned a profit again. Following his appointment as Ford's President and CEO in September 2006, Allan Mulally (Mulally) decided to dissolve the PAG. Ford sold its Aston Martin sports vehicle division in March 2007 for US$ 931 million. Ford declared in June 2007 that it was thinking about selling JLR. According to Ford, the main cause is the sluggish economy. The two brands were however suffering losses often resulting in the closure of a few manufacturing plants and heavy cuts in workforce.

The Agreement

Tata Motors and Ford signed a deal on March 26, 2008, for Tata Motors to buy Jaguar and Land Rover. Tata Motors committed to paying US$ 2.3 billion in cash to acquire JLR's operations in their entirety. Tata Motors received no debt from JLR as part of the transaction; in fact, the deal was debt-free.

The Benefits

Key Points of Tata Motors' Long-Term Strategy through JLR Acquisition:

Domestic Consolidation

- Maintain a strong position in the Indian market.

International Expansion

- Acquire a global footprint and enter the premium segment.
- Diversify dependence on the Indian market.
- Help JLR diversify from the US and Western Europe.

Benefits of Acquisition

- Access to advanced design studios and technology.
- Instant global recognition and credibility.
- Cost-competitive advantage through steel sourcing.
- Potential for cost synergies across Tata Group.

Overall Goal

- Become a major player in the global automobile industry.

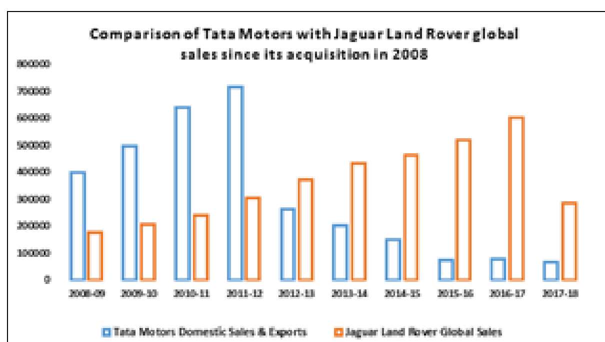

Fig 15: Comparison Of TATA Motors with Jaguar Land Rover global and domestic sales after acquisition

Challenges Faced by Tata Motors after JLR Acquisition

- **Increased Earnings Volatility:** JLR's acquisition exposed Tata Motors to economic fluctuations in key markets like the US and Europe.
- **High Capital Expenditure:** Additional $1 billion investment in JLR on top of the acquisition cost strained finances.
- **Global Slump:** A 5% decline in global car sales and industry-wide cost-cutting measures impacted profitability.
- **Nano Launch Costs:** Investments in Nano launch added financial burden.
- **Debt Burden:** Repaying the $3 billion loan for JLR proved difficult.
- **Unsure Fortunes:** The company went from a success story to a cautionary tale due to bad timing and expansion plans.
- **Financial Losses:** Both JLR and Tata's Indian operations suffered significant losses.
- **Potential Loan Rollover:** Lack of funds might force the rollover of a bridge loan, increasing the financial burden further.
- **Pending Pension Liability:** JLR's upcoming pension liability evaluation could create additional financial pressure.

Recent M&A TRENDS IN the automobile sector

Electrification: As the world moves towards electric vehicles (EVs), automakers are increasingly looking to acquire or partner with companies that have expertise in EV technology. For example, in 2020, Ford acquired a majority stake in EV startup Rivian for $1.2 billion.

Autonomous vehicles: The race to develop self-driving cars is heating up, and M&A is playing a key role. In 2017, Intel acquired Mobileye, a leading developer of autonomous vehicle technology, for $15.3 billion.

Connectivity: Cars are becoming increasingly connected, and automakers are looking to acquire or partner with companies that can provide them with the data and software they need to develop new features and services. In 2019, Volkswagen acquired a majority stake in HERE Technologies, a provider of mapping and location services, for $2.9 billion.

Consolidation: The auto industry is consolidating, as automakers look to scale up and reduce costs. In 2021, Fiat Chrysler Automobiles merged with Groupe PSA to form Stellantis, the world's fourth-largest automaker.

China: China is the world's largest auto market, and automakers are increasingly looking to expand their presence there. In 2020, Tesla opened its first Gigafactory in China, and in 2021, Volkswagen announced plans to invest $2.4 billion in a new EV battery plant in China.
These are just a few of the key trends in automobile M&A. The industry is undergoing a period of rapid change, and M&A is likely to play a key role in shaping its future.

Conclusion

From the above examples, we can conclude by saying that mergers and acquisitions in the Automobile sector or any industry have both positive impact and negative impacts on the growth of the business. Some companies' ma flourish with the help of merger and acquisition strategy whereas few companies may demerger and again start functioning as individuals.
The below points conclude the overall reasons why mergers and acquisition should take place in the automobile sector to flourish in the future:

- Corporate acquisitions are a useful strategy for the automotive industry to grow larger and more competitive. They are not risk-free, though, and they call for precise strategic management and integration techniques.
- Suppliers are facing mounting pressure to engage in domestic and international mergers and acquisitions to conform to evolving requirements within the global automotive industry.
- Attain the highest level of success with the transaction, a well-chosen target firm, well-defined plans, and efficient post-merger integration are critical necessities.
- In the automotive industry, Tier 1 suppliers are considering mergers and acquisitions to adapt to shifting clientele. The number of automakers operating abroad has decreased due to globalisation, from 32 in 1980 to just 14 in 2007.
- The automobile sector must adopt radical new strategies for future mobility in light of environmental issues, increasing urbanisation, and changing consumer behaviour. Furthermore, these problems are spreading globally, and by 2025, established and emerging markets should converge.
- The automakers are reducing the number of systems vendors on their direct supplier lists and more closely aligning their investment, personnel, and procurement policies with international standards. For their clients

around the globe, these suppliers must supply ever-more complicated systems and modules as well as cover all relevant production sites.

- Conflicting cultures and goals, a failure to integrate into a single organisation, and a lack of due diligence are some of the main causes of car merger failure.
- A new competitive climate has emerged in the automotive industry as a result of trade liberalisation and the growth of the Chinese economy. The Chinese automobile market has too many brands and too much capacity, which will unavoidably lead to consolidation and a rise in M&A activity in China. Chinese businesses are simultaneously scouting established markets for acquisitions that would provide them access to emerging technology and consumer markets. It is probable that the Chinese government will get involved and have an impact on the timing and intensity of these initiatives.
- The longer-term problem of conflicting technological developments and social preferences is one of the elements driving up pressure on the automobile industry's already intense competition. For instance, the costs and risks that businesses must face are expected to increase significantly when the next generation of automobiles—especially ecologically clean cars—is developed. Consequently, businesses are looking for partners to gather enough capital and distribute the risks.

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