Determinants of Serial Acquisitions by Indian Firms

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Background

- Acquisition as a major strategy by EMNCs

- Characteristics of EMNC acquisitions
  - A series of acquisitions (serial acquisition) by acquiring firms
  - A series of acquisition in a short span of time (speed)
  - Large number of acquisitions in developed countries
Background

• Serial Acquisitions by Indian Firms:
  – **Bharat Forge**: Five acquisitions between 2004-05 to become world’s second largest forging company
  – **Ranbaxy**: Eight acquisitions in a span of one year
  – **Asian Paints**: Six acquisitions in a span of three years to become a leading paint manufacturer
  – **Tata Group**: 46 acquisitions between 2000-07
Objectives: Study I

Why do EMNCs Undertake Serial Acquisitions?

I. Acquire strategic assets?

II. Strategic bandwagon?

III. Learning/ pressure from network (Business group)?

IV. Others
   I. Fit into overall corporate restructuring?
   II. Owner/ manager overconfidence?
Objectives: Study II

Do EMNCs learn to build capabilities through serial acquisitions?

I. Learning from previous acquisition experience to make subsequent acquisitions?

II. Which experience is important for international acquisitions?

III. What are the sources of learning?
Study I. Conceptual Model and Results

- Acquire Strategic Assets
  - Market share of the firm
  - Foreign competition
  - Intangible assets (R&D and Marketing expenditure)

- Strategic Bandwagon
  - 2 digit SIC
  - 4 digit SIC

- Business Group Acquisition Experience
  - Number of acquisition by same business group firms

Number of Acquisitions (2000-2007)
Study II. Conceptual Model and Results

- **Firm Acquisition Experience**
  - Number of acquisitions
  - Number of acquisitions in the same country
  - Number of acquisitions in dissimilar industry (-)

- **Business Group Acquisition Experience**
  - Number of acquisitions
  - Number of acquisition in the same country
  - Number of acquisition in same industry

Study Findings

- Preliminary Evidence Suggests
- Study I
  - EMNCs make serial acquisitions
    - To acquire strategic assets
    - Due to pressure from same network (Business group)
- Study II
  - Firms learn from acquisition experience to gradually acquire high value targets
  - Importance of experience at firm and business group (network) level for international acquisitions
  - Willingness of firms to venture into unfamiliar industries with experience in handling acquisitions
Future Issues

• Has the acquisition of strategic assets helped EMNCs?
  – Lenovo+IBM/ Tata+Jaguar/ Land Rover

• Can they manage the acquisitions?
  – Post acquisition integration

• What are the performance implications?
  – Learning
  – Divestments
  – Financial performance

• Is faster acquisition better?