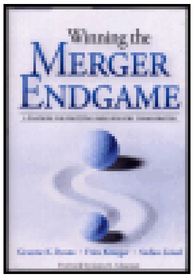

Winning the Merger Endgame: A Playbook for Profiting from Industry Consolidation

by Graeme K. Deans, Fritz Kroeger and Stefan Zeisel

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McGraw-Hill © 2003 (242 pages)

Readers of this text learn the consolidation cycles through which industries pass, how to identify where their industry lies, how to determine which organizational changes they need to make and when they need to make them, and much more.

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Back Cover

No one begins playing a game without first knowing the basic rules. In the mergers and acquisitions game, however, it seems that there are no rules: movement is chaotic and the undisputed leader one day might be gone the next. Despite years of experience and intense due diligence by the most seasoned executives, knowing how and where to make the next move is often little more than an educated guess.

But there are rules, and there are winning strategies—and *Winning the Merger Endgame* reveals both. It offers a straightforward analysis of the relentless and inevitable drive toward industry consolidation. The core of this analysis emerges in five maxims—the fundamental rules of the game:

- All industries consolidate and follow a similar course
- Merger actions and consolidation trends can be predicted
- The Endgames curve can be used as a tool to strengthen consolidation strategies and facilitate merger integration
- Every major strategic and operational move should be evaluated with regard to its Endgames impact
- Endgames positioning offers a guide for portfolio optimization

Where do a company and its industry lie on the inexorable path to consolidation? What are the best strategies based on that positioning? What operational changes are required to prepare for and execute a value-enhancing merger? *Winning the Merger Endgame* answers these questions and hundreds more, giving executives the essential playbook they need to steer their organization to the top of the endgame.

About the Authors

Graeme K. Deans is vice president of the global management consulting firm A.T. Kearney, a subsidiary of EDS. The chairman of A.T. Kearney Canada, he also leads A.T. Kearney's Global Strategy and Organization Practice.

Fritz Kroeger is vice president of A.T. Kearney in Germany and co-chair of the company's Global Strategy Initiative. He is the coauthor of numerous books, including *The Value Growers* and *After the Merger* .

Stefan Zeisel is an A.T. Kearney consultant based in Germany and a member of the European Strategy Core team.

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To my three ladies: Almuth, Carolin, and Isabel

For my wife, Julia, and my children, Benjamin and Penelope, with all my love

Foreword

Viewed up close, business—like war, football, or childhood—is chaos. But step back a bit and patterns emerge across space and time. Identifying those patterns, sorting the significant from the random, is an excruciating process of number-crunching, experience, and intuition. The task is especially difficult in a global economy, with tens of thousands of large companies employing hundreds of millions of workers and serving billions of customers over decades.

But in the book you now hold in your hands, the three authors—veteran executives with global experience with A.T. Kearney, the management consulting subsidiary of EDS—have done the trick. Yes, they draw order from chaos, but they also provide practical, profitable advice for managers and shareholders. And they are bracingly confident—with good reason—about their conclusions and projections.

What Graeme Deans, Fritz Kroeger, and Stefan Zeisel have written is nothing less than a natural history of mergers and acquisitions. They explore not merely why such consolidations happen and succeed (or, more often, fail)—with copious real-life examples from around the world—but, more important, they show *how* they happen, their life cycles, their anatomy. In the course of this surprising and powerful analysis, the authors debunk myths, show CEOs the best times to merge and the best partners to seek, and direct private-equity investors and conventional shareholders to the most lucrative companies and sectors.

As a journalist constantly battling the constraints of expensive newsprint, I'm impressed with authors who don't hem and haw but get straight to the point:

- "There is no optimal or maximum company size. To survive, companies must continuously grow. Period."

- “Mergers are inevitable if a company is to outgrow the competition.”
- “There are no protectable niche markets.... Niche players will be consolidated.”
- “The auto industry will see the emergence of more significant global players, such as Volkswagen, GM, and Ford.”
- “Banking will continue to consolidate in North America and Europe, and then across the globe.”
- “There will be a one-trillion-dollar merger creating a de facto global industry monopoly within the next five years. About that we are sure.”

The thesis here is that mergers determine profitability, market share, and stock prices. Mergers aren’t a sideshow. They are the main event—or, as the authors put it, “the Endgame.”

I’ll admit I was drawn to *Winning the Merger Endgame* at first because it has a perspective on the stock market that is similar to my own. The authors’ predictive model looks 20 years into the future. It projects increased merger activity, and abundant mergers are directly correlated—they find—with a rising stock market. The market capitalization for all listed stocks tripled between 1980 and 1990, and tripled again between 1990 and 2000. Deans, Kroeger, and Zeisel figure that it will triple once more by 2010.

I was also dazzled by their contrarian conclusions. Everything I thought I knew about mergers turned out to be wrong. The authors’ research—based on an in-depth analysis of 1,345 large mergers by 945 acquiring companies from a database of more than 25,000 global firms—determined that more mergers destroy value than create it; that merger activity, nonetheless, is logical rather than emotional or ego-driven; that an internal growth strategy is not superior to a merger strategy (in fact, many of the best companies use both); and that every industry is driven by the same forces of consolidation and deconsolidation—of merging and un-merging.

In fact, this powerful generalization is the core of *Winning the Merger Endgame* . The book presents an elegantly simple theory—that all industries consolidate in a similar way all over the world. And they state flatly that “merger actions and consolidation trends can be predicted with some certainty.” This process, which the authors call the Endgames curve, has four distinct stages stretched over an average of about 25 years (though it’s now speeding up).

1. *Every* industry starts at Stage 1. The authors call the stage a “Wild West” for commerce. The activity begins with start-ups in completely new sectors like biotechnology or online retailing, in spin-offs that follow the complete consolidation of industries, or in sectors that have just been deregulated or privatized, like energy, water, railroads, and telecommunications and, in many countries, banking and insurance. During this stage, businesses try to build up barriers to entry like patents, they move quickly to boost revenues and expand market share, and they begin—just begin—to consolidate.

2. In the second stage, firms within a sector move to scale. The best and brightest CEOs start buying up competitors, staking out the choicest claims. Deans, Kroeger, and Zeisel describe how Hugh McColl took a small North Carolina bank, NCNB, and, through mergers, built the fourth-largest bank in the nation. (Unfortunately, McColl ran into trouble in Stage 3.) By the end of Stage 2, concentration rates (that is, the market share of the top three companies) rise to 45% in some sectors. While there are stock-market winners in every Endgames stage, the sweet spot for private-equity investors falls in Stage 1 and the beginning of Stage 2, with an exit early in Stage 3, when acquisition premiums are high.

3. The third stage involves sharpening focus. After aggressive consolidation, successful companies find their most productive role in a sector and shuck off non-essential or secondary business units—then move to build even more market share. In this stage and the next,

about two-thirds of total growth has to come from acquisitions. Firms can't do it organically any more and, as in Stage 2, mergers of near-equals occur (Morgan Stanley and Dean Witter in Stage 2; Exxon and Mobil in Stage 3).

4. In the final stage, industries boost their concentration rates as high as 90% and gain equilibrium. Here, as the authors put it, "titans of industry reign" in sectors like tobacco, aluminum, and soft drinks. Profits, however, can be hard to come by, and Stage 4 companies often adopt the strategy of spinning off growth businesses from their core, in an attempt to start new sectors or sub-sectors. The authors cite PepsiCo, which, "faced with the prospects of low growth in their core (Stage 4) soft-drink business…identified two new spin-off industries": sports drinks (Gatorade, which was purchased from Quaker Oats) and bottled water (where they grew their own).

It's refreshing to read a book that develops and confidently extends a convincing, self-contained thesis—one that's not contaminated by speculation on terrorism or tech bubbles or accounting scandals. The authors predict that the Dow will "grow fourfold by 2010." My own projection is a tad more modest—Dow 36,000. But I would love to be wrong on the low side.

—James K. Glassman

James K. Glassman *is the financial columnist of* The Washington Post *and the* International Herald Tribune*. A resident fellow at the American Enterprise Institute in Washington, he is co-author of* Dow 36,000 *(1999) and author of* The Secret Code of the Superior Investor *(2002).*

Preface

In January 2001, Fritz Kroeger unveiled the Endgames curve at a meeting of A.T. Kearney's global strategy consulting practice. The room fell silent while these senior consultants absorbed the power and implications of Fritz's analysis. After a few minutes, the group exploded into a volley of questions and ideas that lasted for a couple of hours.

At that moment, we began to realize the importance of this discovery. We spent the next 12 months refining the analysis and speaking with clients and academics about it, and now we are pleased to share the results more broadly in the form of this book. We believe our research and the implications of merger endgames are so compelling that the story should be broadcast to the largest possible audience.

Our thinking is based on a massive database that covers the globe and represents 98% of corporate market capitalization over the last 13 years. We combine this data with selected cases representing a wide range of industries from the global arena. (For those who might wish to review even more data, you will find a database of 12 years of the largest M&A deals in the Appendix.)

A few words about content and definitions. We use the word "mergers" throughout the book as synonymous with mergers and acquisitions—recognizing that there are very few true mergers. In almost all cases, one entity consumes another. In fact, one of the incidental lessons of this book is that there's no such thing as a merger.

And of course, a few words from our attorneys, who want to be sure we tell you that this book is not intended as professional advice with respect to any particular investment situation. Readers who feel they need professional advice with respect to any particular investment should consult the appropriate professional advisers. We also note that the views expressed here represent the views of the authors and not those of our employer, A.T. Kearney, or its parent company, EDS.

Acknowledgments

Throughout this project, the authors have benefited from the wisdom and expertise of many other people. We are most grateful to our colleagues and experts on M&A and merger integration at A.T. Kearney—especially Art Bert, Joseph Crepaldi, Andrew Green, Tom Herd, Tim MacDonald, Jim McDonnell, and Rajesh Shah.

Our research team kept us up to date on the constantly changing world of M&A deals and other arcane corporate data. We had the benefit of excellent input from Micah Chamberlain, Dirk Pfannenschmidt, Nancy Shepherd, and Marc Tiemeyer, who spent countless hours on fact finding and fact checking.

The A.T. Kearney marketing and editorial team contributed huge amounts of time and expertise to this project. We thank Lee Anne Petry, who spent yeoman days and nights (and weekends) polishing our prose to perfection and adding much-needed creative touches. We also thank the editorial team of Tony Vlamis, Bethany Crawford, and Paul Solans for ensuring that our manuscript met the editorial standards of A.T. Kearney as well as of our publisher. Nancy S. Bishop, our project manager, kept us organized, tended to strategic details, and made sure we were aware of the calendar. Finally, we thank Mary Glenn, senior editor at McGraw-Hill, for her patience and diligence in shepherding this book to print.

About the Authors

Graeme K. Deans leads A.T. Kearney's Global Strategy and Organization management consulting practice and is chairman of A.T. Kearney Canada. He formerly led A.T. Kearney's operations across Southeast Asia and India. Mr. Deans' consulting specialties include business and marketing strategy, organizational design and effectiveness, and corporate restructuring.

Dr. Fritz Kroeger is vice president of A.T. Kearney in Germany. He is a senior management consultant and specialist in growth and strategic development and has worked in Europe, the United States, and Japan since 1976. He is author or co-author of seven books on restructuring, growth strategy, and merger integration.

Dr. Stefan Zeisel is an A.T. Kearney consultant based in Germany and a member of the European strategy core team. His areas of expertise include the automotive, consumer goods, and retail industries. He has worked for major European companies in the areas of growth strategy, mergers and acquisitions, and marketing.

Part I: Introduction

Chapter List

Chapter 1: The Consolidation Landscape

Overview

> The history of the world, my sweet, is who gets eaten and who gets to eat.
>
> —Sweeney Todd to Mrs. Lovett, from Sweeney Todd: The Demon Barber of Fleet Street. Book by Hugh Wheeler; music and lyrics by Stephen Sondheim, 1979.

After watching and participating in the growth of mergers, acquisitions, and divestitures across the globe for years, one thing is certain: the pace of corporate combinations may ebb (as it did in 2001) or flow (as it did throughout the 1990s), but consolidation is unstoppable. Its progress is continuous and inevitable. And its impact on individual industries is profound.

As one industry slows down, another wave of consolidations is touched off in a different sector. In turn, this triggers still another industry into restructuring mode to increase shareholder value. Over time, we see that these trends are not local, regional, or even national. The merger and consolidation "Endgame" has moved to the ultimate level of play: the global arena.

Our findings about Endgames can be summarized in five maxims, around which we weave the story of this book, which we discuss in greater detail later in this chapter:

1. All industries consolidate and follow a similar course.
2. Merger actions and consolidation trends can be predicted.
3. The Endgames curve can be used as a tool to strengthen

consolidation strategies and facilitate merger integration.

4. Every major strategic and operational move should be evaluated with regard to its Endgames impact.
5. Endgames positioning offers a guide for portfolio optimization.

Thus, despite the plethora of books published on various stages of mergers and acquisitions, we believe this book is different—and particularly important for three groups of readers:

- CEOs of companies in any industry
- Senior executives and directors of companies whose business strategies include acquisitions or divestitures
- Private equity investors who profit by consolidating or "rolling up" businesses

We might also offer a roadmap for reading our book. Chapters 1, 2, and 9 will provide good background for all readers. CEOs who want a good overall view of the implications of an Endgames strategy should also read Chapters 7 and 8 . Corporate strategists and other senior executives should pay particular attention to the details in Chapters 3 though 6 . CFOs will be most interested in Chapter 8 and will find valuable information in Chapters 3 through 6 .

In this introductory chapter, we briefly describe our research, introduce the Endgames curve and its four stages, and expand upon the five maxims. Finally, we discuss the broader implications of Endgames for all prospective readers.

Endgames Research

Our long-term research on mergers and industry consolidation has verified many of our hypotheses and persuaded us to abandon others. In particular, the similarities across industries, and common traits and links among them, exhibit a pattern that enables us to explain and predict changes across industries. This pattern and the predictive lessons that emerge from it are the foundation for the Merger Endgames Theory.

To carry out the Endgames analysis, we drew from two databases. The first database contains information from the Securities Data Corporation (Thomson Financial's SDC Platinum Worldwide M&A), which tracked more than 135,000 mergers and acquisitions from 1990 to 1999. From this, we selected only those with a transaction value greater than US$500 million. Less than that would not be significant in a global context. In addition, we looked only at publicly traded companies that are quoted on a national exchange and examined only transactions in which the acquirer held at least a 51% interest at the close of the deal. We focused on 1,345 mergers and acquisitions by 945 acquiring companies.

With the screening complete, we broadened the scope of the analysis by comparing the Endgames data with information gathered from our second database, A.T. Kearney's proprietary Value-Building Growth database. This originated in 1988 with a survey of value growers—those companies that know how to maintain a specific balance between growth and profit to bring added shareholder value in the long run. Today, this constantly updated database includes analysis on more than 25,000 firms globally and represents 98% of world market capitalization, making it possible to analyze the buildup of industry concentration over time. Given the scope and depth of these parameters, this is the first time this type of data on the global industrial economy is available in a single body of work. Although the time period covered by both databases coincides with the stock market boom, we believe that the conclusions derived and explained in this book will apply universally, regardless of future market cycles.

One of the most popular metrics used to measure concentration is the so-called CR3, which is defined as the market share of the three largest players within an industry. We also calculated the Hirschman-Herfindahl Index, which is a measure of industry concentration using the sum of the squares of the market shares of all firms in an industry. Importantly, this index also brings the influence of smaller companies into the fold. In measuring the concentration rate in two ways, we found a 90% correlation rate between the two measures.

The Endgames Curve and Its Characteristics

The direction companies take on the Endgames curve is not uniform or linear. Some industries advance along the curve, while others may fall back, particularly at a later stage when industry concentration increases. When we plotted the major industries using two pieces of information—degree and speed of concentration—and put the results into a matrix, a pattern began to emerge that builds into an Endgames curve that spans roughly 25 years for any industry.

As industries move up the Endgames curve, market concentration of the top-tier players—measured by both the Hirschman-Herfindahl Index and the CR3—increases toward a theoretical maximum of 100%. The standard deviation of this speed is plus or minus five years. This means that from today's perspective, it takes less than 25 years for an industry to commence, deconsolidate, consolidate, and balance out. When correlated with the merger activities over the past 10 years, a strong correlation emerges for all industries between merger activity and the position on the Endgames curve. The industries on the low part of the Endgames curve have a higher level of merger activity, and those on the high end have a lower level of activity.

The Five Maxims of the Endgames Curve

1. All industries consolidate and follow a similar course. Much like stepping onto an escalator, once an industry is formed it begins to ride up the Endgames curve and doesn't stop until it reaches the end. Today it takes an industry roughly 20 to 25 years to run through the consolidation process from the Opening Stage through the Scale and Focus Stages to the final Balance and Alliance Stage. Industries are transformed during consolidation; thus the pattern inevitably forms an S curve that divides into four stages.

Each stage implies specific strategic and operational imperatives (see sidebar: "Stages of the Endgame "). Knowing and following these imperatives will bring new benefits and position the firm to follow the Endgame for its industry. (Beware: Ignoring these imperatives can destroy the firm.)

> Merger competence becomes the core competence of winners.

Our findings about industry consolidation made us abandon some of our former assumptions about corporate strategy. For example, we believe:

- There is no optimal or maximum company size. To survive, companies must continuously grow.
- Organic growth is not the route to successful growth. Mergers are inevitable if a company is to outgrow the competition.
- There are no protectable niche markets. As all industries are, or become, global, niche players will be consolidated during the Focus Stage (Stage 3) and the Balance and Alliance Stage (Stage 4).

2. Merger actions and consolidation trends can be predicted. Our Endgames research enables prediction of upcoming consolidations and even future mergers and industry departures. In the long run, we predict that industry consolidations will correlate nearly 80% with the rise in global stock indices—which we predict will run at about 300% over the next 10 years. So the coming wave of mergers will continue to have a strong impact on global stock prices *(see Chapter 8 , The Stock Market Connection)* .

Examples affecting specific industries:

- The auto industry will see the dominance of more significant global players, such as Volkswagen, GM, Ford, or Daimler-Chrysler.
- Banking will continue to consolidate in North America and Europe, and then across the globe. It's not clear now where the eye of this merger hurricane will be. Will Deutsche Bank or Citigroup, for example, gain a leading global role? Which Japanese bank will survive as a leader?

3. The Endgames curve can be used as a tool to strengthen consolidation strategies and facilitate merger integration. As we mentioned, each Endgames stage implies specific strategic and operational imperatives. Being able to analyze the position of an industry on the Endgames S curve can help a company and its leadership develop a strategic viewpoint and a core competence in managing mergers.

Stages of the Endgame

Opening Stage: There is little or no market concentration and the first consolidators may appear. Newly deregulated, start-up, and spin-off subindustries occupy this space.

Scale Stage: Size begins to matter. Major players begin to emerge and take the lead in consolidation. Concentration rates can be as high as 45% in some industries.

Focus Stage: Successful players extend their core businesses, exchange or eliminate secondary units, and continue to aggressively outgrow the competition.

Balance and Alliance Stage: A few players will dominate industries, with consolidation rates as high as 90%. Titans of industry reign, from tobacco to automotive companies and engine producers. Large companies may form alliances with other giants because growth at this stage is more challenging.

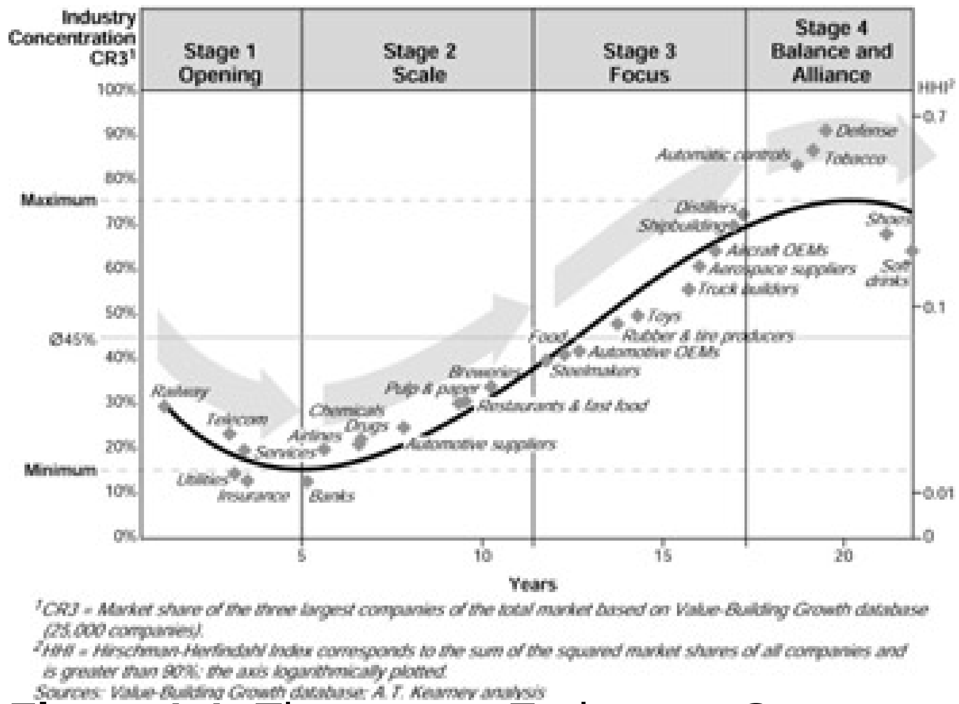


Figure 1-1. The merger Endgames S-curve

Learning how to successfully integrate an acquisition or merger partner is fast becoming a core competence of winners. Over the years, we have seen an improvement in merger success. Our original research, completed in 1999, showed that nearly 60% of all mergers or acquisitions failed to increase shareholder value. Today that failure statistic has been reduced significantly—but still stands near 50%.

In addition, we analyzed the impact of the Endgames stages on merger success and found a remarkable correlation. Figure

1-2 shows the pattern of merger success.

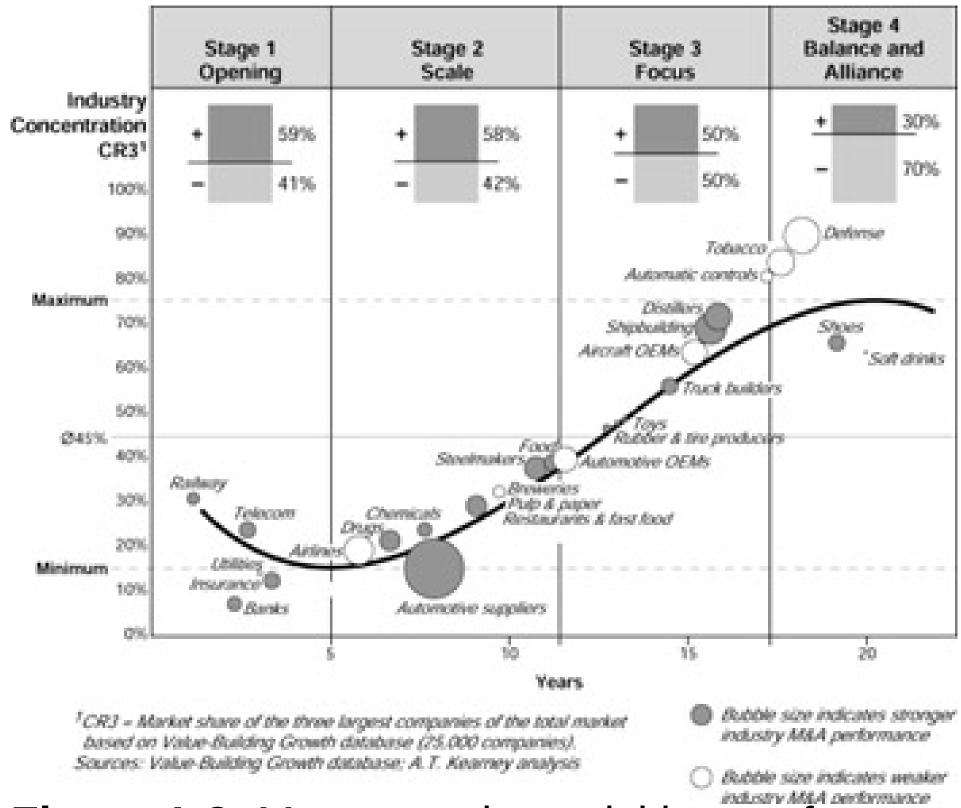


Figure 1-2. Merger and acquisition performance by industry

In the past, large companies bought smaller ones, national companies bought in their home countries, and mergers were completed to build the core business. These are not the foolproof recipes for stardom they once were. Today, the strongest correlation is between the Endgames stage and merger success.

Much like stepping on an escalator, once an industry is formed it begins to ride up the Endgames curve and doesn't stop until it reaches the end.

4. Every major strategic and operational move should be evaluated with regard to its Endgames impact. The value of a merger or acquisition will be found in the increased competitiveness of the combined entity, the resulting increase in shareholder value, and the move up the Endgames curve. The value of a merger should not be measured by the size of investment bankers' fees or CEO reward fees. In fact, shareholders should be suspicious of acquisitions that enrich the CEO with multi-million dollar bonuses.

And strategic moves supporting a growth strategy, such as entering into operational alliances or financial partnerships or expanding into new global markets, should be measured with the same gauge. How do they affect the company's competitiveness and its Endgames position?

> The value of a merger or acquisition will be found in the increased competitiveness of the combined entity, the resulting increase in shareholder value, and the move up the Endgames curve.

The case of the 150-year-old German construction company, Philipp Holzmann, is instructive. Through the 1970s and 1980s, Holzmann went on a worldwide expansion spree, acquiring local companies in many countries. Minus a strong underlying strategy, the company never progressed beyond Stage 2.

In the late 1990s, with Holzmann approaching insolvency, Chancellor Gerhard Schroeder came to the rescue. He offered Holzmann's creditor banks 250 million marks (US$130 million) of state money and persuaded banks to put up more than 200 million marks in additional funds to save the company. Later, the company's major bank shareholder sold off large portions of Holzmann stock to competitors.

Insolvent again, Holzmann filed for bankruptcy in 2002. The seemingly herculean effort to save this grand old company was futile because the Endgames impact of its restructuring was not taken into account.

5. Endgames positioning offers a guide for portfolio optimization. Companies should strive to optimize their aggregate portfolio of subsidiaries and business units across the different Endgames stages. It is important for the senior management team and Board of Directors of each company to continuously assess their portfolio of industries and subindustries to ensure that they are positioned for future growth along the Endgames curve.

This concept is being played out today in the global health care products industry. The industry as a whole is in transition from Stage 2 to Stage 3, with the industry experiencing heavy consolidation and difficult challenges to growth. Bristol-Myers Squibb and Schering-Plough, as typical examples, have both positioned their Endgames portfolio of businesses toward the pharmaceutical subindustry and the over-the-counter (OTC) and consumer products subindustry; both are also in the transition from Stage 2 to Stage 3. In so doing, each company is experiencing the brunt of this difficult transition—slow growth, difficulty with patent expirations, plummeting share prices, margin pressures from larger competitors, and the constant threat of being an acquisition target.

> Companies should strive to optimize their aggregate portfolio of subsidiaries and business units across the different Endgames stages.

By comparison, Johnson & Johnson has actively managed its portfolio of businesses and continues to have excellent growth prospects and a stable share price, despite the challenges facing its core pharmaceutical business. In addition to the pharmaceutical, OTC, and consumer products businesses, J&J has aggressively diversified its portfolio by acquiring and growing businesses in the medical equipment industry (Stage 2) and the biotechnology industry (Stage 1), to position its overall portfolio of businesses at a much earlier point in the Endgames curve. This offers J&J significant growth opportunities when its core business turns down, and offers a compelling and attractive story to its investors.

Beyond Consolidation: Implications of the Endgames Curve

In brief, the Endgames curve also leads to the following broader implications, which we explore throughout this book.

A merger or acquisition should create a new entity that reaches a new position in the Endgames for its industry. The marriage of two lame ducks will not give birth to a racehorse. The position of the two players on our value-building growth matrix enables an acquirer to analyze the merits of a potential combination.

A case in point is the 1998 merger of Compaq and Digital Equipment. While company executives still say the combination has been a success, industry experts rate it a failure. Compaq lost its leadership in the PC market to Dell; the change left customers in confusion about the future of products they were using. Compaq's value plummeted 52% and earnings dropped from US$1.27 per share to 27 cents in the past three years, prior to the completion of its merger with Hewlett-Packard.

Analysts point out that very few mergers between major IT companies have resulted in increased shareholder value and improved customer relationships. The list of failures includes combinations such as Univac and RCA, Sperry Univac and Burroughs, Silicon Graphics and Cray, AT&T and NCR, Siemens and Nixdorf, Compaq and Tandem, and Fujitsu and Amdahl.

The value-building growth matrix, a concept pioneered in the book *The Value Growers* , is a good starting point for assessing which companies in an industry might be the best acquisition candidates to form a winning Endgames strategy (see Figure 1-3).[1] Acquiring a competitor in the "Underperformer" segment means that you are in for a turnaround, because the acquisition target has both revenue growth and value growth at less than the industry average rate. This type of acquisition usually brings much higher risks—unless the targeted company can instill a high growth culture and contain the downside risks. “Simple Growers” and “Profit Seekers” are more reasonable acquisition targets, because they already have a basis for growth, can often be acquired for a reasonable price, and won’t consume inordinate amounts of management attention. Finally, “Value Growers” are often the best targets strategically—but they will be much more expensive buys.

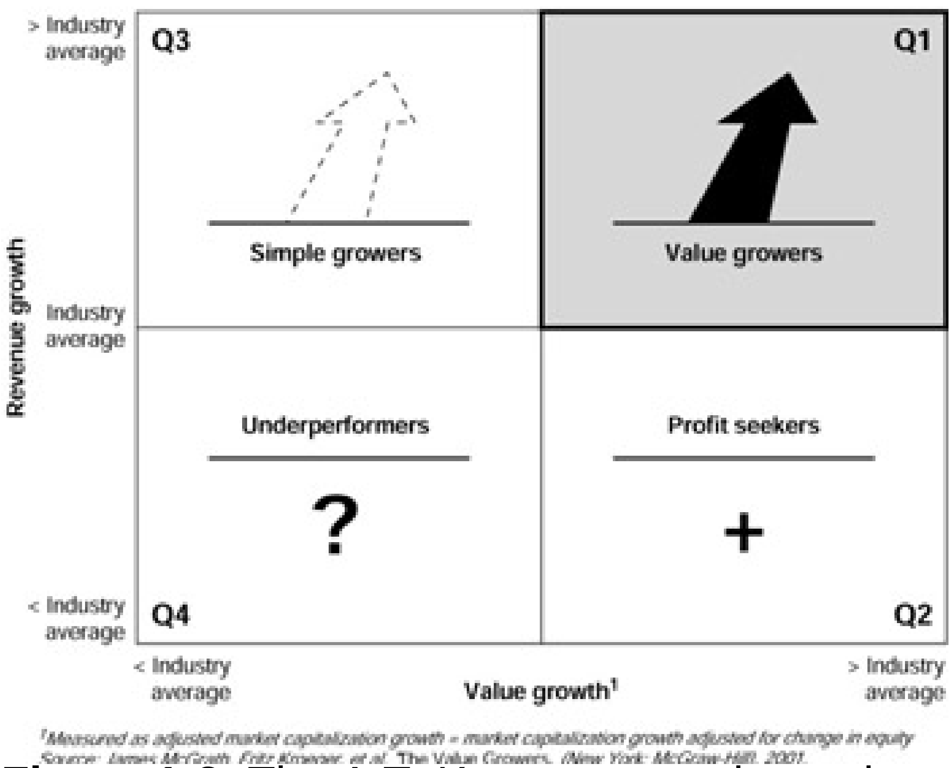


Figure 1-3. The A.T. Kearney growth matrix

Private equity investors—who profit by consolidating or rolling up smaller businesses—should acquire companies at the lower part of the curve and sell them at the beginning of the Focus Stage. Private equity investors can use the Endgames curve to help identify good and shaky investment decisions. In addition, the logic of the Endgames curve can be used to analyze and evaluate the positions of cities, regions, and countries with regard to growth and competitiveness. Plotting companies in a metropolitan area or national economy against the Endgames curve, for example, will reveal whether the economy is strong in young industries and can project strong future growth—or whether its strength is in old industries and thus its only recourse is to preserve the past.

But that's a long story and part of our Endgames vision for 2010, the concluding chapter. Let's start at the beginning: with the Rules and Logic of the Endgame.

[1] James McGrath, Fritz Kroeger, Michael Traem, and Joerg Rockenhaeuser, *The Value Growers* (New York: McGraw-Hill, 2001).

Chapter 2: Finding Order in Chaos: Rules and Logic of the Endgame

Overview

> Nature itself, even in chaos, cannot proceed except in an orderly and regular manner.
>
> —Immanuel Kant

Few elements of business are as chaotic—and seemingly unpredictable—as mergers and acquisitions. With thousands taking place every year in most geographic spheres, who can determine where the next merger headline will come from? What industry is on the verge of consolidation, or deconsolidation? What companies are in strong positions to target, or be targeted?

As we discussed in Chapter 1 , our analysis has, in fact, uncovered the pattern behind the chaos. There is a clear and logical order to the process of industry consolidation. But discovering this pattern—the Endgames S curve—is only the beginning. The more important discovery is that the pattern, once exposed, can be used as a predictive tool. In other words, lacking a crystal ball, the Endgames curve serves as the next best thing.

In Chapter 1 , we presented the five maxims; now it's time for the five fundamental truths. The difference? The maxims addressed the overarching implications of the Endgames curve, while the truths set the foundation for the in-depth discussion of the individual stages that follows in the next section . Knowing and understanding the implications of these truths is the first step in predicting the winners in tomorrow's

Endgame—and using it to your competitive advantage.

1. Consolidation is inevitable, unavoidable, and inescapable. In analyzing the consolidation strategies of 25,000 companies across industries, it became clear that—without exception—the Endgames curve accounted for all movement. Whether they advanced or fell back on the curve, all industries moved between and among the different stages of our model. In other words, their actions were not random, but followed the clear, predictable pattern of the Endgames curve.

The model also reveals other important characteristics of consolidation. For example, the curve shows how an industry's corporate population (the number of companies in an industry) expands and contracts as it moves through the four stages. In Stage 1, an industry will experience considerable deconsolidation due to market deregulation or high fragmentation in a start-up industry. The result is that by the end of the stage, the population quickly reaches its maximum capacity. In Stage 2, however, as consolidation begins to play out, the industry population contracts nearly 70%. In the final two stages, the number of companies is reduced by more than half again, only to experience a slight increase at the end of Stage 4, as companies that reposition their business portfolios cannot maintain their position against new market entries and sell or trade off units (see Figure 2-1).

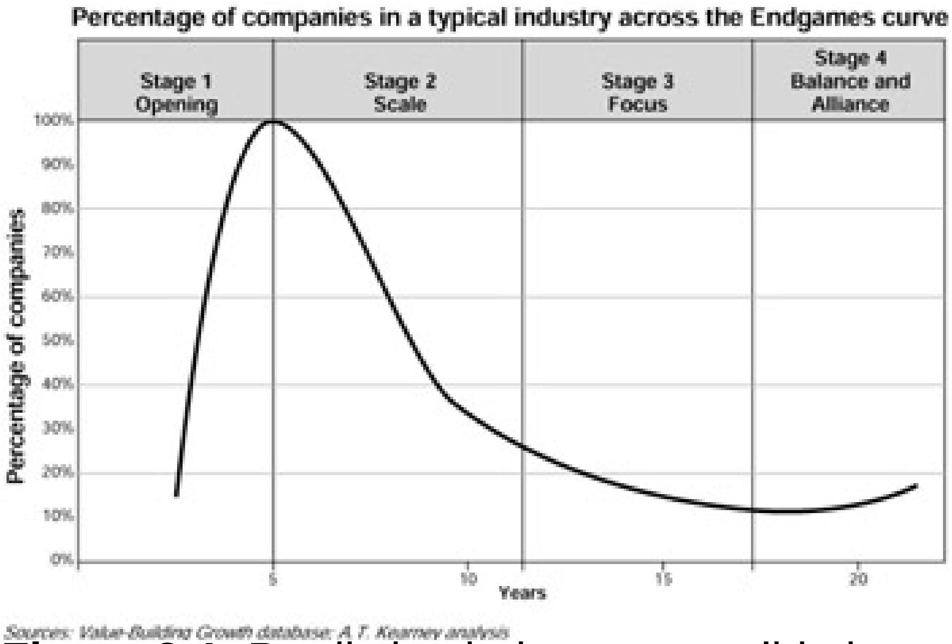


Figure 2-1. Predicting industry consolidation and the changing corporate population

Not only do we know how many companies there will be, we also know how long those companies will last. In fact, industry consolidation can be predicted annually. The overall time frame for an industry to move through the four stages currently stands at about 20 to 25 years, but this is subject to change. Consider that the old smokestack industries in the earlier days of industrialization took roughly 40 to 60 years to run a cycle of consolidation. Back then, it would be almost impossible to manage companies the size we have today. The commerce and information technology platforms simply didn't exist; neither did the telecommunications, nor did they have the financial resources to fund such capital-intensive investments.

> Lacking a crystal ball, the Endgames curve serves as the next-best thing.

Thus, the Endgames cycle that we see at work now is a more recent development—reaching back to the late 1980s and the start of the current merger and acquisition boom. Since that time, the number of mergers has been growing at a compound rate of nearly 21% per year, and the shift toward the “super deals” continues to grow. The trend is clear: as the speed of business continues to increase, so too will the pace of consolidation. In fact, we believe that eventually a full consolidation life cycle could run its course in just 10 to 15 years.

Even in these times of corporate scandal and falling stock prices, the Endgames dynamics are still at work: WorldCom’s bankruptcy may induce an asset sale that will implicitly encourage further consolidation and Enron’s demise might prod similar consolidation in the energy industry. The headline stories, whatever they may be, do not challenge the immutable long-term trends of the Endgames theory.

Knowing this, we can create long-term forecasts of merger movements and, more specifically, we should be able to predict which target companies might be part of the forecast. Eventually, calculations could be performed around what other companies are likely to be involved in and in what time frame.

2. All industries are global. The days of regional differentiation are over. All industries—small or large, local or global—begin on the same footing and are treated equally by the rules of Endgame consolidation. Old strategies that professed, “small is beautiful” or offered lessons on how companies could “survive in a niche” are no longer viable in the context of the universal Endgames curve.

Yes, it’s true that there are still microcosms that thrive at the small business level, and there is a new generation of savvy entrepreneurs who develop and will continue to fuel healthy businesses in the shadow of corporate juggernauts well into the future. However, even these organizations are held to the rules of the Endgames. And one of the most important rules they will eventually face is key to their survival: acquire or be acquired. In other words, the only optimal size is bigger bigger than last year, bigger than the competitors, with a strategy to get even bigger tomorrow. Stagnation or a slow-moving consolidation plan will prove disastrous.

Furthermore, as trade barriers continue to fall and the World Trade Organization becomes stronger and extends its influence into a growing number of countries, the trend toward total industry globalization will only accelerate. More and more, companies are expanding their global presence, but to consumers, this incursion remains transparent (see sidebar: "Ahold's Global Presence ").

Globalization is a strong force that enables industry consolidation. During the Asian economic crisis in 1997 and 1998, global organizations such as the International Monetary Fund (IMF), the World Bank, and the World Trade Organization assisted and encouraged countries including Thailand, South Korea, and Indonesia to restructure their financial institutions and open up their economies by reducing trade barriers. A direct result of these restructuring policies was that global financial services companies began to acquire and buy equity stakes in the financial services players in each of these economies. From 1998 to 2000, Thailand experienced a wave of acquisition activity:

> The only optimal size is bigger—bigger than last year, bigger than the competitors, with a strategy to get even bigger tomorrow.

Ahold's Global Presence

The decades-old mantra of "go global" sometimes belies how geographically unrestricted the marketplace already is. And, as Royal Ahold, the Netherlands-based food retail and foodservice company, demonstrates, even the local store isn't as local as it may appear. With operations in the United States, Europe, Latin America, and Asia, the company marked more than US$66 billion in consolidated sales in 2001. Its U.S. subsidiary, Ahold, generates roughly 60% of its worldwide sales.

Starting with its first acquisition (BI-LO) in 1971, it now owns and operates six regional supermarket companies under the brand names of Stop & Shop, Giant (Landover), Giant (Carlisle), Tops, BI-LO, and Bruno's. In 2001, Ahold's combined 1,600 stores generated consolidated retail sales of approximately US$23 billion.

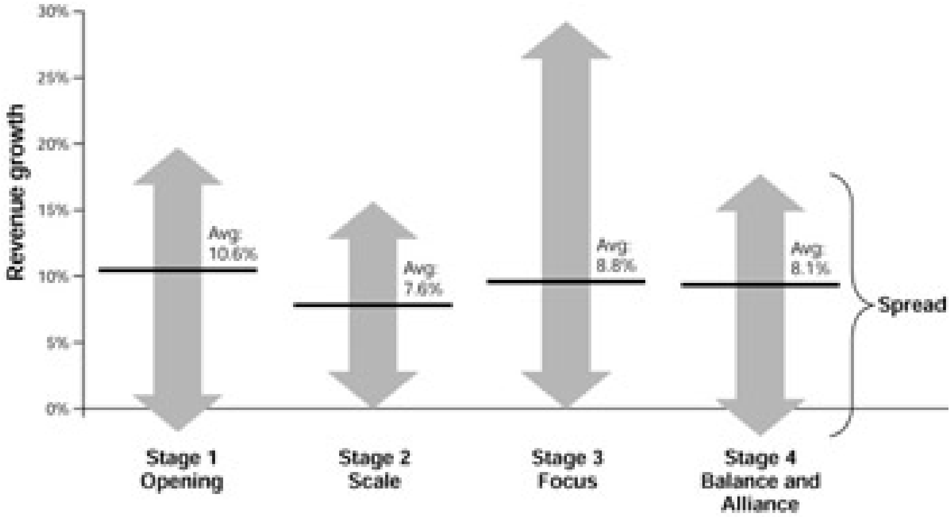
In addition, Ahold owns and operates five U.S. foodservice companies with annual sales of approximately US$19 billion. The foodservice operations provide Ahold with a rapidly growing national presence in the still fragmented out-of-home markets. And Ahold has leading positions in various specialized foodservice fields, including healthcare, hospitality, restaurant, company cafeterias, and government. Ahold's success lies partly in its ability to build close cooperative relationships among units while maintaining local brand identity and culture. For example, two years ago Ahold purchased the once-struggling online grocer Peapod, giving it a strong foothold in both Internet commerce and the local markets that Peapod serves. Yet few consumers in these markets have ever heard of Ahold or are aware of its ownership when they click on Peapod's Web site.

- GE Capital bought auto finance firm GS Capital and credit card issuer Central Card in Thailand.
- The Development Bank of Singapore purchased the Thai Danu Bank.
- ABN-Amro acquired Bank of Asia, Thailand's 10th largest bank.

Similar acquisition patterns unfolded in South Korea and across the rest of Asia in the wake of the Asian crisis.

3. Revenue is stable, but profitability changes according to the Endgames curve position. As Figure 2-2 illustrates, revenue growth over the Endgames curve is relatively stable.

In the Opening Stage, as companies make their territorial claims, revenue growth averages 10.6%, falls to 7.6% in the Scale Stage as companies consolidate, and then stabilizes at 8.8% and 8.1% in the final two stages.



Sources: Value-Building Growth database; A. T. Kearney analysis

Figure 2-2. Stable revenue growth across the Endgames stages

Corporate profits, however, follow the Endgames curve, albeit with a slight time lag (see Figure 2-3). In the Opening Stage, profitability is high as new industries grow quickly. For example, companies in the biotech and nanotechnology industries are currently enjoying an open field of players and solid profits. But the news isn't all good. The exception to high profitability in Stage 1 is with companies in older state-run industries that have been recently privatized, such as railroads. Often, these companies use monopolistic prices to fund fat organizational structures that suffer from built-in redundancy.

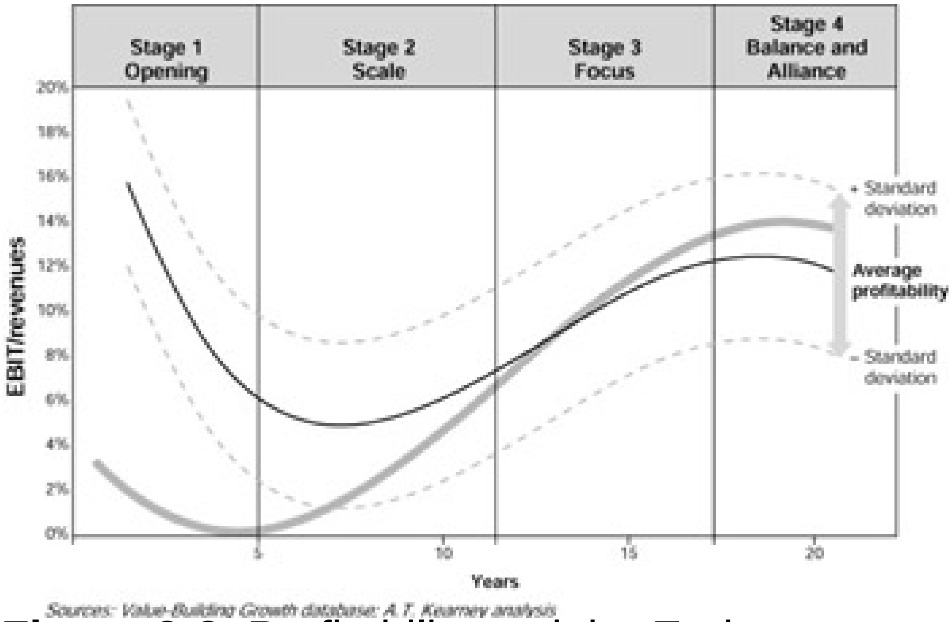


Figure 2-3. Profitability and the Endgames curve

As companies move through the Scale Stage, profitability decreases dramatically. In fact, it drops to its lowest point of the curve, because consolidation reaches maximum speed. The reason? Many companies respond to the increased competition with severe cost-cutting measures, but there is an embedded danger in this approach: It often drives companies into a profitability trap that does not allow for future growth. Eventually key employees begin leaving and the organization adopts a conservative, risk-averse, profit-first culture.

In the last two stages—Focus, and Balance and Alliance—an oligopolistic competitive model emerges and allows the surviving players to set prices for healthy profits. Companies reach their highest margin of profitability in the Balance and Alliance Stage, simply because these market titans have eliminated many of their competitors. Yet they must keep in mind that resting on their laurels, no matter how expertly won, can lead to corporate inertia that will attract new, more cost-efficient and innovative competitors.

The bottom line? CEOs must move their companies as quickly as possible through Stage 2, both to improve profit margins and to gain a favorable final Endgames position.

4. Long-term success depends on riding up the Endgames

curve. As the previous point touched on, speed is everything: Companies that move up the Endgames curve the fastest are the most successful. They capture critical ground early on and are destined to be first in the consolidation race. Slower companies eventually become acquisition targets and disappear from the curve. In other words, there is no niche position that serves as a consolation prize. Companies simply will not survive the Endgames curve by trying to stay out of it or, worse, by ignoring it. Niche players are aggressively challenged in the Balance and Alliance Stage—and are invariably too weak to seriously defend their positions (see sidebar, "Finding Their Endgames Pace: Commerzbank and MedQuist ").

Being the first to embark on key strategies is also critical. For example, companies in deconsolidating industries must time when (or if) they should divest business units to reap the most attractive returns. Waiting too long or being reactive can lead to fire sale prices, leveraged buyouts, or managed buyouts by financial investors, all at less attractive prices.

> There is no niche position that serves as a consolation prize. Companies simply will not survive the Endgames curve by trying to stay out of it, or worse, by ignoring it.

Finding Their Endgames Pace: Commerzbank and MedQuist

Knowing when to acquire—or be acquired—is critical as companies move into late Stage 1 and Stage 2. Consider the diverse experience of two companies—Commerzbank, a German-based financial institution, and MedQuist, a U.S.-based transcription and information management service for the healthcare industry—both of which are in Stage 1 industries.

In riding up the Endgames curve, Commerzbank of Germany serves as an example of a healthy competitor that should have merged, but did not, and is now paying the price. With share prices at half their all-time high reached in

August 2000 and market capitalization shrinking to US$9 billion from more than US$17 billion in 1999, the company continues to tread in dangerous waters.

Commerzbank, the smallest of the large blue-chip German private banks, has long held to a strategy based on internal growth. Although it was often at risk of being taken over by a much larger local rival, such as Deutsche Bank and Dresdner Bank, it consistently employed strategies to avoid such a takeover. In the end, Commerzbank did not grow fast enough to stay safe.

After the failed merger between Deutsche Bank and Dresdner Bank, Commerzbank had a chance to jump into the game but talks with Deutsche Bank were short-lived and ultimately proved unsuccessful. Having missed the opportunity to adjust its strategic direction, today the only question is how and when Commerzbank will join in on the financial sector's consolidation stage. It may occur through Münchner Rück, a German-based reinsurance company that now holds about 10% of Commerzbank shares. Or consolidation may begin with an acquisition in the United States. It is well known that Commerzbank is seeking a partner for its U.S. investment banking operations.

In contrast to Commerzbank, MedQuist has set a strong example for rapid consolidation in its industry. Although it holds only 5% market share in the medical transcription field, MedQuist has become the industry's chief consolidator through a string of acquisitions that began in 2001.

In effect, MedQuist has never met a local competitor that it didn't buy. When the company encounters a larger local rival, it usually fights and wins a war of attrition. For example, when Lernout & Hauspie, a speech recognition firm, tried but failed to extend its business to medical transcription, MedQuist was there to buy up its market share. According to the financial firm Grunthal & Co., this strategy has paid off: MedQuist is nearly five times larger than its nearest competitor.

However, there is more to the MedQuist success story than meets the eye. In 2000, Dutch electronics giant Royal Philips Electronics acquired 60% of MedQuist for US$1.2 billion. Philips manufactures voice recognition technology (VRT) and has the deep pockets to supply MedQuist with whatever new equipment it needs. For its part, Philips took a prime stake in a high-growth industry—MedQuist's revenue growth is running at more than 10% per year—and a chance to recover from a previous failed attempt to enter the VRT market. (Philips entered the market with equipment that was not up to market needs and standards.) David A. Cohen, Chairman and CEO of MedQuist, underscored the synergies of the deal: "As a result of this partnership we expect to introduce Philips' speech and other technologies to our 2,400 U.S. health care accounts, and Philips anticipates accelerating our existing plans to expand into Europe." MedQuist's solid Endgames strategy has put it into a strong growth position and will go far in propelling it to the Scale Stage.

Long-term success is the reward for those with a long-term plan. Predicting industry—and individual corporate—movement on the Endgames curve over a 10- to 15-year period is critical. All short-term focused tactics become ineffective or obsolete in the Endgames landscape.

5. The future belongs to the maestros of external growth. If long-term strategic success is achieved by outgrowing the competition, the question is, how should it be done? Internally, through organic growth? Or externally, through acquisitions? The majority of managers with whom we discussed this still hold to the traditional view—that organic growth is generally the most opportune way of growing. Yet our research reveals a much different story: By itself, organic growth does *not* have enough force to propel a company up the Endgames curve at the necessary speed.

Even so, the necessity to grow externally will vary depending on the stage. For example, at the beginning of the race, organic growth is vital as a way to form the cultural nucleus of a company, but it must be quickly supplemented with acquisitions. Over time, the importance of acquisitions increases tremendously: they almost totally fuel growth at the end of the curve. So the sooner management masters the acquisition game, the better the outlook for long-term strategic success.

Use the Past to Predict the Future

These five lessons are immutable. They are, in essence, a combined history lesson of 25,000 companies, representing the sum total of successes and failures of industry consolidation over the past 10 years. And although history teaches us well, it only goes so far. The key is to use these lessons as a foundation for each of the individual stages.

In the next section, as we delve into the four stages along the Endgames curve, these guideposts will prove invaluable. For each stage, we discuss key players, explore the defining characteristics, and offer strategic imperatives to help guide companies onward and upward.

Part II: The Four Stages of the Endgame

Chapter List

Chapter 3: The Opening Stage

Overview

> "Once you have missed the first buttonhole you'll never manage to button up."
>
> —Johann Wolfgang von Goethe

The Opening Stage is the frontier of industry consolidation: an expanse of limitless innovation, opportunity, and risk. There are very few companies in the beginning of the stage, and fewer still with substantial revenue or market share; there may not even be many publicly held companies. Consequently, entry barriers are low. As opportunities begin to pan out and it looks as though the next big opportunity is right next door, word gets out quickly. Before long, companies face heated competition in what quickly turns into a race to gain—and then secure—market footholds.

Overall, this is a period of unparalleled new activity, and the smell of opportunity whets the appetites of venture capitalists and entrepreneurs alike (see Figure 3-1). The temptation to enter the fray can be overwhelming, but as the industry and company profiles in the next section reveal, mastering the first stretch of the Endgames curve with an eye to the final stage is critical from day one.

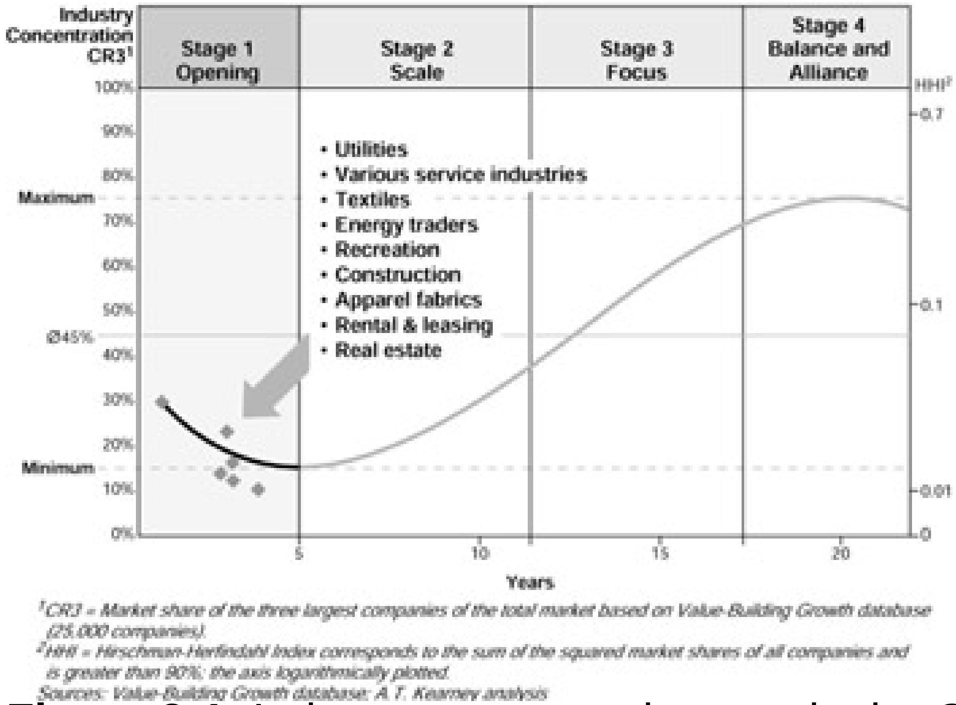


Figure 3-1. Industry concentration rate in the Opening Stage

Stage 1 Snapshots: Who's Who

The Opening Stage of the Endgames curve consists of industries that are newly created, spin-offs, and older industries that have been recently deregulated.

Newly Created Industries

These industries are often highly localized and include unregulated businesses such as e-traders, Internet banks, e-business portals, and professional services firms. No single company owns any measurable percentage of market share, and the rapidly changing landscape makes establishing a strong foothold difficult at best. Consider the following examples:

Biotechnology. A cross-section of medicine, healthcare, industrial applications, nutrition, and environmental issues, the biotechnology industry dates back to the identification of DNA in 1868 by a Swiss biologist, Friedrich Miescher. However, it took well over one hundred years before the industry began to develop and grow at a consistent rate. Government programs and a relaxation of the laws on genetic engineering in the 1990s led to a growth phase that was further bolstered by a rush of venture capital firms anxious to fund start-up biotechnology businesses. The result has been a steady stream of headlines, not the least of which was the cloning of a sheep named Dolly in 1997. The future looks even better, with analysts predicting that biotechnology will represent the next revolution.

> No single company owns any measurable percentage of market share, and the rapidly changing landscape makes establishing a strong foothold difficult at best.

Spurred by this strong growth, particularly in the United States and the United Kingdom, the biotechnology industry is nearing the end of the Opening Stage and moving rapidly into the Scale Stage. Smaller start-up biotech companies continue to compete for venture capital money and move toward initial public offerings (IPOs) but, as the Endgames curve predicts, their numbers are dwindling as the industry matures. Meanwhile the larger players are wasting no time in moving up the Endgames curve by consolidating: MedImmune bought Aviron for about US$1.5 billion and Millennium Pharmaceuticals purchased COR Therapeutics for US$1.75 billion. Apart from leaders such as Amgen and Genentech, most lack profitability despite their rapid growth.

At this stage of industry consolidation, companies make acquisitions primarily for two reasons: to expand globally and to achieve critical mass, both technologically and financially. And the deals grow in both size and scope. In the United States, for example, the number of biotech mergers increased from 46 in 1999 to 77 in 2000. Although the number of deals declined to 52 in 2001, the total value of acquisitions rose from a mere US$6.3 billion in 2000 to US$23.2 billion in 2001. It's likely that 2001 could mark the beginning of a long trend of fewer but richer deals as the industry continues its ride up the Endgames curve.

Merger activity has not been limited to the United States: Rhein Biotech's acquisition of Korean Green Cross Vaccine in February 2000 ignited a series of merger activities in Europe. Soon after, German-based GPC AG acquired U.S.-based Mitotix, creating the world's first transatlantic genomic company, GPC Biotech AG. Other consolidation activity includes British Celltech Group's acquisition of Chiroscience Group in 1999 and Medeva in 2000, making the combined entity a fully integrated pharmaceutical company.

In terms of size, however, the majority of these acquisitions are small when compared with the US$16 billion merger between market leader Amgen and Immunex in 2001—the biggest ever in biotech. The reason for the deal, of course, is synergy: Amgen hopes to combine the strong products of both companies while leveraging the capabilities of its highpowered sales force.

Analysts have begun referring to the emerging group of larger companies as “biopharmaceutical” companies, differentiating them from the research-driven, loss-making groups of smaller businesses that still make up the largest portion of the biotech industry. There are relatively few industry-founding companies, but they hold significant market share. In the United States, Amgen, Genentech, and Immunex have a combined market capitalization of more than US$100 billion. MedImmune, the fourth largest company, has a market capitalization of less than US$10 billion. From there, the roster gets smaller very quickly. Still, with breakaway companies speeding toward consolidation, the industry’s climb into Stage 2 is well under way.

Online retailers. Few industries have sped from 0 to 60 faster than online retailing. Attracted by compelling value propositions and robust-sounding business models, venture capitalists in the 1990s lined up to invest large sums of money in Internet-based businesses. The horsepower behind most of these outfits was the blood and passion of young, wide-eyed enthusiasts with visions of mind-boggling wealth—all working long hours for low wages while waiting for their stock options to mature.

Of the thousands of these new companies, online book retailer Amazon.com led the pack from the beginning. For the first few years of its life, in fact, Amazon went unchallenged by its offline counterparts, giving it time to capture hefty market share. Soaring stock prices and strong funding also gave Amazon the freedom to set its prices low—some below cost, even—and provide such depth of service that it easily outpaced its rivals and cemented its first-mover advantage.

First-mover advantage can be fleeting, however. Today, Amazon faces many competitors, from the bricks-and-mortar rivals that have set up their own e-business operations to a host of rival online-only interlopers. The news has not been all bad. Amazon has garnered some strategic victories, including taking over the Borders.com Web site—simultaneously eliminating a brick-and-mortar rival from the online space while gaining its online customer base—although other competitors, such as Barnes & Noble, are closing the gap.

In response to its competitors, Amazon has leveraged its speed and value pricing to move beyond books to create a virtual online department store, selling everything from CDs and DVDs to toys and household electronics. In addition, it continues to extend its business-to-consumer commerce capabilities to other manufacturers in a variety of industries. The result has been that many of its competitors have been driven out of business.

Of course, Amazon's long-term survivability as a dot-com model remains in question because even today the company generates little profit. eBay, on the other hand, is one of the few Internet-based companies that can boast solid—and rising—profits, even in light of the dot-com implosion. By charging a small listing fee for each item sold through its buy-and-sell matching service, eBay turned the promise of the Internet into reality. Phenomenal growth has been at the core of eBay's success, but is its Endgame strategy strong enough to propel it into the Scale Stage? Its first steps look promising.

Nearing critical mass in the U.S. market, eBay began establishing a stronger presence beyond American borders. In 2001, international operations took in US$114 million (15% of the total), but eBay's Chief Financial Officer, Rajiv Dutta, predicts this number will top US$800 million in 2005. In addition to launching new country-specific sites on its own, the online auction house began acquiring leading auction providers in target markets, including Ibazar, S.A in Europe, Internet Auction Co. Ltd. in Korea, and NeoCom Technology in Taiwan. In addition to global expansion, however, eBay has also focused on line extensions, trying to gain a foothold in everything from selling cars to providing a marketplace for professional services. Of course, the key to eBay's long-term success will be not just to grow market share, but to protect it.

Nanotechnology. Newer still are industries that build practical applications from emerging technologies. Nanotechnology, for example, is based on the relatively new science of building infinitesimal devices that can manipulate single atoms or molecules. Proponents claim that practical applications will include everything from building better computers to fighting cancer. The U.S. National Science Foundation echoes this optimism with predictions that the market for nanotechnology products and services will reach US$1 trillion by 2015. Although it is still in the early stages, governments, venture capitalists, established companies, and entrepreneurs alike are funneling money into creating marketable products. Last year alone, world governments invested more than US$2 billion in nanotech research. Similarly, tech leaders such as IBM, Intel, and Hewlett-Packard have all embarked on nanotechnology projects. In fact, IBM plans to introduce commercial products in the next two or three years. Although North America has about half of the world's nearly 500 nanotechnology companies, no single region dominates the industry.

Clearly, this industry remains early in Stage 1. As technology advances and companies begin to reap the benefits of their current R&D, look for tremendous growth, quickly followed by consolidation, as it moves through this stage. However, developing nanotechnology products is time-intensive, with many estimated to take as long as 10 years. As a result, this time lag will greatly affect how long it will take the industry to climb into the Scale Stage.

Spin-Off Subindustries

Other industries in the Opening Stage are those that emerge from the fallout from one of the later stages of industry consolidation. These industries form when subindustries reach a critical size and create a dynamic of their own. They may also emerge due to a new industry-forming technology, or as a result of a restructuring due to a market or economic event.

PepsiCo, for example, firmly in the Stage 4 soft-drink industry, fueled the development of the bottled water, sports drink, and flavored sparkling water subindustries. Each of these subindustries was in an earlier Endgames stage: they were fragmented and growing strongly—characteristics of Stages 1 and 2—and thus presented opportunities for PepsiCo to get onto a new growth track. (*For more on Pepsi's strategies, see Chapter 6 .*)

Similarly, the global high-technology industry has created dozens of spin-off industries as technology advances and the core technology industries mature. Consider the following examples:

- In the early 1960s, economies of scale opportunities in servicing IBM mainframe computers led to the creation of the IT outsourcing industry.
- New communications technologies led to the creation of satellite, cable television, broadband, and cellular telephone communication networks, each competing with traditional telephone service providers.
- Advances in communication and software technology led to the formation of thousands of dot-com companies, creating dozens of new Stage 1 subindustries in a matter of a few years.

Deregulating Industries

Another major segment of industries in Stage 1 is that of deregulating industries. This group emerges from previously state-owned or state-regulated monopolies and includes such companies as energy, water, gas, postal services, and, to some extent, banks and insurance. When state monopolies of telecommunications were broken up, dozens of specialized providers, such as the cellular phone companies, entered the market.

Over the years, many industries have been liberalized or, in effect, made more competitive via legislation or alternative steps that mandated opening up their markets to more players (see sidebar: "Development Bank of Singapore "). When this happens, industries that were dominated by single players suddenly explode and produce two, three, or perhaps as many as 10 players.

Generally, this is good news for consumers, because when monopolistic pricing mechanisms are at work, companies can charge much more than they would in a competitive market environment. In a pure monopoly situation, for example, there is no competitive pressure to optimize business processes or make services cost- efficient. Staffing often becomes padded with extra layers and redundancies creep into business processes. Without pressures being applied by the marketplace, such as corporate governance or competition, there are often more employees than needed to deliver services and little investment in implementing new market efficiencies.

Development Bank of Singapore

Government action can often spark an inflection point in a local industry, as it did in the late 1990s when the Singapore government decided to open the banking sector to outside players. The Development Bank of Singapore (DBS) is a classic example of a Stage 1 company that changed its strategy due to a shift in the environment.

In the wake of the Asian crisis in 1997, DBS brought in a new CEO, John Olds, to pursue an Endgames strategy across Southeast Asia. Olds, an American banker from J.P. Morgan, surveyed the Southeast Asian banking landscape and saw an interesting competitive picture: several mammoth global competitors in Citibank, HSBC, and Standard Chartered; a host of fragmented, country-specific banks in each of the neighboring Southeast Asian countries, including Malaysia, Thailand, and Indonesia; and some aspiring start-up regional competitors, such as the Commonwealth Bank of Australia.

Olds believed that the only strategy available to ensure DBS's success in the future was to embark on a rapid regional consolidation strategy. His first major deal was the acquisition of the POS Bank in Singapore in 1998—the old

Post Office Savings Bank, with thousands of depositors from the heartland of Singapore's economy. Next he branched out and acquired the Thai Danu Bank in 1999, one of the largest purchases by a Singapore company outside of Singapore ever. The Thai Danu deal provided DBS with a wealth of post-merger integration experience and capabilities, which it would later use to its advantage in the 2001 acquisitions of Dao Heng Bank in Hong Kong and Vickers Ballas, a Hong Kong-based brokerage business.

Building on this success, DBS is now recognized as a regional banking powerhouse and is well positioned to complete several more deals in the future. A good thing, too, as DBS has raised its profile enough in this hot sector of the Singaporean and Asian economy to attract increasing attention from foreign banking giants such as Citibank, which has a license to offer full-service banking in DBS's local markets.

Consider the following experiences of companies in deregulating industries:

Telecommunications. In Germany, Deutsche Telekom was a state-owned monopoly until it went public via a stock offering in 1996. As the markets opened up elsewhere in Europe, Deutsche Telekom struck a major joint venture deal with France Telecom. The two organizations had other cross holdings in such telecommunications companies as Switzerland's Multilink and the United Kingdom's MetroHoldings. But after Deutsche Telekom announced a merger with Italy Telecom, which subsequently failed, the joint ventures between the two rivals collapsed. They unwound their mutual investments, which left Deutsche Telekom with 100% of Multilink and France Telecom with a 50% stake in MetroHoldings. Deutsche Telekom has since acquired stakes in additional telecom companies: a 51% stake in Slovakia Telecom when it was transformed from a state-owned enterprise to a joint-stock company by the Slovakian government in 1999 and a majority stake in Pragonet when the ministry opened the Czech Republic market in 2000. It also formed a strategic partnership with Hrvatski Telekom of Croatia following its separation from HPT—Croatian Post and Telecommunications. These are just a few of its dealings in opening up emerging markets in Europe.

Deutsche Telekom also launched other star-crossed deals that never succeeded: Qwest and Freeserve. When it finally purchased its first U.S. company, VoiceStream, consensus was that Deutsche Telekom vastly overpaid for those assets when compared with other values in the industry. However, according to its critics, the "root cause for these blunders appears to be an inability by Deutsche Telekom's top management to bridge cultural divides and different corporate cultures, skills essential to making cross-border mergers work."[1] In Chapter 9 , we discuss the challenges of creating a global culture and offer some key lessons on how to foster it.

Financial services. Deregulation of the global financial services industry has led to a large increase in merger activity and consolidation, both within individual countries and across borders. Once restrictions governing interstate banking were removed in the United States, the commercial banking industry went on a consolidation rampage, with thousands of mergers taking place in the 1990s. By the same token, once long-standing laws forbidding commercial banks from owning investment banks were overturned, commercial banks aggressively expanded the scope of their businesses, moving into investment banking, brokerage, insurance, and financial planning services.

In Europe, the introduction of the Euro paved the way for a frenzy of cross-border mergers, with the largest banks in each major European country trying to stake out a leading competitive position across the continent.

In Asia, following the Asian economic crisis and the continuing deterioration of the Japanese financial services industry, leading global financial services competitors have gone on a buying spree to position themselves favorably to serve some of the largest and fastest-growing markets in the world.

[1] Stephan Richter, “Quo Vadis, Deutsche Telekom?” *Chief Executive* , December 2000.

Move to Scale

Industries with low entry barriers stay in the Opening Stage until a large industry consolidator changes the rules of the game by using its scale to dominate the others. In the beginning there is excitement, plenty of venture capital, and a buzz about "opportunities." Eventually, however, imitators and improved versions of the original business model begin to horn in on the venture capital action. Before long there are so many companies serving the same market that all the ideas are out on the table—and the venture capital spigot suddenly turns off.

When the consolidation wave begins, competition can become particularly fierce. TMP Worldwide (owner of Monster.com, the largest Internet employment recruiting firm in the world) offers a unique example of an Internet company that moved quickly to become a first consolidator (see sidebar: "TMP Worldwide"). In just two years, the online employment recruiting industry consolidated from 10 major players to just three top-tier players—TMP, CareerBuilder, and Yahoo!. These three companies now control 66% of online recruitment Web site revenues. Yahoo! beat out TMP in the race to acquire a leading player named HotJobs.com last year, and CareerBuilder acquired HeadHunter.net.

> Deregulation of the global financial services industry has led to a huge amount of merger activity and consolidation, both within individual countries and across borders.

Of course, not all consolidation occurs at this speed, but all industries consolidate nevertheless. For example, with the invention of steel melting, there were immediately hundreds, if not thousands, of steel mills around the world trying to capture a part of the market. The same held true for the automobile industry and the hotel industry. The hotel chains—which classically originated in North America—are now dominating the world hotel market, where establishments were traditionally family-owned businesses and therefore highly fragmented.

With too many companies chasing a finite share of market, the stronger companies in the space begin looking around for candidates they might buy to achieve synergies. At the most deconsolidated level, too many companies are doing the same thing.

At this point, competition can continue only in two ways. The first is for the more efficient operator—the one that has the best product or service, the best organization, and the most efficient means of serving the customer—to drive the less efficient rival out of the market through aggressive competition. The other option, of course, is to buy the competitors out. Automatic Data Processing (ADP) used these methods when it started consolidating the payroll processing business.

The incentives for mergers are clear: aside from achieving a synergy in which the whole is greater than the sum of the parts, the combined revenues of the two entities could result in higher overall profits as well as an increase in market share, while the combined cost of doing business goes down. Consider the following two industry examples.

U.S. car dealerships. The single biggest business expense in any auto dealership is the cost of carrying inventory. Dealers have an enormous amount of capital and real estate tied up in vehicles. On a local level, two neighboring car dealerships—each with 500 cars in inventory—could combine. But when joined to form a super dealership, they might need only 750 cars. That's a much larger selection than the customer originally had access to at each car lot, so it's better for the customer. And the synergies gained in terms of cost savings to the combined dealership are obvious. In addition, larger dealerships can more easily afford to invest in technology such as computer systems that can lower costs and make the operation run more efficiently. Add such cost-saving benefits such as pooled purchasing of direct and indirect goods and cash flow improves dramatically. So do profits.

Industries with low entry barriers stay in the Opening Stage until a large industry consolidator changes the rules of the game by using its scale to dominate the others.

TMP Worldwide

TMP Worldwide is a fascinating example of a company moving through Stage 1 of the Endgames consolidation curve. Founded in 1967, TMP was originally a Yellow Pages advertising agency. As part of an acquisition it made in the early 1990s, TMP stumbled upon an Internet-based résumé posting board that it built up and relaunched as Monster.com.

Soon, Monster.com emerged as an integral part of TMP's famous "Intern-to-CEO" strategy to dominate the global recruitment solutions industry. Right in the middle of the Internet boom, TMP managers realized that to dominate this space they would have to enter a rapid acquisition and consolidation stage. In just four years, TMP acquired and integrated more than 70 companies globally. These included many of the start-up and established Internet career portals such as FlipDog.com (United States) and Jobline (Sweden), employment agencies and recruitment firms such as QD Legal (United Kingdom and Asia), TASA (Hong Kong), Morgan & Banks (Australia), and Melville Craig (Scotland), and online advertising services companies, including IN2 (United States).

In typical Internet time, TMP swiftly executed its Endgames rapid consolidation phase. Without its foresight, which made the Internet the rallying cry for its future business model, it would have become an "also-ran," almost certainly bought out by a faster, stronger company. Instead, TMP moved quickly and decisively, building the company's success on three critical pillars:

1. Deep knowledge of potential acquisition candidates and the ability to screen, weed out, and close deals

with the highest-potential players. TMP developed a powerful capability to identify the best players on a country-by-country basis among thousands in a highly fragmented industry.

2. Global vision and foresight to execute Endgames consolidation worldwide from the outset.
3. Merger-integration know-how that was embedded into all facets of the business. Because most of TMP's acquisitions were small (well under US$100 million) and it completed so many deals, the company often had several merger integration efforts going on simultaneously around the world.

Looking back, the 1950s were the heyday for U.S. auto dealers. More than 50,000 dealers sold about 6.5 million cars, surpassing the previous peak set in 1929. By 1996, however, the number of dealers had declined by 50%. The group that suffered the greatest drop was the smaller firms that sold fewer than 150 new cars per year: nearly 65% of these dealerships disappeared between 1976 and 1989.[2] Meanwhile, larger dealers are on the rise.

Another tectonic shift in the industry lies in the dramatic increase of used (or pre-owned) car dealerships, which has been largely fueled by the rise in the number of late-model used cars coming out of leasing programs. This launched a new type of auto superstore in the early 1990s that typically holds an inventory of well over 1,000 cars, employs sales consultants rather than high-pressure salespeople—often on salary, not commission—and offers no-haggle pricing. Some auto superstores are public companies whose access to capital markets gives them a low-cost way to finance their inventories. Some also sell new cars. Car manufacturers, in turn, are buying up some of these auto superstores and consolidating them.

The first "pure" industry consolidators began appearing in the late 1990s. These consolidators combine a large number of formerly independent dealerships from many states into a “megastore” for new and used cars as well as auto repairs. They are branded as one-stop shops designed to simplify the car buying process for consumers. Consolidators continue to grow as many dealerships—especially marginal ones—prefer to join with them rather than continue struggling as independent dealers. According to Forrester Research, another 7,000 independent dealers will vanish by 2022.

While industry costs are being squeezed, some companies continue to thrive. United Auto Group—a public company and the third-largest player in the United States with 127 franchises—has seen earnings grow by an average annual rate of 3l% since 1999. Now United Auto Group has cast its eyes across the seas, announcing expansion plans to sell Mercedes-Benz passenger cars in the United Kingdom. The strong consolidation activity that is well under way among U.S. auto dealers remains at a much earlier stage of the cycle in Europe—but this is about to change.

In fact, deregulation in the European Union is spurring consolidation in the car dealership industry. Before February 2002, the law allowed European car dealers to enter into exclusive contracts with a single manufacturer. In return, the manufacturer could not supply the same models to another dealer in the same region. This law also restricted dealers to go cross-border.

With the abrogation of this law, car dealers will now be able to sell multiple brands without regional restrictions. Car dealers from other countries are free to open stores in any area. This puts pressure on the dealerships to lower their prices to compete with foreign dealers and on car manufacturers to increase their market share.

The demise of the law, combined with a less regulated market, marks the Opening Stage in the European car dealer industry. Industry analysts are already predicting a consolidation wave, with smaller family-owned businesses being gobbled up by larger dealers. Eventually, analysts expect the shakeout to result in a small network of strategic core dealerships—comparing it to the shakeout that is occurring in the U.S. automotive supplier industry. And the dealers expect competition to grow increasingly fierce in tandem with consumers' demands that companies sell and provide services via the Internet.

Railroads. Because many railroads fell into the state-owned or state-regulated category, many are consolidating—or even deconsolidating—depending on their nationality. One of the biggest consolidation moves in European history took place between the German state-owned freight rail company, DB Cargo (Mainz), and its Dutch counterpart, NS Cargo (Utrecht). The combined company was named Rail Cargo Europe. At the time of the announced merger, its projected revenue was US$3.5 billion based on the transport of more than 310 million metric tons of freight annually. One of the greatest benefits of combining the two entities involved the elimination of stops at the Dutch/German border, which required changes for both locomotives and drivers because of differences in power, signaling and safety systems. The two companies pledged to convert their locomotives to make them compatible and announced further plans for a nonstop freight rail service between Rotterdam and Germany. A year and a half prior to the effective date of the merger, the two firms placed joint orders for new locomotives that would operate between both countries. They also began cross-training engineers so they could operate in both countries.[3]

In the United States, railroads have been consolidating and pursuing market solutions since the passage of the Staggers Act in 1980. Since then, productivity has increased, more than US$200 billion has been invested in equipment and infrastructure improvements, the accident rate has fallen by 70%, and shipping rates have been sliced in half. In addition, the U.S. Surface Transportation Board also approved several cross-border acquisitions of U.S. regional freight lines by the Canadian National Railway (CNR) in an effort to further improve end-to-end service for customers in key areas. CNR serves all of Canada, parts of the U.S. Midwest, and Buffalo, New York.

Finally, in the United Kingdom, the state-owned rail system is being replaced by new companies that carve up territory on the state-owned rails, but will provide their own service. Of course, there must be some coordination among the service providers, but these should be easily solved by private industry.

[2] 1950 dealership data is from the National Automobile Dealers Association, Industry Analysis division. Later data is from the Bureau of Labor Statistics. In 1976 there were 13,200 dealerships selling fewer than 150 units per year and by 1998 that number had dropped to 4664.

[3] Ian Young, "Rail Merger Raises Industry Hopes," *Chemical Week*, September 22, 1999.

Staying Ahead of the Curve: Strategic Lessons for the Opening Stage

Build up entry barriers to prevent deconsolidation. Defend territory at all costs. Once all available market space is staked out, it becomes too expensive or time-consuming for a new company to enter the field. This is a time for industry pioneers to protect their first-mover advantage. The key is to prevent competitors from proliferating, but how? If you work in the nanotechnology business, you would want patents approved for as many products as possible. In e-business, Priceline.com was able to patent its business model. The same logic holds true for almost every other business as well, high-tech or otherwise. What does your company have that's worth defending, patenting, copyrighting, or service marking?

Capture market share by focusing more on revenue than profit. To the swift go the spoils, at least in the market share wars. True, many dot-com companies went too far with this lesson and ignored profits altogether—and have since disappeared. Still, the emphasis for Stage 1 companies should rest more with amassing market share than hitting profitability targets. In a sluggish economy, investors may not be as patient as they were with Amazon, for example, but with a solid Endgames strategy profits will follow.

Closely monitor the external political environment to profit fastest from any legal changes. The first companies to act in a changing environment will capture mind share, thereby extending market advantage, just as the Development Bank of Singapore did. Lobbying can be a great tool for staying in the loop: By knowing what's happening in legislative circles, you may be able to influence outcomes. In the same vein, tracking major legislation efforts and employing lobbyists or funding political action committees that mirror your business interests will also be useful. For retailers and manufacturers, this may entail monitoring trade agreements such as the North

American Free Trade Agreement (NAFTA) for new developments on the horizon.

If you foresee that an outcome will not be desirable, be prepared to act accordingly. When deregulation of the power industry was approved in the United States, there was advance notice for those who sought to react with a new strategy or make aggressive moves to strengthen their market position.

> Defend territory at all costs. Once all available market space is staked out, it becomes too expensive or time-consuming for a new company to enter the field.

If you cannot dominate the whole industry, focus on the most attractive industry segments where your company can win. Win-ners in the Opening Stage learn to dominate an area where opportunity is substantial, rather than trying to spread their expertise across the entire industry. A pharmaceutical company, for example, is best served by focusing on a single condition. AstraZeneca has mastered this by holding patents on Prilosec and Nexium, the number-one and -two drugs for treatment of acid reflux, a chronic condition affecting as much as 10% of the middle-aged population. Similarly, TMP was successful because it carved out the online recruiting space rather than the entire (online *and* offline) recruiting space.

> Winners in the Opening Stage learn to dominate an area where opportunity is substantial, rather than trying to spread their expertise across the entire industry.

Master—then accelerate—the acquisition process to capture volume. Perfecting acquisition skills takes time and experience. The sooner these are developed, the better the chances for market leadership later on. Integration skills are key to making the majority of consolidations work. In *After the Merger* , Max Habeck, Fritz Kroeger, and Michael Traem discuss the seven rules for merger success, namely: vision; leadership; going for the growth; looking for early wins—in assets, with customers and knowledge; cultural integration; communication, communication and communication; and prudent risk management. (*For a detailed explanation of these rules, see Chapter 7 .*)[4]

Form an open, integrated culture that will become the backbone for future growth. As a first mover, part of the advantage in preempting competitors lies in preserving and nurturing key employees. Building an environment that encourages people to stay is just as important as erecting entry barriers to keep competitors out and both help sustain a first-mover position. Luring top employees away from other organizations, in fact, is a key strategy for fast movers and other companies looking to establish market share in a start-up industry. After all, they know the core processes—such as sourcing, logistics, and fulfillment—of the lead players.

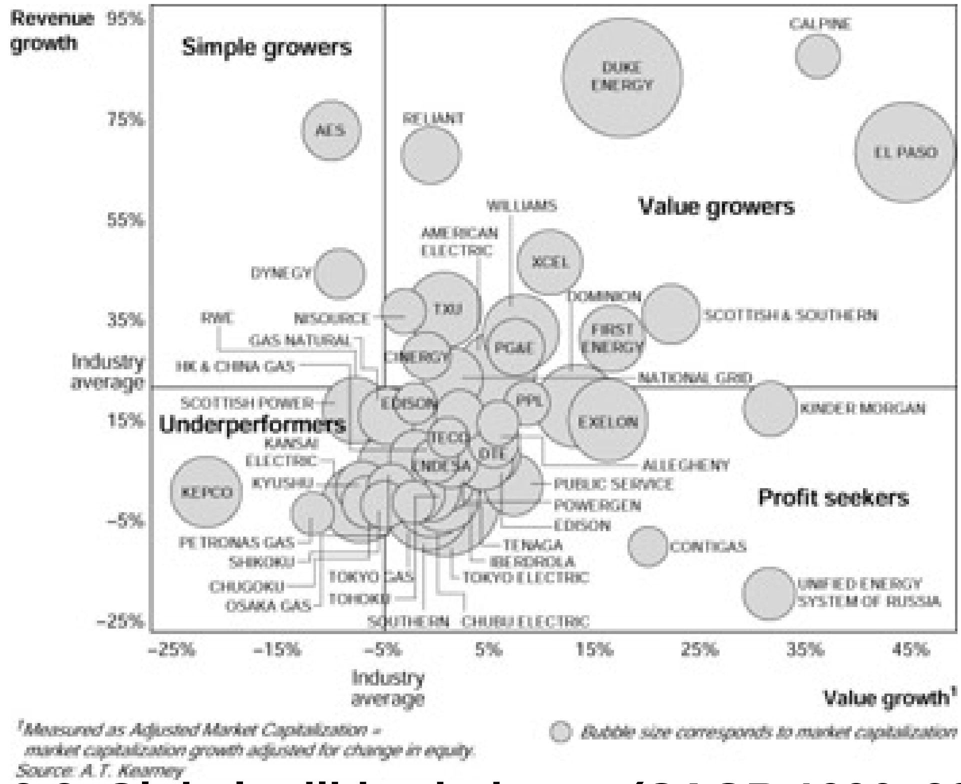
And once they are aboard, the company must foster their development and ensure that the key employees stay a long time—not just for the two- to five-year strategic planning horizon. The corporate culture must therefore be both satisfying and challenging. It is only through a competitive and strong workforce that companies can offer the best products and services.

For merging companies, ensuring stability and openness within employee ranks—from both organizations—is particularly critical. Companies with a closed and uniform culture often experience difficulties in taking over other companies or even employees who have worked outside their own company for some time. Although a strict culture can be a strength in its own right, it also has severe limitations when the company experiences a growth spurt.

The only sure way to get new employees who will stay is to imbue them with the specific company culture. Companies that excel in this area include Wal-Mart and the German discounter Aldi. On the other hand, such a strong and specific culture makes it difficult to acquire companies as a whole, and sometimes requires specialists from outside to refresh the company's ranks.

Be prepared for anything in a deregulating industry. Once privatization or new competitors arrive—and can't be stopped—look outside your borders for best practices and clues to prepare for the new environment in which you will be competing. See what's happening and what has occurred in other states or countries where markets have opened up.

The global utilities industry is an excellent example. As Figure 3-2 illustrates, the growth performance of most of the global utility companies is concentrated in a narrow band because of their regulated legacies. But we are beginning to see stratification of performance among the U.S. utilities that have been deregulated for several years. Many have used mergers aggressively to gain economies of scale and to expand internationally as part of their Endgames strategy. As the global level of regulation in the utilities industry falls, there will be a massive shakeout as the effects of Endgames transform the industry. By benchmarking what's happened in other places, executives will have a better sense of how to react to certain market changes and anticipate common problems.



3-2. Global utilities industry (CAGR 1996: 8211;2001)

Also, when a monopoly situation ends, it's critical for companies to examine both their pricing structure and customer relationships. When no choices exist—as was the case with railroads, airlines, and telecommunications companies—it's easy to overlook customer loyalty and customer satisfaction, as well as price point issues. In a deregulated environment, pricing becomes paramount. With little loyalty, customer attrition can be high and defection to lower-price competitors swift. To realign prices, companies must look at costs and, if adjusting or lowering prices means that costs get squeezed, then it's a sign that processes must be reexamined or even reengineered entirely to eliminate fat and waste.

[4] Max M. Habeck, Fritz Kroeger, and Michael R. Traem, *After the Merger: Seven Rules for Successful Post-Merger Integration* (London: Financial Times Prentice Hall, 2000).

Ready for Scale?

As companies reach the end of the Opening Stage, the landscape takes on a much different look and feel. The open space is gone and groups of lead players are beginning to emerge. At this point, the strategy shifts from claiming ground to building a corporate powerhouse.

This is just what Stage 2 is about. As the name implies, the Scale Stage is when growth becomes paramount—and the stakes are raised accordingly. Just as in the Opening Stage, only a handful of players that begin will live to tell the tale by the end. For the best chance of survival, players need a solid Stage 2 strategy from the beginning … so read on.

Chapter 4: The Scale Stage

Overview

> If it's not growing, it's going to die.
>
> —Michael Eisner Chairman and CEO, Walt Disney Company

Having risen through Stage 1, companies have laid claim to all of the available territory. Now it's time for them to build scale. Leaders must devise new strategies to expand, grow, capture market share and protect their turf—all to continue their climb up the Endgames curve. Stage 2 is when industry leaders stand tall. Whether or not they are conscious of their Endgames strategy, as they look across the landscape they must constantly analyze their next acquisition target or assess a new growth plan. Typical Stage 2 industries include hotel chains, breweries, banks, homebuilders, automotive suppliers, restaurants and fast-food chains (see Figure 4-1). The race for position and market share capture comes into full swing and, as it progresses, positioning of the leaders frequently changes (see sidebar: "Changing Positions "). Even the partners that the leaders choose for customers, suppliers, and allies may change.

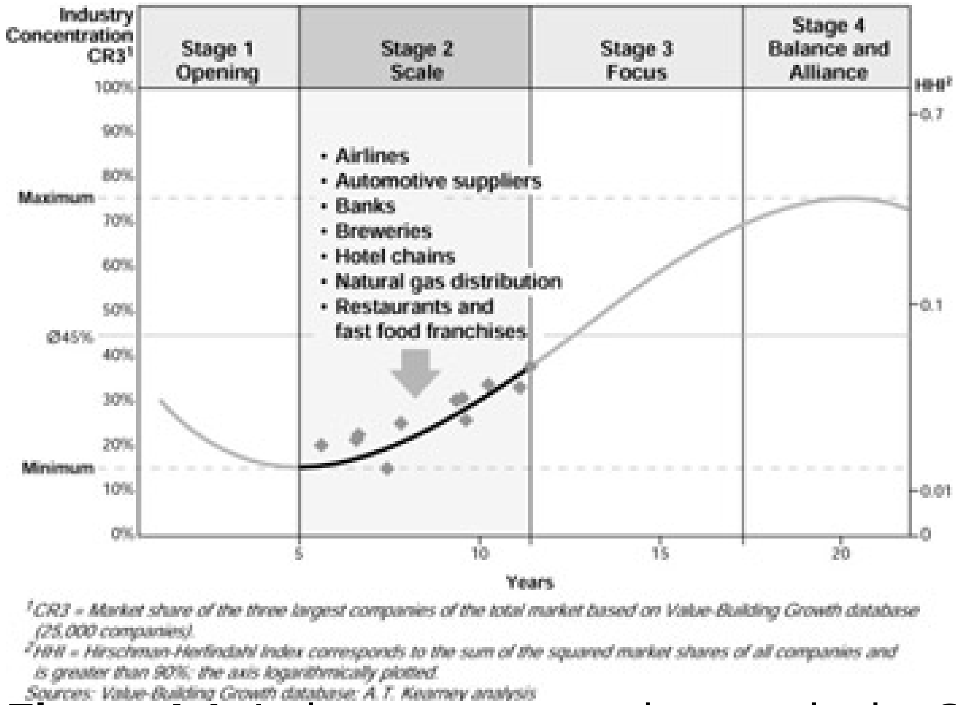


Figure 4-1. Industry concentration rate in the Scale Stage

The race for position and market share capture comes into full swing and as it progresses, positioning of the leaders frequently changes.

Changing Positions

A scorecard can often come in handy in Stage 2. A merger may be announced one day and the number-three player quickly takes the number-two spot. The following week, another merger between the third- and fifth-ranked companies propels the combined entity into second place. The old number two reacts by going after additional companies to regain its position. The game quickens and the stakes are raised. A war of attrition is often not enjoyable, even for the victor.

In some cases, strategy has been more reactive than proactive. In discussing the paper industry's US$18 billion M&A binge, Kari Toikka, senior vice president of Finland's UPM-Kymenne, said: "We simply followed what was happening in our customers' industries. Global publishers of magazines like *Elle* want a consistent look and quality around the world. Their approach is to reduce their number of suppliers, because they can get better products and better terms."

In situations when only a few players remain, another phenomenon occurs. A merger between the number-one and -three players actually creates a more stable market and provides a safe—and profitable—harbor for the number-two rival. The lawn and garden long-handled tools market illustrates this situation. The number-one company, Ames (a Division of U.S. Industries until recently) acquired Tru-Temper from Huffy Corporation. Although the combination of the number-one and number-three companies created a business three times the size of number two, Union Tools (a division of Acorn Products), the move was actually beneficial to both companies.

The reasons are simple: retailers prefer having alternative suppliers, both for competitive reasons and for security of supply. When numbers one and three are combined, the top three become the top two—and the player in second suddenly becomes more important strategically to their mutual customers. The market leader could try to overwhelm the second-position competitor with a massive lower-price, cost-cutting attack, but that's a dangerous move. The result of such a step often is lower profits for the leade—and a new (perhaps more troublesome) replacement in the number two slot. So the number-two supplier's position is stable and safe in this scenario. This small industry represents a microcosm of what happens in many larger industries as companies move through the Scale Stage to fortify their market share and position.

In Stage 2, the increase in scale improves production, spreads fixed costs and earns profits. However, profits are still slim because pricing becomes extremely competitive. And, as always, strategy is key to gaining or maintaining a winning position. Companies must determine which market segments to stake out, and not all of them are equally rewarding. Some segments may be unattractive because they require disproportionate investments; others may be desirable because they offer a foothold into a new or newly accessible market. As a result, companies must determine how much investment is required or, more specifically, estimate the return on capital that will be provided in their desired segments.

Similarly, while companies must be quick to consolidate and grow, they must be careful to avoid taking on more than they can handle financially. During a consolidation wave, the intense desire to grow and acquire sometimes overcomes this financial reality. When this happens, companies find themselves strained for working capital. As a result, they incur excessive borrowing costs, and ultimately struggle under the burden of what looked like valuable acquisitions. The problem may be exacerbated if the new acquisitions are not well integrated. Sheer size is no guarantee of genuine long-term market leadership, unless that size is properly leveraged for financial advantage or market positioning—and ideally both.

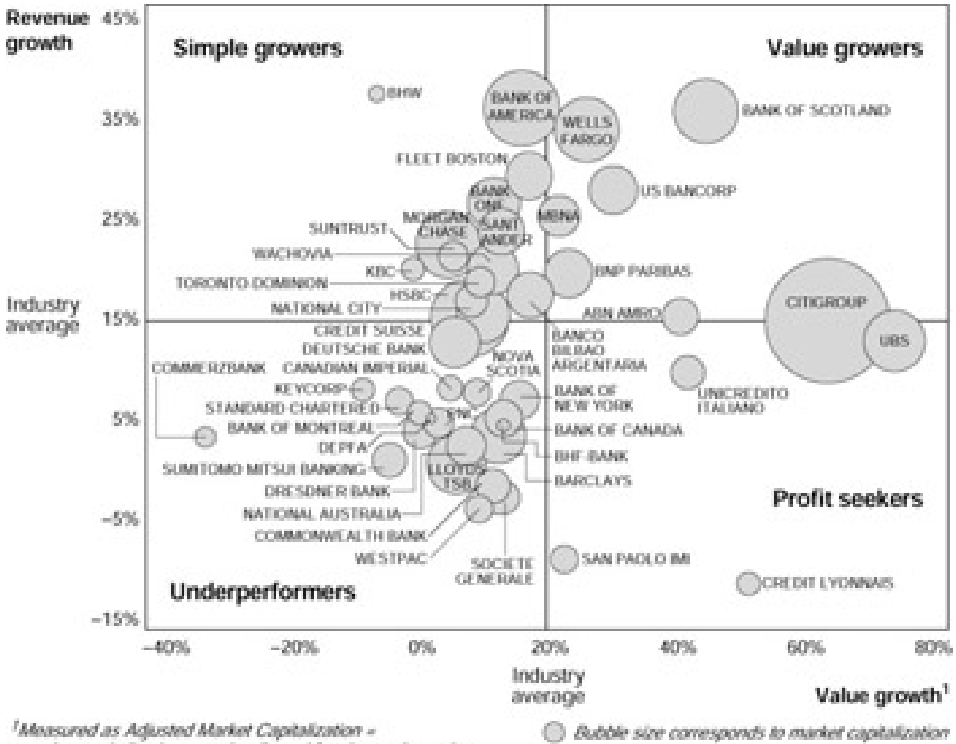
In fact, this point—size and scale do not automatically confer industry-leading market capitalization—is the most important lesson companies in Stage 2 must master. Consider the global automotive industry. Over the past decade, most of the largest competitors in this space have used mergers as a tool to add to, or maintain, their market share. General Motors, the world's largest automotive company, took significant equity positions in a number of automotive companies including Saab, Isuzu, Subaru, Suzuki and now Daewoo. Similarly, Ford acquired Volvo and Jaguar; Daimler-Benz snapped up Mitsubishi and Chrysler to form DaimlerChrysler; and Renault bought Nissan. Toyota, on the other hand, has rarely used mergers as a strategic tool. It is the third largest automaker and holds about 10 percent of the global automotive market, well behind GM and Ford. Nonetheless, Toyota has had the biggest market capitalization of any auto company at several points in the past decade. Why is this so?

A key reason is one that we just mentioned: size, especially in the automotive industry, does not always equate to superior business performance. Japanese carmakers, for example, do not have the additional cost burdens of unionized labor contracts and hourly paid employee pension funds that their U.S. and European competitors do. Also, technology and production strategies vary widely among automotive competitors, producing significant cost differences.

With regard to the Endgames strategy, merely announcing—or even completing—a merger does not guarantee a boost in market capitalization. Only by successfully integrating the two companies will beneficial long-term results emerge. Once again, the automotive industry's track record has not been good. Other, more pressing internal business problems have hampered Ford's merger integration timetables, and DaimlerChrysler experienced numerous challenges in integrating the different cultures, management styles and business models of Daimler-Benz and Chrysler. Toyota, though, stuck to its business model and has been successful as a result. The Scale Stage of the Endgames curve is one of brutal competition. The players that grow strategically, and successfully use mergers as a competitive weapon, emerge victorious.

> Sheer size is no guarantee of genuine long-term market leadership, unless that size is properly leveraged for financial advantage or market position—and ideally both.

The Stage 2 landscape is also different than Stage 1 in that there is much more stratification of the growth performance of the global players. For example, in the global banking industry, as shown in Figure 4-2 (next page), a few competitors are beginning to emerge as the global leaders, but there is a huge middle pack that could overtake them. And for the leaders, there are still hundreds of acquisition opportunities for them to expand their business footprint and continue their journey up the Endgames curve.



[1]Measured as Adjusted Market Capitalization = market capitalization growth adjusted for change in equity.

Source: A. T. Kearney

4-2. : Global banking industry (CAGR 1996–2001)

PREVIOUS NEXT

Stage 2 Snapshots: Who's Who

By the end of the Scale Stage, freedom of choice is widely limited because the major players have formed their empires, and few valuable picks remain. In other words, much of the blueprint for the final Endgame has been drafted. Those companies that have fallen behind or have not been acquired during this stage may be forced to choose niches as temporary hiding places until they can become attractive to consolidators. Even storied companies such as BMW must consider this as a future challenge. Time, as we've established, is critical, and companies that are in Stage 2 must move quickly yet carefully. For snapshots of industries—and individual companies—traversing the Scale Stage, take a look at the following examples.

Those companies that have fallen behind or have not been acquired during this stage may be forced to choose niches as temporary hiding places until they can become attractive to consolidators.

Software industry. Customer relationship management (CRM) software, like other e-business related areas, has moved from the Opening Stage into the Scale Stage and is right at the inflection point of consolidation. New industries begin with a single successful company that achieves a generous market capitalization. That company, in turn, begins to attract competitors. These hopeful competitors proliferate; however, many don't get enough traction in the market to achieve critical mass and remain unprofitable until the consolidation begins.

The most successful companies consolidate their early gains by acquiring market share—they gobble up the fingerlings. In CRM, a specialty software area, this plot is unfolding pretty quickly. CRM software sales stood at US$11.8 billion in 2001 and were expected to reach US$14.2 billion in 2002. Siebel holds a 28 percent market share, Peregrine has 9 percent and Oracle follows with 7 percent. PeopleSoft, SAP, Trilogy and Epiphany hold a combined total of 12 percent, and the remaining market share is divided among smaller players. In sum, seven players have 56 percent concentration, with the rest sharing 44 percent. Also, the fact that the top three players—although Siebel is far and away the leader—hold a combined market share of 44 percent means that the industry is moving up the Endgames curve rather quickly.

The smaller players, including Kana Software, Onyx Software and Primus Knowledge Solutions Inc., are struggling, making the market ripe for takeovers. Clearly, battles will erupt over market share in such a fast-growing area. Of course, Oracle and Peregrine also have products that serve other markets, as does SAP. It's also possible that a new competitor could enter the marketplace in a diversification move (IBM, perhaps?) and scoop up several small players to take a major position if it sees CRM as a high-growth market.

Automotive parts industry. The global automotive business is characterized by a never-ending battle for margins between automotive parts suppliers and automotive original equipment manufacturers, or OEMs. In recent years, this turf war has been a fascinating example of merger Endgames in action.

In the mid- to late-1990s, larger first-tier automotive parts suppliers pursued a systems integrator strategy by consolidating their individual sub-industries. They believed they could reap higher margins from OEMs by offering "plug-in" modules such as integrated door assemblies or entire car interiors, as opposed to simply offering the individual parts. Some examples of this Endgames strategy include:

- TRW purchased LucasVarity in 1999 to become the leading braking systems supplier in the world.
- Lear Corporation bought United Technologies' automotive division in 1999 with the goal of supplying OEMs with "full-service modules" that integrate interior systems with

electrical systems. In the same year, Lear purchased Ovatex and Polovat, two smaller automotive interior suppliers, in addition to Donnelly Corporation's 50 percent interest in Lear-Donnelly Overhead Systems, an overhead interior systems business.

- Johnson Controls bought Ikeda Bussan, a Japanese automotive seating company and the main supplier of seating systems to Nissan. This purchase served as a starting point for selling Johnson's entire range of seating systems to the Japanese OEMs in 2000.

More recently, private equity firms such as Ripplewood Holdings have led the consolidation of second-tier automotive parts suppliers, largely with the same objectives as the first-tier consolidation wave.

The emergence of these systems integrators raises an interesting question: Just how much manufacturing does an OEM need to do in-house? Volkswagen has a well-known assembly plant in Brazil that is a great example of this emerging large-scale outsourcing trend. Third-party suppliers deliver all the major parts of the vehicle—including rolling chassis, interiors, engine drive trains—to the plant, where it is merely assembled into its final form. The erstwhile manufacturer, in the Scale Stage, has now become a designer, marketer, brand name, and systems integrator. The capital, asset and labor-intensive parts and systems manufacturing and assembly has been pushed back down the integrated supply chain to large suppliers.

Does a potential new business model emerge during the Scale Stage? Perhaps along with the Scale Stage a new platform or basis for competition emerges—as a designer, marketer and branded systems integrator—and not as a basic producer. Such diverse companies as the Sara Lee Corporation, Puma, Sony and Nokia (among others) have chosen this model. Is the Scale Stage also leading to new business models and new definitions of scope?

Health care products industry. Johnson & Johnson, one of the world’s leading health care products companies, has taken an innovative approach to its Endgames strategy. Clearly in a Stage 2 industry, it has not followed the path of its main competitors such as Pfizer, Bristol-Myers Squibb, and Eli Lilly, which have divested all of their non-pharmaceutical businesses. Instead, it has segmented the pharmaceutical industry more finely and built an Endgames strategy around creating scale in each of its three core businesses: consumer products, medical devices and diagnostics, and pharmaceuticals. The resulting strategy has been executed through three guiding principles:

1. Acquire to build or reinforce Johnson & Johnson’s competitive position in each of its core businesses. Examples include its acquisitions of Centocor and Inverness Medical Technology (biotechnology and diabetes care businesses, respectively) to help build competitiveness in pharmaceuticals; DePuy, an orthopedics device company, for its medical devices business; and Neutrogena for its consumer business.

2. Acquire to create or enhance synergies among its core businesses. An example of this was Johnson & Johnson’s 2001 acquisition of Alza, which designs controlled-dosage drug systems such as skin patches. Alza’s prescription pharmaceutical business will increase the scale of Johnson & Johnson’s pharmaceutical business, while its drug delivery capabilities allows Johnson & Johnson to improve the effectiveness of many of its products in both its pharmaceutical and consumer businesses.

3. Actively review the portfolio of businesses and divest or spin off businesses that become commodities, or suffer from reduced margins. While Johnson & Johnson has made more than 45 acquisitions over the past dozen years, what is less widely recognized is that it has divested more than 20 businesses, typically lower-margin commodity businesses, such as surgical gowns, latex gloves and other units that no longer fit the company’s long-term growth strategies.

Johnson & Johnson has lowered its Endgames risk profile by pursuing an Endgames consolidation strategy across many sub-industry segments at the same time. It is also successful at extracting value from acquired companies because it empowers business unit leaders to implement the merger integration themselves. As a result, Johnson & Johnson’s core businesses not the acquired companies are always the driving force and focal point of the business. In addition, merger integration know-how has become widely dispersed throughout the company—a powerful embedded capability.

Brewing industry. One of the world’s oldest and perhaps favorite industries is the brewing business. With nearly 500 years of history behind it, the industry has clearly been slow to move up the Endgames curve. In large part, this was due simply to logistics: Like dairies, which produce perishable milk products, breweries struggle to find the right geographic locations to assure economical distribution and product freshness. Smaller countries can accommodate a proliferation of local breweries, whose higher production scale costs are offset by lower, local delivery costs. In larger countries such as the United States, it’s not unusual to find placement of Anheuser-Busch breweries in strategically efficient distribution locations. Coors beer, for example, was brewed in a manner that required refrigeration during transit, so its distribution area—and thus potential market—was limited primarily to the Western United States through the 1970s.

Most of the world’s beer markets are mature and offer only limited potential for further volume development: aside from Germany, where the industry is still quite fragmented among small companies, only a few players dominate in each market (see sidebar: “Is Bigger Better for German Brewers ?”). For example, only two breweries, Brasseries Kronenbourg and Brasseries Heineken, lead the French market. In Spain, Grupo Cruzcampo, San Miguel, Mahou, El Aguila, and Damm were the five remaining players left in the market before Heineken formed a Spanish conglomerate integrating Grupo Cruzcampo and El Aguila. In the United States, market leaders Anheuser-Busch, Miller, and Adolph Coors hold 80% of market share.

Is Bigger Better for German Brewers?

Few industries can boast such a long, rich heritage and storied traditions. By 1516, beer had become such a popular beverage that Wilhelm IV of Bavaria created a special law, the “Reinheitsgebot,” which dictated the exact ingredients allowed in beer. Even today, German breweries follow the quality standards set by this law, and international breweries that want a share of the German market abide by it as well.

As a result, Germans tend to think of themselves as the founding fathers of beer and continue to value their breweries and beer quality. When compared with the international competitors, however, German breweries are only minor players: Anheuser-Busch (United States) has annual sales of about 130 million hectoliters (hl), Heineken (Netherlands) about 100 million hl, and Interbrew (Belgium) about 90 million hl. By contrast, the largest German brewery, Warsteiner, has sales of about 5 million hl per year.

Similar discrepancies in production volume are found in the markets for malt beverages across the world. The German market remains extremely fragmented, with more than 1,200 breweries active today. Thanks to strong consumer loyalty, many small family-owned breweries still exist in Germany and have avoided being swallowed up by the consolidation waves affecting the rest of the world.

Still, many of the country’s small companies are under pressure to consolidate. Nonalcoholic beverage companies are gaining market share, consumers are becoming more health conscious, and general consumption is on a downward trend. 30 years ago, the annual per capita consumption in Germany was at roughly 140 liters; in 2000 it was down to 120 liters. Today, as nonalcoholic beverages make inroads in the market, companies have raised their marketing spending and sponsorships, shrinking profit margins in the process. Only the well-known brands with strong marketing enjoy healthy profits.

The current condition in the German brewery industry is already evidence of a maturing market and the beginning of consolidation: Interbrew first bought Diebels and spent DM3.5 billion for Beck & Co.; Heineken formed a joint venture with Paulaner. The German market will eventually become oligopolistic, as is the case in all other countries around the globe. Smaller family-owned businesses ultimately must join the larger conglomerates that offer needed economies of scale.

Such regional maturity sets the stage for increased cross-border mergers and globalization. Scottish and Newcastle, the biggest brewer in Britain, has been a steady growth company in its home market, while its larger competitors—Carlsberg, Heineken, and Interbrew—looked to Eastern Europe for emerging growth opportunities. However, Scottish and Newcastle's takeover in early 2002 of Finland's largest brewer, Hartwall, for US$1.7 billion clearly changes the picture. The hidden gem in the Hartwall deal is its stake in Baltic Beverage

Holdings, which gives Scottish and Newcastle an instant market presence in Russia, Latvia, Estonia, and Lithuania, where growth has been steadily upward. The deal also puts the company on a probable collision course with Carlsberg, which also has a stake in Baltic Beverages.

Just a few months after Scottish and Newcastle acquired Hartwall, another major industry shift was announced: Following months of speculation, London-based South African Breweries, PLC (SAB) purchased Miller Brewing from Philip Morris for US$5.6 billion. The merged company—SABMiller—will be the world's second-largest brewing company and a leading player in the United States, the industry's most profitable market.

Eventually, as the industry continues its climb up the Endgames curve, smaller companies will fall victim to the emerging global powerhouses that benefit from economies of scale.

Scaling the Scale Stage

Clearly, Stage 2 is about growth—healthy growth, that is—and about gaining scale as quickly as possible. What do we recommend for companies struggling to scale Stage 2? Of course, there is no one-size-fits-all diet that will transform a relative lightweight into a heavyweight overnight: Different companies and industries require different approaches. Still, the basics for growth are immutable: mergers, globalization, brand consolidation, and market extension. Mastering all of these may not be necessary, but if you don't excel in most of them, your competitor (the one that's growing over in the corner) will.

> Stage 2 is about growth—healthy growth, that is—and about gaining scale as quickly as possible.

Making mergers work. Historically, mergers have not added value in proportion to expectations. This fact reveals a fundamental flaw in the strategy behind most mergers. There are two kinds of benefits that must be reaped. The first is the rationalization and consolidation of economies, which may be substantial. The second, and perhaps more important, is the ability to capitalize on the scale, size, and scope of the new, larger company. Unless this latter strategy is well conceived and

executed, the result is a short-term surge in profits followed by a long-term sag, often sinking below pre-merger levels.

The more carefully the acquirer considers the potential synergies and leverage of the acquisitions, the more likely a successful financial outcome. Obviously, markets—by which we mean both customers and financial investors—respond to well thought-out acquisitions and reject ill-advised ones. Without a favorable reaction from these constituencies, the acquirer may struggle to generate the positive returns to match the “buzz” around the acquisition.

In Stage 2, executives must ask themselves what, specifically, is the unique competitive advantage on which the consolidated company will build future growth and long-term profitability. Simply buying competitors is not enough. Remember: in mathematics, the sum of two negative numbers is an even larger negative number. The same holds true for combining companies. Alternatively, choosing companies with unique, proprietary, and complementary value propositions can create genuine synergies that result in dominant market positions earned, not bought.

Industry titans such as GE, Cisco Systems, Newell Rubbermaid, and Medtronic, to name a few, lead in the game of strategic acquisitions. These companies have set the bar not only in terms of number of acquisitions, but more important, in terms of successfully integrating them (see sidebar: “Integration Checklist ”). In other words, companies must be able to not only integrate an acquisition target, but effectively run it as well. Integrating IT systems, for example, is a critical and complicated step (see sidebar: “The IT Platform Is a Consolidation Linchpin ”). The Newel-lization approach, in which the acquired company achieves the same level of efficiency as its parent in approximately two years, has been the most successful, despite some high-profile stumbles.

Mapping out globalization. In the Opening Stage, industries may be concentrated on a local, regional, or maybe even national scale. But once the Endgames move to Scale Stage, the geography changes. Going global is a critical means of increasing mass. To be a true world leader, a company must participate in a meaningful way within the global triad—the Americas, Europe, and Asia Pacific. International expansion presents significant market opportunities to gain the resources that become necessary in the Scale Stage. Many of these opportunities will require finding new and different partners—businesses that are cognizant of what is needed to win in unfamiliar global markets (see sidebar: “Avis Drives a Global Strategy ”).

Integration Checklist

Thinking of acquiring a new company? Choosing the right target is only half of the battle: some of the best “fits” fail to live up to their potential due to missteps after the ink dries. The necessary due diligence is intense and for long-term success companies must master it—there is no getting around it. Although each acquisition is unique, having a set strategic framework that addresses the following integration categories is key:

- **Price.** Pay the right price and take write-offs up front.
- **Processes.** Learn the processes and eliminate misfits.
- **Integration.** Seamless integration of key functions, particularly IT systems, is critical and must occur as soon as possible. Additionally, companies in each industry must identify their own unique systems—procurement and logistics for the retail industry, for example—and ensure that they are a top priority.
- **Culture.** Create an open culture and communicate aggressively.
- **People.** Retain key people and know-how, eliminating those who must go, fast and cleanly.

  Of these lessons, the single most important one is fostering an open culture that readily embraces the employees of the acquired company. If the employees don’t feel comfortable with the new owners, they will leave, thus destroying a substantial part of the acquisition’s value. Of course, grants, patents, processes, and goodwill all fall into the value equation as well, but in most cases, the people matter most.

  If there are key contributors who came with the acquisition (and if there aren’t, why was it acquired?), create positions that will motivate them and keep them from jumping ship. Key actions for this include:

- **Decide on the right structure.** A decentralized organizational structure—with key people in the right position—that pushes decisions downward to lower levels often helps new organizations adapt.
- **Understand and simplify the processes.** Putting two companies together is difficult enough when they do things in similar, flexible ways—but nearly impossible if they cling to old, provincial processes.
- **Choose the culture to build around.** Look at the culture of the target company. Is it uniform? Is it open or is it insular? In other words, is it one where very few outsiders come in at a higher level, such as Wal-Mart and Procter & Gamble, or does top management welcome executives from a variety of backgrounds? Understanding the organizational culture of the target company helps executives take the necessary steps to reshape their own organization accordingly.

In Chapter 7 , we offer some more merger integration lessons in the sidebar, "Seven Steps to Merger Success ."

The IT Platform Is a Consolidation Linchpin

One of the most critical—in fact, indispensable—elements of the Scale Stage is that the acquiring company must have an IT platform/system capable of serving the combined companies. Islands of separate, incompatible systems cannot be sustained. Depending on the nature of the business, the IT platform must at least include an enterprisewide (enterprise resource planning or ERP) base system upon which all core transactions can be handled. Companies such as SAP, Oracle, Computer Associates, and J.D. Edwards are among many that provide such systems.

Converting the acquired company immediately to ERP is an important step in successful integrations and achieves three goals:

- It puts core transactions into a system that permits accounting to be done and financial controls to be put in place.
- It reveals process incompatibilities that must be fixed.
- It defines who is in control and what mode of operation the combined company will follow.

Next, depending on the nature of the business, the IT systems must be combined into the best-of-breed operations within the company—either in the acquirer or, less often, in the acquired. In product companies, supply chain software is important. In almost all kinds of businesses, data warehouse and knowledge management systems are valuable. In service businesses, communications, transaction tracking, and customer interaction systems are important. IT is critical because it is the key enabler for decision-making—arguably the most vital management task.

Underestimating the importance of physical integration (people, processes, places) with the parallel integration of information and systems can be a fatal mistake. Putting together two large companies is challenging enough. Trying to do it in the dark or speaking different systems languages is a formula for failure.

Avis Drives a Global Strategy

Cendant is a globally diversified hotel and real estate franchisor, with US$9 billion in annual revenue and operations in more than 50 countries. For years it has supplemented its organic growth with strategic acquisitions around its core competencies.

In 2001, for example, Cendant purchased Avis, the second-largest car-rental company in the industry. Avis has demonstrated exceptional skill in building scale with a strong—and consistent—global presence. Once a customer registers for its Wizard program, the process for picking up, paying for, and dropping off rental vehicles at airports, hotels, and Avis centers becomes quick, easy, and familiar. The company has locations at roughly 1,700 centers across North and South America and Asia Pacific. It also has marketing agreements with Avis Europe, PLC, a separately owned U.K.-based company that owns or franchises an additional 3,050 Avis locations throughout Europe, the Middle East, and Africa. For frequent travelers, the ability to deal with a familiar and ubiquitous service provider becomes a high-value benefit.

Avis faces a continuing challenge in its competitive environment. Ranked number two, it operates as a first-choice alternative to market leader Hertz. If Avis does its job well, its convenience and global scale can help it overcome lesser competitors with different value positions (Budget, National: low price; Enterprise: door-to-door pickup and delivery; Alamo: very low price, but less convenient non-airport locations).

The challenge Avis faces is one that all large competitors must deal with in the Scale Stage. To grow, Avis must clearly identify its target customers and deliver the service and value those customers find most desirable at competitive prices—better than the few remaining competitors—while maintaining acceptable profitability.

Although globalization can open doors to new markets, it can just as quickly turn into a trap. The complexity of conducting business in other countries can be overwhelming. Most business metrics for national markets ignore or underplay the intricacies of crossing borders, such as product or customer proliferation, language and currency differences, different cultural norms, market restrictions, government intervention, and the distances (and time zones) across which information and people must move.

Acquiring foreign companies with resident knowledge provides a solid foothold in the new market. Then, the acquirer must subdue its tendency to ignore the local cultures and knowledge. International business, like all businesses, follows the old 80-20 rule: 80% of all business activity is the same or very similar regardless of where it is done; the remaining 20% of what must be done in foreign markets is very different.

The company that recognizes the 80-20 rule, that understands and properly deals with the 20% difference while building scale economies and reducing complexity in the areas of 80% similarity, will be the winner. Study any successful global company and these points are evident, even if only in hindsight (see sidebar: "Wal-Mart Finds a World of Difference ").

Wal-Mart Finds a World of Difference

From the day Wal-Mart opened its doors in 1962, it has followed a tremendous growth path. In 1990 it became the largest retailer in the United States and began to work on its global expansion plans. Since then, Wal-Mart has emerged as the number-one retailer in the world, with superior market share in the United States, Canada, and Mexico, and smaller operations in South America, Asia, and Europe.

But not all of Wal-Mart's expansion plans have been a success. In 1998, the retail giant targeted the German market and began a series of acquisitions, including 21 Wertkauf stores in 1998 and 74 Interspar stores in 1999. But it quickly became evident that Wal-Mart's culture conflicted with that of its newly acquired stores. Take the issue of cost control. For Wal-Mart executives, keeping costs low is an ingrained fact of life. Managers on business journeys traditionally share a hotel room to keep expenses low. For the German managers, however, such arrangements were unacceptable. Additionally, the Germans perceived Wal-Mart's motivation exercises at the beginning of a normal working day as silly. Bringing an abrupt end to the honeymoon, most members of the German management team quit their jobs shortly after the acquisition, leaving Wal-Mart with insufficient knowledge about the German way of doing business.

The lack of local expertise quickly caused problems. Wal-Mart was unaware of administrative regulations that can defer its launch by up to five years. Furthermore, the retailer realized too late that its strategy of undercutting its competitors' prices would be scrutinized by the German Cartel Office (Bundeskartellamt), hindering its ability to follow its traditional business plan. Combined, these obstacles kept Wal-Mart's German market share at just 2%, providing it with too little scale to operate profitably. In 2000 it suffered a loss of US$200 million on roughly US$3 billion in sales.

Building better brands. Brand management becomes an increasingly complex issue as consolidation speeds up in the Scale Stage. Frequently companies in the Opening Stage become "roll-ups"—companies created as the result of a series of acquisitions in a fragmented industry. These roll-up companies typically have good business fundamentals, but it is important for their leaders to present a unifying strategy that articulates how the new company will be worth more than the sum of its parts. Branding can be an important strategic tool to bind the various groups together and position them for growth in the Scale Stage.

Magnetek is an excellent example. Formed in the mid-1980s through a series of more than 10 acquisitions in the electric motor, electrical equipment, and lighting industries, Magnetek was a roll-up of related and adjacent businesses, put together through private equity money and the acquisition of such companies as Plessey SpA and Century Electric. Management renamed the company as Magnetek and built the Magnetek brand as the unifying theme for the businesses. The Magnetek brand became a lightning rod in defining the company's acquisition strategy and face to the market, allowing the company to successfully progress through the 1990s in the Scale Stage.

Banks, in particular, have experienced the challenges of maintaining brand awareness as they have gone through a wave of industry consolidation. Many have chosen to use hyphenated hybrid names during a transition period until the brand equity has been reasonably transferred to the new parent company. Space prohibits making a list of the progression of bank consolidations and brands here, but several name changes over the past five years no doubt spring to mind. Two industries obviously benefit from this stage: printers and signage makers. Some banks have gone through three sets of signs on the front of their buildings and offices in the past five years!

Expanding through extension. Companies with strategic vision anticipate when their industry will reach the saturation point and begin branching out or developing a new business model in preparation. Consider the evolution of Yum! brands, formerly known as Tricon Global Restaurants. Yum! was originally formed by PepsiCo when it acquired the restaurant chains of KFC, Taco Bell, and Pizza Hut. Unable to attain the same levels of profitability in the restaurant business as in its core businesses, PepsiCo spun the three restaurant chains off to form Yum! Once independent, Yum! management aggressively drove synergies across the restaurant brands to squeeze out costs and grow.

Yum!'s first step was to reengineer its business model to form the foundation for acquisition-based growth. The company consolidated human resources and recruiting programs across the three restaurant chains, consolidated procurement to reduce costs, created an integrated global restaurant development plan, and pursued common product development programs. These actions led to a competitive cost structure, a harmonized global growth strategy, and a template for folding prospective acquisitions into Yum!'s business model.

Most important, Yum! began to cross-market the three restaurant brands, which led to a critical innovation—restaurant multibranding. In 2000, Yum! tested the restaurant multibranding concept in an alliance with Yorkshire Global Restaurants, the owners of Long John Silver's and A&W All-American Food Restaurants. Over the next several months, Yum! and Yorkshire opened 83 KFC/A&Ws, six KFC/Long John Silver's, and three Taco Bell/Long John Silver's. Consumer acceptance was so great that Yum! ended up acquiring Yorkshire in early 2002. As David C. Novak, Yum! Chairman and CEO, said in the press release announcing the merger, "One of our major strategies is to drive global growth by leading the way in multibranding innovation offering the consumer two brands and more choice in one restaurant.... We are confident multibranding is a key enabler for accelerating the renewal of our existing asset base and adding new units with excellent returns for our shareholders."

> Companies with strategic vision anticipate when their industry will reach the saturation point and begin branching out, or developing a new business model.

McDonald's also is branching out. It has acquired Donato's Pizza, Chipotle Mexican Grill, Aroma Café, and Boston Market (formerly Boston Chicken) restaurant properties. McDonald's has failed with most of these menu items as dinner offerings on its regular restaurant menus. Why? Because, as Al Reis and Jack Trout constantly remind us in their books on positioning, "Once you have a position in the mind of the consumer, it is terribly hard to change it." And you shouldn't try anyway. McDonald's is hamburgers and fries. Why fight it? Simply make the best-tasting, fastest, most consistent and inexpensive hamburgers and fries.

What is the marketing value of Donato's Pizza, Chipotle Mexican Grill, Aroma Café, and Boston Market to McDonald's? As brands, their value is just so-so. As line extensions, these are competing restaurants. Nevertheless, these acquisitions may be strategically brilliant. They can leverage McDonald's immense buying power, its management base, and its financial resources. In other words, McDonald's has the potential to keep non-hamburger and fries customers in its fold.

Staying Ahead of the Curve: Strategic Lessons for the Scale Stage

Reinforce core strengths. In the Scale Stage, companies run the risk of losing a hold on their core culture as new acquisitions are brought into the fold. Consequently, they must pay close attention to fostering a strong culture that can absorb acquired companies, yet still maintain their original strengths and characteristics. Also, because key employees are often the most valuable assets of a newly acquired company, retaining them is critical. At the heart of a successful cultural integration is a strong management team that can build on the unifying features of the two companies and remove the differences. Building an information technology platform that is scalable, can rapidly integrate acquired companies, and causes minimal disruption to operations and customer service will also go far in paving the path up the curve.

With internal strength and stability under control, a company is in a stronger position to craft its Focus Stage Endgames strategy. Attention must turn to building superior insight based upon other industry players—monitoring what their competitive strategies are and finding ways to beat them up the curve. Much of this insight depends on gathering the right information. Today, approximately 10% to 20% of information is gathered externally; this proportion should be doubled.

Build momentum. The imperative is simple: consolidate the industry by growing with maximum speed. Inherently, this must involve a high rate of acquisitions because organic growth alone won’t get you there. A company jockeying to reach Stage 3 must be among the first players in the industry to capture the major competitors in the most important markets. The deals toward the end of the Scale Phase move beyond small acquisitions and should instead lead to quantum-leap jumps in scale.

Become a consolidation leader. Companies must build up the deepest integration know-how in the industry, using internal as well as external sources. The idea here is to build a merger integration model that clearly documents a proven methodology. There should also be a critical mass of experienced employees who can perform the necessary tasks, in addition to a regular influx of new employees. Soon, the company will master the skills to take over operational control of the main functions of an acquired company in less than three months. Additionally, choosing the right targets should also become routine: Warren Buffett is famous for saying yes or no to deals within five minutes. Assessing acquisition targets may never meet Buffett's strict timeline, but with the right knowledge base and methodologies in place, losing critical time up front will no longer be an issue.

Other factors in becoming a top consolidator are cultivating investor relations to get optimal funding and expanding global reach to gain strategic geographical coverage.

An Eye on Focus

As companies move from Stage 2 to Stage 3, the strategic emphasis shifts from speed to finesse. The deals become fewer and farther between, but each one carries significantly more weight. The room to misstep, while never great, continues to shrink. In fact, the space to maneuver in general is decidedly tighter.

As a result, players entering the Focus Stage must develop new strategies: gobbling up competitors to gain scale no longer works, simply because there are fewer and fewer competitors to gobble. Thus, while mastering merger integration gets companies through Stage 3, it won't get them to Stage 4. To find out what does, let's move on.

Chapter 5: The Focus Stage

Overview

> What we need to do better is be predictive. We have to be proactive. We have to develop the capability to anticipate attacks. We have to develop the capability of looking around corners.
>
> —Robert S. Mueller III, F.B.I. Director, *New York Times* , 30 May 2002

The third Endgames Stage, the Focus Stage, is characterized not so much by a blizzard of merger activity, as we saw in Stages 1 and 2, but by mega-deals and large-scale consolidation plays. The goal in this stage is to emerge as one of the small number of global industry powerhouses.

In this stage the number of merger deals begins to subside, but the size of mergers continues to rise as competitors battle to be among the last ones standing. The race is far from over, but the strategy changes as future Endgames winners begin acquiring their competitors with an economic return in mind, rather than with an eye primarily toward gaining market share. Companies that have made a lot of acquisitions in the past will begin fine-tuning their business portfolios to peel off units that are outside their core competencies. Some of these spin-offs will generate new businesses—and even new industries—as the number of industry players dwindles to those that are the most efficient operators.

Internally, companies typically focus on integrating mega-mergers made in late Stage 2 or early Stage 3. Once the merger process is wrapped up, they turn their attention to maximizing shareholder value and satisfying the demands of equity markets. Externally, the near oligopolistic structure of many Focus Stage industries results in the commoditization of products and services. Unfortunately, companies in the Focus Stage often pay more attention to operational efficiencies and survival, and less attention to satisfying their customers. The balance beam that bridges the gap to the final stage of consolidation is progressively more challenging.

Typical industries in the Focus Stage include electric power and gas companies, steel producers, glass manufacturers, coal producers, magazine publishers, ship builders, and distillers (see Figure 5-1). A number of subindustries also fall in the Focus Stage; the pharmaceutical subindustry, for example, falls under the larger umbrella of the healthcare products industry. The rules of the game have been well established at this point, and only an outside event or an industry incumbent will have enough power to effect significant change.

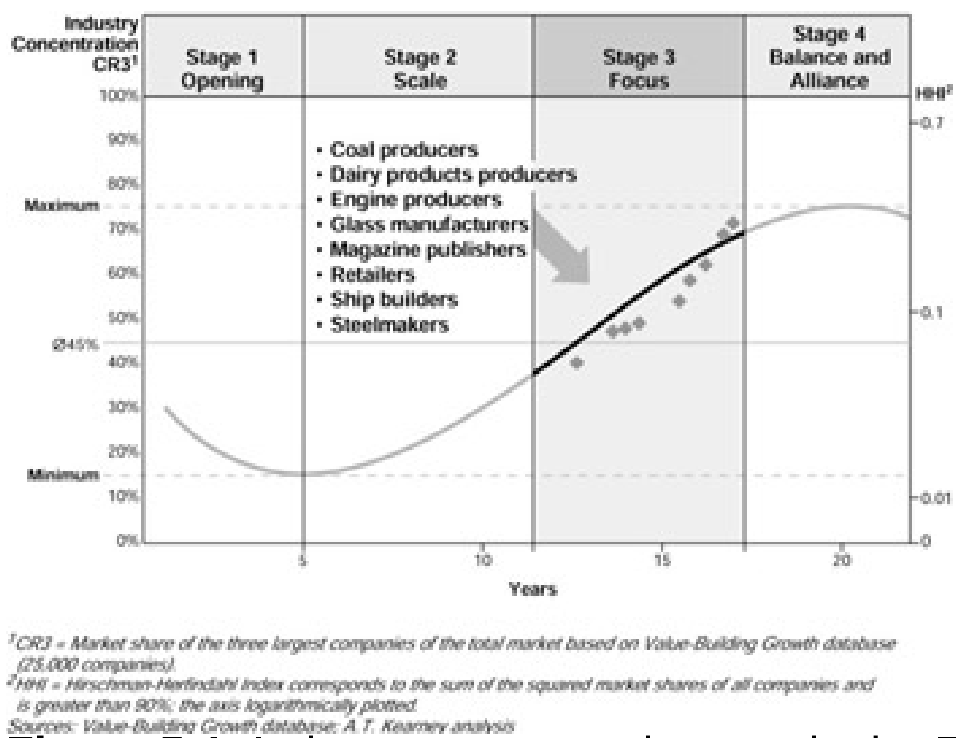


Figure 5-1. Industry concentration rate in the Focus Stage

Often, the most important competitive levers that come into play in the Focus Stage come down to economies of scale, size and global reach, and cost position. An interesting example of this in action is the dynamic around cost position versus capacity versus demand. When new low-cost competitors rapidly infuse large amounts of capacity into an industry (think of Wal-Mart in the large-scale retail industry and Nucor in the steel industry), they often end up eventually squeezing out higher-cost competitors with large amounts of pre-existing capacity (think of Kmart and Bethlehem Steel). This dynamic is exacerbated and accelerated in an economic downturn when demand shrinks.

> The strategy changes as future Endgames winners begin acquiring their competitors with an economic return in mind, rather than with an eye primarily toward gaining market share.

Stage 3 Snapshots: Who's Who

To illustrate the forces at work in the Focus Stage, we present a number of case studies from the retailing sector. As opposed to the steel or ship-building industries, where the dynamics of Stage 3 consolidation are fairly well established and widely known, the retailing industry highlights several fascinating variations on Endgames dynamics in action.

First, the retailing industry appears to be bimodal in its Endgames positioning. In other words, the industry has some parts (specialty retailing, for example) that demonstrate characteristics of the Opening and Scale Stages (Stages 1 and 2) and other parts (large-scale retailing—Wal-Mart—and discount retailing) that are clearly in the Focus or even the Balance and Alliance Stage (Stages 3 and 4).

Second, the typical, overt Endgames "M&A driven" consolidation we have come to expect in other industries is less prevalent in the retailing industry. Instead, retailers often use the tactic of "implicit consolidation" to achieve their strategic goals, including:

- Focusing on market share and cost position, and implicitly consolidating their industry by forcing competitors to go bankrupt (rather than acquiring them).
- Forming cooperatives (rather than acquiring competitors) to gain scale, reach, and purchasing power.
- Buying out minority equity partners that initially helped a retailer to grow and expand, particularly into international markets.

All told, the richness of its examples prompted us to derive all of the snapshots for this section from this single, albeit massive industry. Combined, these case studies create a microcosm of Stage 3 activity. The lessons U.S.-based retailers have learned—and have yet to learn—will undoubtedly resonate with companies and industries around the globe.

Mega-retailers. First, consider the retailing giants. We assign the venerable Big Three retailers from decades past—Sears, Montgomery Ward, and J.C. Penney—to this category. Two of these companies, Sears (1886) and Ward (1873), predate the 20th century, with J.C. Penney (1913) closing in on 90 years of retailing.

In 2001, however, Ward filed Chapter 11 after a five-year struggle to survive in a market being squeezed from all sides. And although Sears is on its second "turnaround CEO," several strategic moves have put it in a stronger position. Sears' US$1.9 billion acquisition of the mail-order retailer Lands' End in 2002 was widely applauded for its potential synergies. As the *New York Times* headline succinctly declared, "Sears to Buy Lands' End in a Deal That Unites Pants and Power Drills." Lands' End's vast Web-based distribution channels, in addition to its quality brand name, will go far in helping Sears improve its clothing product portfolio.

J.C. Penney took steps to alter its merchandise position and presentation in the late 1980s and early 1990s. In effect, this turned its clock back a bit, and bought the company some time. But Penney now faces a full frontal attack from a new nemesis, Kohl's, which is outdoing Penney at what it once did best—and with better, low-cost locations outside of expensive malls.

> The lessons U.S.-based retailers have learned will undoubtedly resonate with companies and industries around the globe.

And J.C. Penney is not alone. Retailers everywhere are vulnerable to new and formidable competitors that are closing in on all sides. In 2001, Marks & Spencer, a venerable English retailer, became locked in a battle for survival. Faced with plummeting market share, it embarked on a massive reorganization plan that included closing 38 stores throughout Europe, shuttering its catalog operation in the United Kingdom, and divesting its Brooks Brothers clothing stores and Kings Super Markets chains in the United States—all in an effort to refocus on its traditional core strengths of food and clothing. One year later, Marks & Spencer seemed to be on the road to recovery: profits were up and it had regained some of its lost market share. But the cost for losing its way was high, and the lessons of its U.S. counterpart, Montgomery Ward, serve as a reminder how fragile this comeback may be.

Beyond the retailing industry, such harsh competition and dramatic defensive maneuvers characterize the Focus Stage. It’s a mistake to believe size and scale can insulate a company from the pressures of the Endgames curve. Remember: the bigger they are, the harder they fall.

Discount retailers. Sam Walton may be forever known as the CEO who built an empire on discount retailing, but without the pioneering—and somewhat duplicitous—efforts of Eugene Ferkauf, Walton might not have enjoyed the same success. In 1948, Ferkauf opened one of the first discount stores in the United States, E.J. Korvette. But there was a problem: the Robinson-Patman Act of 1937 dictated that retailers must charge the manufacturers’ suggested retail price. To circumvent this law, Ferkauf claimed his store was a “membership store” that was not open to the general public, which effectively exempted him from the Act; Ferkauf then simply passed out membership cards at the door. Eventually Ferkauf was challenged in court, but support for the Act had waned and Ferkauf and his successors were free to stay in business. The E.J. Korvette chain peaked at 58 stores; it performed well in the Opening Stage, but never mastered the Scale Stage and went bankrupt in 1980. It did, however, set the stage for subsequent discount retailers as well as for the current spate of membership retailers such as Sam’s Club and Costco.

By the 1960s, with changing demographics and the rise of the suburbs, the freestanding general merchandise discount store came into its own. Kmart evolved from the five- and 10-cent chain S.S. Kresge. Target Stores were spawned by department store chain Dayton's as an off-price entry into what appeared to be a logically emerging market segment. And last but not least, in 1962, former J.C. Penney employee Sam Walton opened, in a small town in Arkansas, the first store of what has become the largest and most successful retailer in the world, Wal-Mart.

Soon, discount stores swept the retail landscape, not just in America, but also in some European countries, and then globally as well (Carrefour and Hypermarché in France, Tesco in the United Kingdom, and Wing On in Hong Kong, to name a few). These stores—led first by Kmart and now by Wal-Mart—are fully into the Focus Stage. Of the many regional chains that were spawned by the discount stores during Scale Stage, most of the regional ones have failed, including Lucky Stores, Treasury (Penney's attempt), Fedmart, Gibson, Howard, Venture, Gold Circle, and Caldor.

These chains all followed essentially the same model through the Opening Stage and rapidly grew to what they thought was Scale Stage. They soon fell to the behemoths as they discovered that their understanding of Scale Stage was flawed. This lesson is useful as it is repeated often in other industries (including automotive and heavy industry).

Conversely, aggressive discount retailers such as Wal-Mart recognized the risk of a one-size-fits-all approach and experimented. These chains found which merchandise categories would fit, compete well, and survive in their store assortments and which didn't. Freestanding drugstore chains such as Walgreen's and its next competitor, CVS, are establishing beachheads against large general merchandise leaders such as Wal-Mart and Target. By setting up shop at busy intersections—and making the old "drugstore" a combination drug, convenience, food services, and mini-discount store—they are attracting shoppers who do not want to traverse huge parking lots and 100,000+ square foot discount stores to find a few items.

This is classic Focus Stage behavior of the "trading players" mode—but in this place it is “trading customers.”

Kmart has already fallen into Chapter 11. The company is exhibiting the classic Focus Stage illness of being caught between two huge, tough competitors and *not* being able to achieve parity of cost/delivery necessary to compete. Only Kmart’s size and locations give it a small chance to emerge from bankruptcy and move past the Focus Stage, but it faces many of the same issues as Holzmann.

As the industry gears up for the final stage of the Endgame, Wal-Mart and Target are choosing sides, garnering the best suppliers, the best deals, the best merchandisers, and the best talent. “Trading players” is going on and Kmart risks not being attractive enough to play the game. Few regional, niche competitors remain: ShopKo Stores, Fred Meyer, and Meijer are among the survivors. These retailing giants are moving to compete in the same retailing format that Fred Meyer (in turn owned by Kroger) and Meijer had competed in for a decade or more—“superstores” that incorporate grocery stores into discount stores.

> As the industry gears up for the final stages of the Endgame, Wal-Mart and Target are choosing sides, garnering the best suppliers, the best deals, the best merchandisers, and the best talent.

Wholesalers. Sol Price, an innovative retailer, founded the early department store chain FedMart in southern California and rapidly built it into a success before selling it. As he departed that venue, he realized that all retailing efforts were ignoring one large and newly growing market segment—small business owners.

As more and more small businesses sprung up in the 1980s, they were forced to either pay premium retail prices for routine supplies (office and maintenance supplies, small equipment, coffee and cups, for example) or spend precious time buying from a multiplicity of local distributors, one for each need. An opportunity was emerging.

Price considered the economics. Small businesses could shop weekly if they could come to one place and get everything at great prices. Location meant little. In fact, industrial locales were where the customers were clustered and real estate was much cheaper. Ambience also meant little. These business people would gladly prowl a warehouse-like setting with industrial carts, collecting the supplies they needed. No merchandising was necessary because no reason existed to offer more than a single brand or type of each item.

These decisions cut the costs of overhead dramatically and reduced the assortment of items required from the 50,000 and up available in discount stores to less than 10,000. Bulk packages were acceptable and non-perishable food items could also be good sellers.

By paying a membership fee (US$25), the people who shopped at the first Price Club somehow felt special, like "insiders." Price realized that he could achieve unprecedented inventory turn way over the norms experienced in this business, usually selling goods before he had to pay for them under standard 30- to 60-day terms. The low-overhead locations, low-overhead presentation, and negative working capital model allowed Price Clubs to earn a profit on a 10% gross margin—fully 15 points below what traditional discounters charged.

People flocked to the first Southern California Price Clubs, leading to volume of more than US$2 million per week per location. This model spread like wildfire, moving rapidly to metro markets across the United States, and led to a raft of competitors including Pace, Costco Wholesale, BJ's, and Wal-Mart's Sam's Clubs. In fact, more than a dozen smaller chains began operations and then quickly merged into the larger companies during a rapid consolidation in the mid to late 1980s. By the mid-1990s, only three clubs still existed: Costco acquired Price Club, Sam's bought Pace, and BJ's staked out a regional presence.

As the clubs moved into the Focus Stage, they found that the Scale Stage had dragged them off course. Their profit model was no longer as sound as the original. Opening membership early to consumers and establishing a 5% higher price tier than for business members stimulated growth tremendously, but it also created proliferation of items and resulted in some loss of focus on core customers. After a period in the Focus Stage, both Sam's and Costco have restructured their locations and assortments to meet the new mix of consumers and small businesses. During the Focus Stage, it is easy to get off track by trying to artificially stimulate growth at the cost of lower profit and, often unrecognized, potential financial failure.

Office products retail and wholesale industry. For decades, the industry had been a sleepy distributor-based business-to-business segment. Large companies evolved to serve other large companies, thus the "contract stationers" became discrete intermediaries, doing more than distributors to serve large corporate clients. Mail order emerged to serve small businesses and individuals, and a few retail stores existed here and there.

This was the scenario circa the mid-1980s, when former grocery merchant Tom Stemberg conceived Staples, the office products superstore. Within five years after Stemberg opened a handful of Staples stores, several dozen emulators had appeared—typical of the Opening Stage of a new segment shift.

Within five more years, there were once again only three superstore chains: Staples, Office Depot, and Office Max. And, like their discount store counterparts (Office Max was once a division of Kmart), two of the three are dominant and the third, Office Max, hangs on but remains at risk. This new form of distribution—think of it as a retail store to serve small business office products needs—totally disintermediated the comfortable industry structure. It drove the entire industry through the Scale Stage and into the Focus Stage in less than a decade. As the superstores grew, they negotiated better deals from suppliers and competed with contract stationers at the lower size range of their markets.

Clearly, large companies were not going to give an administrator US$5,000 cash and a small truck to go shop for supplies and equipment—but they would provide a company credit card and ask the administrators to go pick up a few hundred dollars' worth of supplies on their lunch break. As the superstores grew, they became wealthy enough to acquire a few of the better contract stationers and two or three leading mail-order companies, thus broadening their reach and extending their scale for purchasing leverage. In defense, specialty distributors and smaller contract stationers banded together to form buying groups or simply merged outright. This is reminiscent of what the hardware trade did a decade earlier (see sidebar: "Hardware Retailers Build New Strategies ").

Finally, the industry now finds itself moving into the Focus Stage. A few large distributors remain, as do a handful of large "consortia" and three superstores. The segment patterns revealed in other retailing/products repeat. If this case covered the "category killers" industries like toys (Toys 'R' Us), sporting goods (The Sports Authority, Gart Sports Company), and electronics (Best Buy, Circuit City), the same patterns of consolidation would be evident. As the Endgame plays out, the strong either crush or acquire the weak.

The participants move segment by segment through the Opening Stage to the Scale Stage to the Focus Stage, where they may reinvent themselves to initiate a new start. Or they move to the Balance and Alliance Stage where they "choose sides" and "trade players" in a fight for survival until reinvention can occur. Such is the progression of the Endgame in industry after industry.

Hardware Retailers Build New Strategies

No mom-and-pop store or other niche player is immune from the forces of the merger Endgame. However, in the hardware retail industry, smaller competitors have developed an interesting survival strategy.

Sears' much-vaunted Craftsman brand and its lifetime products guarantee combined with ubiquitous stores and its mail-order catalog forever changed the hardware retailing landscape. Those competitors that survived managed to do so by banding together into cooperatives such as Coast to Coast, Servistar, Sentry Hardware, Hardware Wholesalers Inc., Liberty Group, Cotter & Co. (True-Value/ V&S), and Ace Hardware, along with a host of other less notable groups that pulled together purchasing and distribution services.

In an attempt to emulate Scale Stage economies for non-Scale Stage competitors, these groups were formed to provide administrative and financial help, volume discounts, program merchandising, centralized distribution, and coordinated advertising on a scale otherwise economically impossible. These were just the five largest benefits. Members paid fees to use them and any profits gained at the end of the year were distributed among group's members.

Such groupings took place in other industries as well, essentially moving an entire group of small Opening Stage competitors into the Scale Stage, at least temporarily.

Moving Through the Focus Stage

The path through the Focus Stage is as treacherous and difficult to manage as all of the other Endgames stages. But there are some specific make-or-break strategic challenges and enablers to keep in mind. Harnessing the power and innovation of all of the employees in your company and focusing exclusively on the strategic imperatives of your core business are the “must-dos” for the Focus Stage. At the same time, sidestepping the effects of disruptive technologies and refocusing on the basics of competitive strategy can make the journey through the Focus Stage relatively smooth.

Harness People Power

The strain on senior management teams, as well as rank-and-file employees, in getting to and competing in the Focus Stage is enormous. Companies in the Focus Stage often have hundreds of thousands of employees. They have often been through mergers and mega-mergers, restructurings, change management initiatives, and competitive onslaughts. As a result, harnessing and focusing the power of all employees becomes particularly important (see sidebar: “GE Raised the Bar ”).

CEOs must conceive and launch companywide initiatives that capture the spirit and commitment of all employees—and focus them on achieving important strategic, customer, supplier, and internal goals.

GE Raised the Bar

From aircraft engines to turbines to locomotives to plastics and chemicals, General Electric competes in several prototypical Focus Stage businesses. One of the most important things that GE senior management realized was the need to build advanced people management processes to focus the entire organization on the critical success factors for competing in a Focus Stage business.

What Jack Welch, the retired CEO of GE, accomplished was to build a superior organizational advantage using people development techniques that have been widely publicized. The purpose of this explanation is not to cover this ground again, but merely to put it into context. In the Focus Stage, many competitors have relatively comparable size, scale, scope, resources, and market technology. Thus a critical source of competitive advantage and profitable growth in the Focus Stage often comes from people—how they work together and what they work on.

Welch pioneered several innovative people management principles and borrowed others and tailored them to fit GE's requirements. Several were particularly useful in the Focus Stage:

- **"Boundarylessness":** The open sharing of (often confidential) market, competitor, and customer service information across all levels of management. The boundarylessness concept led GE to extend its value chain to create profitable new service businesses and implement innovative financing vehicles to grow its core Focus Stage businesses.

- **Workouts:** A team-based, non-confrontational approach to resolving cross-functional or cross-business issues and problems. Therefore, employees with different backgrounds and from different levels in the organization (excluding top management) meet for one or several days to find ways to make the organization more efficient and effective. Workouts led, for example, to GE consolidating much of its purchasing power and reducing its procured costs across its many business units.

- **Peer Review of Strategic Plans and Budgets:** A transparent process of having leaders of unrelated business units review and challenge the strategic plans and budgets of each other's businesses. This process, while somewhat confrontational, led to the best minds and creativity of GE focusing on raising the bar of GE's financial and business performance.

- **Six Sigma Focus on Quality and Excellence:** Borrowing this concept from a number of successful Japanese companies (and Motorola in the United States), Welch championed a call to excellence that spanned the globe. By spreading a Six Sigma culture and expectation, Welch focused GE on exceeding customer expectations and outperforming weaker competitors.

- **Digital Transformation:** Although GE was somewhat late to embrace the Internet, when Welch realized its potential, he moved aggressively. He coined the phrase "destroyyourbusiness.com" to emphasize the importance of the Internet to all GE employees. Welch believed that people's efforts are only as good as what they know is happening in their company and within their competitive arena—especially vis-à-vis their immediate partners: suppliers and customers. Building on this principle, Welch implemented a number of strategic Internet initiatives to transform GE's interactions with its customers, suppliers, and internal stakeholders.

Finally, Welch put an enormous amount of time and effort into selecting the right people for leadership roles. He championed a massive effort in training and leadership development, showcased in GE's management training center in Crotonville, and during quarterly business reviews, he devoted significant amounts of time to career progression and succession planning of his senior managers.

Maintain Unwavering Focus

The best Focus Stage companies do just what the name implies: focus. They focus on creating and building the advantages of size, scale, scope, brands, organization, and information. They focus on sticking to their knitting and emphasizing what they are best at across their industry's value chain.

For all industries in the Focus Stage, the leaders strive for world-class status and undisputed market leadership. Consider Diageo. Based in London, Diageo has a portfolio of businesses in the beverage and food areas. It owns United Distillers and Vintners, a liquor and wine purveyor, in addition to the Guinness label (beer) and Burger King (fast food). But in 2000, it began to restructure itself to focus solely on the beer, liquor, and spirits businesses. In October 2001, Diageo sold its Pillsbury food business to General Mills; in December 2001, Diageo jointly acquired the Seagram spirits and wine business from Vivendi Universal with Pernod Ricard. Diageo also launched a significant marketing program to leverage its spirits businesses and sold off its Burger King chain to an investor consortium led by Texas Pacific Group.

Focusing a superior amount of resources against selected competitors permits a Stage 3 company to win the competition without the pain of a full frontal assault. Recognizing start-up competitors early on allows the Focus Stage competitor to decide whether to crush them, acquire them, or simply emulate them. When used properly, this can become a tremendous advantage and, as each win is racked up, the advantage grows.

> Focusing a superior amount of resources against selected competitors permits a Stage 3 company to win the competition without the pain of a full frontal assault.

Beware Disruptive Technologies

One of the greatest threats to Focus Stage companies lies in "disruptive technologies," as described by Clayton Christensen in his book, *The Innovator's Dilemma* and a series of *Harvard Business Review* articles. Disruptive technologies can change the dynamics and economics of a Focus Stage industry quickly—often resulting in an overhaul of the competitive landscape.

Nucor Steel and its mini-mill emulators revolutionized the U.S. steel industry, essentially redefining what cost-competitiveness means, and plunged several older-technology steel mills into bankruptcy or closure in the process. The publishing industry faces similar disruptions by Web publishing and (self-published) print-on-demand books.

Some companies, however, use emerging technologies to their advantage. Old-line glass companies such as Corning have moved from their Focus Stage core business into the world of fiber optics—with a host of new market and competitive dynamics.

Consequently, Stage 3 companies must keep a close eye on their competitors—especially those hiding in the shadows. It is easy, but dangerous, to overlook or discount non-traditional competitors. New competition often comes from some of the least likely places: Digital Equipment's failure to recognize the threat of personal computers to its minicomputer business until it was too late underscores the potential danger. To avoid repeating Digital Equipment's blunder, companies must keep a close watch on both primary competitors and troublesome start-ups with disruptive technologies.

Develop—and Redevelop—Competitive Strategy

Competitive strategy takes on a new dimension in the Focus Stage. Companies are so big that mergers and acquisitions are no longer the most viable strategic option, and they must look to "blocking and tackling" as a primary growth strategy. Focus Stage companies have often exhausted backward integration as a source of competitive advantage; and vertical integration can be a double-edged sword: powerful if industry technology changes little or not at all—and deadly if there is a major shift in technology.

To advance to the Balance and Alliance Stage, companies can no longer depend on taking share by directly encroaching on competitors' markets. There is more parity of market power, resources, and financial clout. As a result, companies must develop a combination of business excellence and strategic initiatives that maximize the effectiveness of both people and capital investments.

Staying Ahead of the Curve: Strategic Lessons for the Focus Stage

The top of the curve is well within sight at this point but reaching it is far from a given. Companies preparing for the final push into the Balance and Alliance Stage can strengthen their positions by taking a fresh look at their efforts in three areas:

Retool your competitive strategy. Every company approaching the final stage must find its strike zone. In other words, it needs to clearly define its true strengths and make them the focal point of the Endgames strategy. Now is the time to either shore up or part with weak businesses; the competition is just too well entrenched at this phase to resist attacking underperformers.

Companies should also identify the major players that will survive the Endgames—and either agree to a tacit ceasefire or avoid full-frontal assaults. Competitors may reach an implicit understanding at this point, essentially “swapping” lines of business or other opportunities. When they do so under the right conditions, no market share is lost and the competitive landscape becomes cleaner.

Focus on financial affairs. Getting the company’s financial house in order takes on a new level of importance at this point. Companies should increase their focus on profitability and rid their portfolio of low-growth or marginally profitable segments, while exploiting higher-growth or more profitable segments.

> Companies are so big that mergers and acquisitions are no longer the most viable strategic option, and they must look to “blocking and tackling” as a primary growth strategy.

As we mentioned earlier, Diageo is doing just this by focusing on its core capabilities—alcoholic beverages—and divesting noncore businesses (such as Burger King). Companies in asset-intensive industries often rationalize their global manufacturing footprint during Stage 3 as well. Achieving “fighting” weight for the final stage also means keeping resources lean and fit—in part by employing fewer, better people. An efficient organizational structure that leverages key talent is essential.

Sharpen your marketing message. Companies that move through Stages 2 and 3 rapidly through mergers and acquisitions often need to consolidate and unify their branding and marketing focus during Stage 3 as well. Especially following a mega-merger, a company’s marketing message and brand identity may be diffused in the eyes of customers. Stage 3 is the perfect time to sharpen your marketing message, consolidate your sales force, and successfully implement cross-selling and cross-branding strategies.

Preparing for the Final Push

These steps are prerequisites to the final, and most challenging, phase of the Endgames. It is during the Balance and Alliance Stage that some businesses reach a natural maturity and decline while others find renewed life. Which group will your company or industry fall into?

Chapter 6: The Balance and Alliance Stage

Overview

> Unless you try to do something beyond what you have already mastered, you will never grow.
>
> —Ralph Waldo Emerson

he top of the Endgames curve, the Balance and Alliance Stage, is the final step in the Endgames journey. The industry landscape in Stage 4 includes such heavy hitters as tobacco, aerospace and defense, shoe manufacturing, and soft drinks (see Figure 6-1). These industries are populated by a very few, very large companies that are the winners in their industry consolidation race. They are the unquestioned leaders in their field and can be successful in this space for a long time depending on how they handle and protect their prime position.

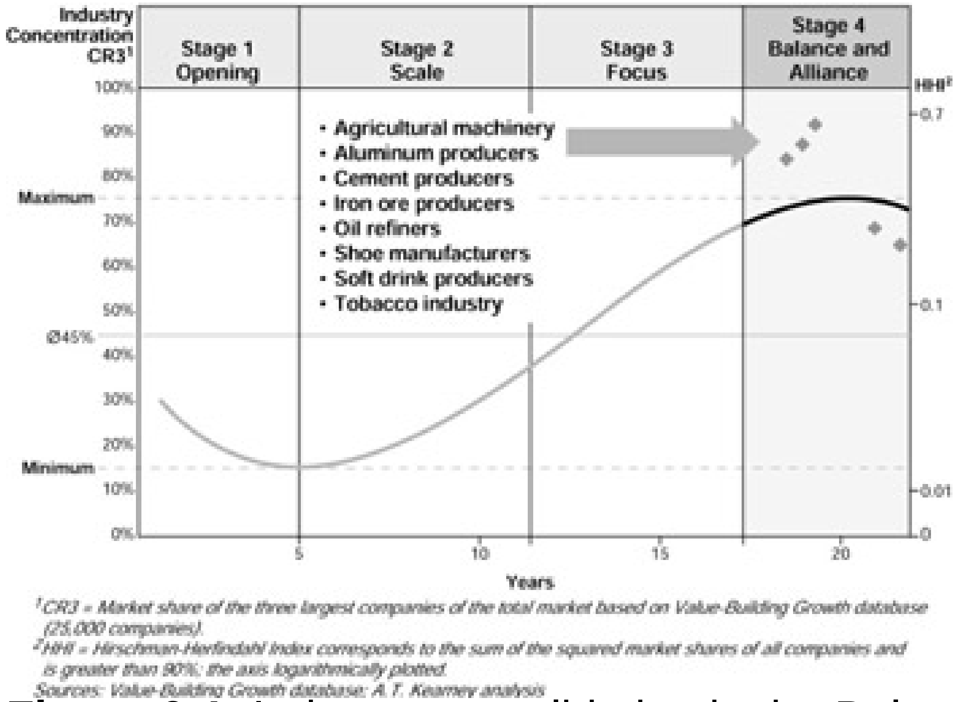


Figure 6-1. Industry consolidation in the Balance and Alliance Stage

But the room to maneuver is considerably smaller and strategic opportunities are increasingly hard to come by. In this stage, big mergers are no longer a significant option simply because the industry has already been consolidated. Instead, Stage 4 companies harvest their competitive position by maximizing their cash flow, protecting their market position, and reacting and adapting to changes in industry structure and new technological advances (see sidebar: "Trading Places "). Stage 4 companies often experience difficulty in growing market share because they have maximized their market penetration. But they are often subject to government regulation or scrutiny because of their perceived oligopoly or monopoly market position.

Typically, one of the most significant challenges Stage 4 companies face is knowing what to do with the significant amounts of cash they generate. Some opt to return their profits to their shareholders by increasing dividends or buying back their stock. Some choose to break into pieces by redefining their market scope, to enable their businesses to pursue new growth (and Endgames) strategies. Still others decide to diversify into new or unrelated industries, leading to a new Endgames path. Finally, some try to maintain a "business-as-usual" mindset, but get blown away by breakthrough technologies and simply disappear. The ice distribution businesses in the early 1900s, for example, were crushed by the new refrigeration technology. Or, more recently, look to Polaroid's photography technology, which was supplanted by digital technology. In other words, stability at the top of the curve is no more guaranteed than at any other point along the way.

> In Stage 4, the room to maneuver is considerably smaller, and strategic opportunities are increasingly hard to come by.

Trading Places

In the Balance and Alliance Stage, leaders climb onto—and are knocked off—their pedestals constantly. This phenomenon is particularly common in the high-tech field, where the velocity at which technologies and companies can move between stages is difficult to match.

In about two decades, IBM's large mainframe systems were undercut by Digital Equipment Corporation's (DEC) powerful minicomputers, which were in turn rendered unimportant by Compaq's low-cost, PC-based servers (as Compaq acquired DEC).

Now Compaq has been acquired by Hewlett-Packard (HP)—and the combined entity is being defeated by Dell's superior production model, which features a close-knit supply chain. Who will beat Dell? And when? Will it be a personal digital assistant (PDA) company such as Palm or Handspring? Doubtful. Or a cell phone company such as Nokia? Not likely, but possible. Or will the Balance and Alliance Stage produce some strange new combination of bedfellows that drives this industry back to the Opening Stage?

The Balance and Alliance Stage drives massive acquisitions and divestitures in technology companies. IBM, Intel, Microsoft, and Cisco bought literally hundreds of small companies to gain technology, talent, and market entry. But the tech giants have been busy shedding large viable companies, too. For instance, HP has been doing more than buying: it spun off Agilent Technologies in 1999.

Another industry ripe for partnerships and alliances, as well as fast consolidation, is the telecom equipment business. It's populated with major players—Cisco, Nortel, Motorola, Qualcomm, Alcatel, and others—surrounded by numerous smaller companies—Powerwave, CommScope, Corvis, Marconi plc, ONI Systems, and Sycamore Networks, to name just a few. When Lucent spun off cellular telephone equipment supplier Celiant, the company was independent for less than a year before another public telecommunications equipment company with about US$1 billion in sales—Andrew Corp.—snapped it up and increased annual revenue by 70%.

CIENA recently purchased ONI Systems for nearly US$400 million to acquire a position in the metropolitan area optical networking market to balance out its position in long-distance optical networking. Others, no doubt, are also seeking to use the current market climate to balance out their markets.

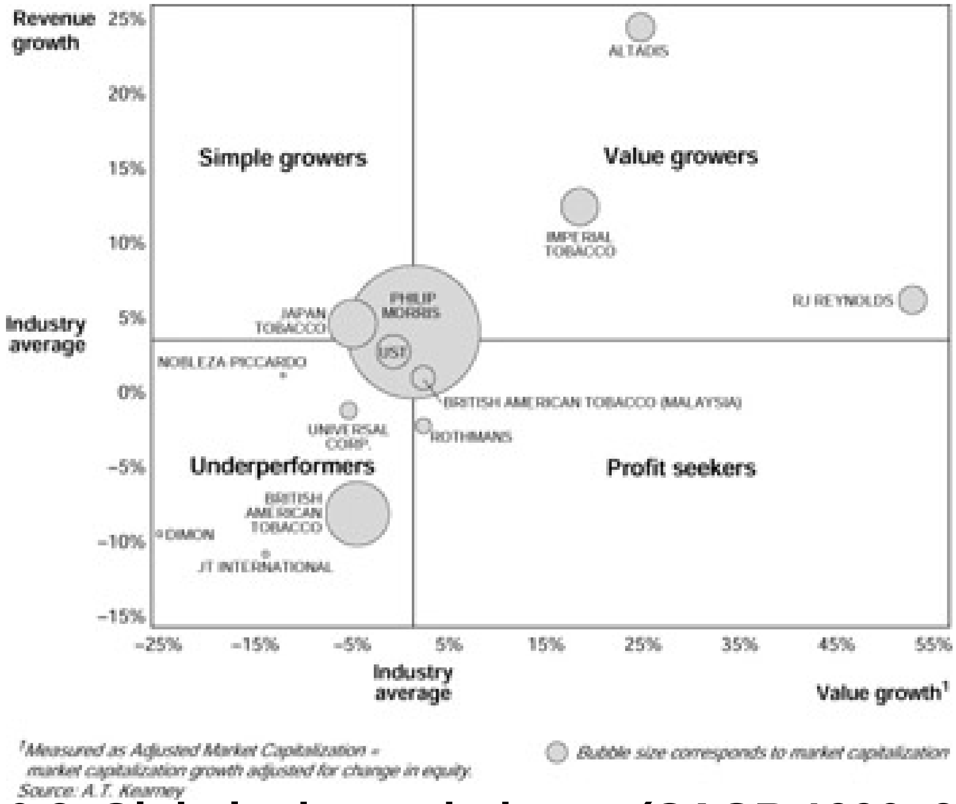
Let's examine some case studies to bring some of the issues and challenges of Stage 4 companies to life.

Stage 4 Snapshots: Who's Who

In reading through the following examples, remember what we noted in the beginning: *all* industries are global and *all* industries will consolidate. Which retailer that is currently stuck in Stage 3 will be its industry's next Nike? Which Stage 2 brewery will rise to become the next Coca-Cola?

The lessons such industry titans offer to those who follow in their footsteps are invaluable. They are, after all, the best of the best. But their position is not—and never will be—secure. These leaders have shattered corporate boundaries, set new records, and created global empires, but the challenge to stay on top of the Endgames curve proves just as rigorous as the climb to the peak. Which ones have the strongest foothold? And which are resting precariously at the top? Read on.

Tobacco industry. With roughly 400 years of history behind it, the tobacco industry has emerged as a triumphant contender in the final stage—and offers valuable lessons for those in its shadow (see Figure 6-2). About 15 years ago, the buzzword was diversification. Rising health concerns and increasing legal restrictions prompted analysts to believe that the U.S. tobacco segment had reached its peak of profitability. As a result, traditional tobacco companies invested in snack foods, retail stores, and financial services to take part in future growth markets. However, despite the predictions, the tobacco industry continued to thrive, becoming the cash cow for many diversified companies. Soon, companies began to divest their portfolios to focus on their tobacco business.



6-2. Global tobacco industry (CAGR 1996: 8211;2001)

> These leaders have shattered corporate boundaries, set new records and created global empires, but the challenge to stay on top of the Endgames curve proves just as rigorous as the climb to the peak.

Although much of the industry was still fragmented in smaller, national companies—including several that are state-owned—a few had mastered the global stage. Philip Morris and British American Tobacco (BAT) embraced two distinct strategies that led them to become global leaders in the tobacco industry. Philip Morris followed the strategy to grow organically. It emphasized its main brand, Marlboro, around the world, particularly in countries where health concerns and legal restrictions do not prevail. Only occasional acquisitions, such as Cigatam in Mexico and Tabaqueria in Portugal, punctuated its strategy. Conversely, BAT adopted an acquisitions-based strategy.

In 1999, a dramatic consolidation wave swept over the global tobacco market. The mega-deals that year included BAT's merger with Rothmans and its purchase of Imasco; the merger between the Japanese tobacco giant JTI and R.J. Reynolds International (RJRI); the merger between the Spanish Tabacalera and the French Seita, which created the new company Altadis; and, most recently, the acquisition of Austria Tabak AG by the British Gallaher Group PLC. The mergers moved JTI to the number-two slot with annual sales of about US$40 billion, after Philip Morris with annual sales of about US$80 billion. BAT fell to third place with annual sales of about US$35 billion. The deals clearly demonstrate how national companies must join the consolidation trend in order to grow or risk becoming the next target for a takeover by the large conglomerates.

While economies of scale and privatizations of state-owned tobacco monopolies are still the main catalysts that will continue to drive consolidations on a global scale, the trend has slowed down considerably over the past two years. There's still room for the smaller players to consolidate, as the industry remains fragmented. However, the main wave of consolidations has passed.

Modern tobacco companies have been money machines through the Scale and Focus Stages. However, tobacco use is lower in the United States (and Canada) than in the past because of intensive, health-related anti-smoking campaigns. In less developed countries, and in many European countries, smoking remains a common, widespread practice.

Although the United States was once tobacco's most lucrative market, a series of never-ending obstacles—including advertising bans, label warnings, liability lawsuits, activist complaints, and public education programs—continues to plague the industry. Despite these challenges, this mature industry controlled by a few behemoths has battled through the regulatory thicket of the Focus Stage and is entrenched in the Balance and Alliance Stage.

The tobacco industry has learned how to manage its way through its implicit re-regulation. Tobacco companies have restructured to contain and absorb the effects of government claims and restrictions, as well as consumer product liability lawsuits. From an Endgames standpoint, though, the effect has been to eliminate many of the industry's strategic options. In an effort to isolate the potential impact of lawsuits, tobacco companies have spun off or sold their non-tobacco businesses. Unrelated diversification is no longer an option. And, as mentioned earlier, all of the major M&A deals within the industry have already been done. The relatively simple business model of the industry does not lend itself to creating spin-off industries. Thus, as one senior tobacco industry executive says, "the only remaining strategic option for our industry is to make as much cash as possible and pay it out to the government and to our shareholders."

Shoe industry. Shoe manufacturing, especially for sports or athletics, has traversed a slippery slope over the past several decades. As the production of nearly all such shoes moved to low-wage labor markets in Asia, winning market share became a marketing, styling, endorsement, and brand management contest. Sales of fad brands such as LA Gear soared seemingly overnight and collapsed just as quickly. Global sportswear maker Fila spent fortunes on shoe endorsements with minor success—although sales by counterfeiters in Asian countries were brisk. Reebok rode up the soft leather, cross training, fitness craze—and back down the other side.

Financial success has been fleeting for many in the sports shoe business, but Nike continues to stay ahead of the pack. Without a significant change in its strategic game plan, however, long-term success is uncertain. Nike's marketing windfall with superstars Michael Jordan and Tiger Woods has effectively counterbalanced a weak acquisitions record, and pegging corporate growth on sports stars can be just as short-lived as their careers.

As a company at the top of the curve, Nike's best bet is to move into new categories by acquiring companies in the Opening Stage that are poised for superior growth. And it did, in fact, make some moves in this direction that met with moderate success. In 1988 Nike acquired Cole-Haan to tap into the business-casual shoe and accessories market and in 1994 it purchased Canstar to establish a foothold in the ice and inline skate market. But that was the extent of Nike's external growth activities. With regard to its Endgames strategy, the list of missed opportunities is a red flag. In 2001, Nike's then-president of outdoor products, Gordon McFadden, lobbied for the company to purchase outdoor-gear and clothing maker North Face, Inc. McFadden claimed, "It would have doubled the business overnight and made Nike the dominant player." CEO Phil Knight, however, rejected the acquisition, just as he turned down a similar opportunity to purchase mid-priced shoemaker Converse.

With sales and market share declining, strategic acquisitions could rebalance the scale in Nike's favor. Remember: leaders in this stage must not only be strategic experts in the final stage, but also be skilled in managing their individual companies across the curve.

Software industry. Of all the Balance and Alliance Stage industries, software is the one most vulnerable to start-ups in the Opening Stage. Unlike many Focus Stage industries, barriers to entry are low—as are required capital assets—and switching costs are easily overpowered by superior innovation. The only requirement: intellectual capital. And for the right reward, as we have seen over and over, such valuable knowledge will allow a company to leapfrog from a Focus Stage or Balance and Alliance Stage company to a start-up in the blink of an eye.

Some software companies, especially those rich with cash (think Microsoft), can buttress their dominance by acquiring promising competitors before they can become a threat. Indeed, Microsoft's legendary acquisitions strategy has been a key element of its storied rise to the top: from 1994 to 2002, the firm purchased more than 50 companies. As it gained market share and moved up the Endgames curve, it began aggressively acquiring Stage 1 companies to protect its position. Microsoft's ongoing growth strategy also includes targeting new lines of business, such as video games, through its Xbox console, and media, through its joint venture with NBC to create MSNBC.

Microsoft's acquisition spree slowed considerably, however, in the early 2000s when Microsoft faced antitrust charges brought by the U.S. government. Having emerged from its legal battles in 2002 relatively unscathed, it's almost certain that the software giant will quickly revitalize its acquisitions strategy. And, by making more than US$38 billion available in cash reserves in early 2002, Microsoft is clearly repositioning to start shopping again to stay on top of the curve.

> As a company at the top of the curve, Nike's best bet is to move into new categories by acquiring companies in the Opening Stage that are poised for superior growth.

Aerospace and defense industry. The aerospace and defense industries wage war through the Balance and Alliance Stage, with "countries" vying against "companies." When Europe blocked the GE-Honeywell merger, it sent a clear message that the industry's consolidation had gone far enough, at least in the minds of European regulators. What was once a raft of companies in Europe and the United States has diminished to a handful of large contractors. Will large defense contractors continue to "choose sides" and partner against comparable combinations? A logical evolution of the Balance and Alliance Stage is just that—surviving participants in a market will "choose partners," just like teams pick players in a sandlot ball game. Will the odd player out be out of the business? Will regulators allow via alliance what they frowned upon with GE-Honeywell? Only time will tell. As aircraft and weapons systems grow in terms of complexity, cost, and development time, such alliances are inevitable. Start-ups or small players have little or no chance in this industry.

But this doesn't mean the outcome is predictable. Sometimes a wild card—new, agile entrants or an external event—can precipitate consolidation. With the sudden turn of events post-September 11, 2001, for example, weapons procurement spending in the United States will vault from US$60 billion to US$90 billion annually for the next five years, precipitating a rush to further consolidate an industry already in the Focus Stage.

Northrop Grumman's acquisitions of Litton Industries and Newport News Shipbuilding pushed it to the top of the shipbuilding industry and made it the world's third-largest defense contractor. With sales approaching US$14 billion, Northrop is targeting engineering company TRW to pick up another US$7 billion in defense spending after selling off the target company's auto unit, which has larger sales and lower profits. If the Northrop takeover is successful, it would be a match for Lockheed Martin, with US$24 billion in revenue.

Even if TRW succeeds in defeating the Northrop move, it will have to divest itself of the auto unit anyway to please shareholders, since the aerospace and defense business has higher margins and will benefit greatly from the current spending boom. In the process, this sale would push the auto parts business along its industry consolidation curve.

Soft drink industry. Global markets for carbonated soft drinks are growing slowly—if not stagnating—as befitting a Balance and Alliance Stage business. But non-carbonated drinks are growing handsomely, and offer Scale Stage opportunities which Pepsi is seizing. Even carbonated, low-alcohol drinks are cutting into carbonated soft-drink sales by eliminating the need for "mixers" in many drinks sold in bars.

While Coca-Cola stuck with its soft-drink competency, PepsiCo began diversifying into snack foods and juices. Pepsi also embarked on several other solid Endgames strategies: it acquired other soft-drink brands; it formed alliances and partnerships with food chains, such as Burger King; and it created marketing partnerships with, for example, Universal Studios.

Coke realized it made an error after it decided to focus solely on being the leader in carbonated drinks; it was effectively shutting out the non-carbonated market—and missing a significant opportunity. To rectify the situation, Coke attempted a deal with consumer goods giant Procter & Gamble. The proposal called for Procter & Gamble to bundle its Pringles (potato chips) and Sunny Delight (juice-based drink) with Coke's Minute Maid juice business. However, before a final agreement was reached, both parties opted to back out, leaving Coke back where it started—right behind Pepsi (Tropicana dominates Minute Maid, Aquafina leads Dasani in the water business, and Pepsi may gain an edge by its acquisition of the sports drink Gatorade). Although Coke retains its lead in carbonated beverage sales, it has already begun to find new ways to combat Pepsi's impressive expansion into the non-carbonated drink market. In April 2002, Coke entered into an agreement with Group Danone to distribute Evian bottled water in North America. One month later, Coke announced that it was acquiring the Seagram's line of mixers, tonic, ginger ale, and seltzer from Diageo and Pernod Ricard.

However, in evaluating future growth plans, both Pepsi and Coca-Cola must run a gauntlet of legal tests set by the Federal Trade Commission in the United States and other government regulatory agencies throughout the world. Acquisitions and alliances are the fastest mode of further growth, but legal restrictions limit expansion opportunities for many Stage 4 companies.

Staying at the Top: Prospering in the Balance and Alliance Stage

This chapter is different from the three previous chapters in the sense that companies don't move *through* Stage 4—they remain *in* it. Whereas in Chapters 3 , 4 , and 5 we presented a roadmap of how to move through each stage successfully, in this chapter we discuss how to remain in this stage and flourish.

All companies in Stage 4 industries "hit the wall" in one way or another. What separates successful Stage 4 companies from less successful ones is the way that they tackle five critical challenges:

1. *Manage the growth challenge.* Companies must find new ways to grow the core business in a mature industry.
2. *Address the potential for industry regulation.* Stage 4 companies must be alert to the constant threat of governments, consumers, or competitors perceiving oligopolistic or monopolistic behavior by the leading industry participants.
3. *Create spin-off businesses.* Even the most entrenched Stage 4 companies can create a new wave of growth by spinning off new businesses into earlier Endgames stages.
4. *Fight complacency.* Stagnation is perhaps the biggest threat to Stage 4 companies if they become too comfortable with their industry position and either get blindsided by competition or wither away.
5. *Set a good example.* Stage 4 companies are always in the spotlight and thus must hold themselves to even higher standards than companies in other stages to avoid media, consumer, or government backlash.

All companies in Stage 4 industries “hit the wall” in one way or another.

Let’s dive into the details of these challenges and see how leading Balance and Alliance Stage companies address them.

Manage the Growth Challenge

As companies move into the final stage, they must confront the challenge of how to grow their core business. Typically, Stage 4 companies are in extremely mature industries and their growth options are limited. But growth continues to be a critical success factor, and companies with strong internal growth will be rewarded in the stock market.

Consider the tobacco industry. Faced with huge legal battles and regulatory constraints in the United States and Europe, they turned to less-developed countries in Asia and Eastern Europe to make acquisitions, form alliances, and grow their business. Now, tobacco companies have some of the most sophisticated supply chains and organization infrastructures of any industry serving these markets.

Growth continues to be a critical success factor, and companies with strong internal growth will be rewarded in the stock market.

Consider also the growth path of Japanese-based Canon. Its cameras and optical products spawned photocopiers ... which led to printers ... that now are used with digital cameras ... which brought Canon right back to photography. If it had rigidly defined its total market as any one of these segments, the company might have limited or constrained its growth. Canon’s competitors, Kodak and Xerox, made this mistake and ran into significant problems as a result. Canon, however, remained flexible and innovative. And it prospered.

To find growth, companies must adopt a growth mindset and redefine the market(s) in which they compete. Look at “next door" markets: expand the definition of market scope by zooming out until your market share is under 25% and preferably closer to 10%. Suddenly, plenty of growth opportunities will materialize.

Address the Potential for Industry Regulation

Because Balance and Alliance Stage industries are so concentrated, the most successful companies are often lightning rods for government scrutiny and regulation, as well as public backlash. Second-tier competitors often cite unfair advantages given to the leaders; consumers become concerned about the power the industry wields in terms of pricing or service; and suppliers get squeezed so much that they can't make decent profits. Individually or combined, these dynamics—whether perceived or real—can cause problems for Stage 4 companies.

The threat of government regulation is prevalent in all Endgames stages, but is most prevalent in the Focus and Balance and Alliance Stages (Stages 3 and 4). Consider the following examples:

- The heavy regulation and massive payouts from the tobacco industry to the U.S. government.
- The European Union's Competition Directorate General rejection of the proposed GE-Honeywell merger (mostly comprising businesses in Stage 3 and Stage 4 industries).
- The intense scrutiny, or rejection, of mega-mergers that may be indicative of an industry transition from Stage 1 or 2 to Stage 3 or 4 (for example, the proposed WorldCom merger with Sprint in 1999).
- The intense scrutiny of pricing practices, and the length and complexity of the FDA approval process, for new products in the pharmaceutical industry.

The key for management of Stage 4 companies is to realistically recognize the position of their industry vis-à-vis the government and to identify and address potential areas of government concern or action.

Create Spin-Off Businesses in Subindustries

At this final stage of consolidation, market potential lies in identifying pockets of opportunity or niches where the company can add value to the business. From an Endgames perspective, Stage 4 companies can achieve new waves of growth by identifying and building businesses that are launched from their core business, but create new industries or compete against new players in earlier stages of the Endgames curve. This dynamic enables the Stage 4 company to achieve future growth in a newly created Stage 1 or Stage 2 industry. Think back to the Pepsi case study: as a Stage 4 company, its acquisitions are geared toward emerging, high-potential markets, including the sports drink (Stage 2) and bottled water (Stage 2) industries.

For another example, look to IBM and Oracle. In the late 1990s, both companies spun off units in the sizeable, Stage 1 corporate training industry. Annual spending on corporate training exceeds US$8 billion in the United States, and of that about US$5 billion is spent on IT training. According to Lifelong Learning's Market Report, the number-two training company in 1998 was Oracle Education, a division of the software giant, with a 5.4% share worth US$443 million. The number-one trainer was IBM Learning Services, with an 8.5% share worth nearly US$700 million. The training market, while sensitive to economic trends, has been growing at a steady rate. And these two Stage 4 innovators did not miss the opportunity of an attractive spin-off business opportunity with lots of growth potential.

Fight Complacency

Stage 4 companies must engage in a never-ending battle with complacency, and those that succumb to contentment with their position risk imminent competitive onslaught.

Once again, consider the ongoing battle between Stage 4 giants Coca-Cola and PepsiCo. It has been a battle of give-and-take for decades. In the early 1990s, Coke became complacent in its marketing and product strategy. Then, intimidated by Pepsi's rapid gain in market share, Coke changed the taste of its flagship product, causing it to go into a tailspin. In the mid-1990s, however, the tables turned as Coke beat Pepsi in the race for international expansion and became the dominant brand in several strategic countries in Asia and Eastern Europe. More recently, Pepsi has been on a faster growth track than Coke, thanks to gains in its new non-cola beverage businesses. This epic battle highlights the consequences of taking your eye off the ball in the Balance and Alliance Stage.

As a result, Stage 4 companies must avoid complacency at all costs. Effective human resources management can often take on a strategic dimension in Stage 4 and help mitigate this risk. Reward and compensation systems, promotion and succession planning processes, and recruiting and people development are all critical processes that can encourage innovation and risk-taking and reduce susceptibility to competitor advances.

> At this final stage of consolidation, market potential lies in identifying pockets of opportunity or niches where the company can add value to the business.

Set a Good Example

Companies in the Balance and Alliance Stage are so big, so global, and so prominent that they attract undue media, consumer, and government attention. When they make a mistake, the consequences can be disastrous. As a result, they must develop and maintain a sense of overriding responsibility for the global marketplace, offer superior customer service, establish strict environmental protection policies, promote economic development, and foster strong, cooperative relationships with governments.

Stage 4 companies must realize they can do well by doing good. Shell learned this lesson the hard way when it tried to sink the Brent Spar drilling platform in the North Sea. The cost savings wasn't worth the loss of revenues through a consumer boycott, the bad press and damaged reputation it gained with consumers and environmentalists. Now it's working its way back into favor with a greener policy.

Nike has had its issues in the past, with accusations of using child labor in foreign factories and closing U.S. manufacturing plants to move production offshore. But it is moving to the vanguard of corporate responsibility with recent initiatives such as recycling programs, voluntary removal of PVC from its shoe materials, and introducing organic cotton into its T-shirts, which reduces environmental pollution caused by agricultural chemicals.

Nike has also turned to corporate reporting to raise awareness of its efforts to address the labor abuse practices it was charged with. Its Web site contains open self-criticism about findings in some of its factories. However, the site also reports that Nike gave a grant of nearly US$8 million to the International Youth Foundation—an organization dedicated to improving the lives of young people.

Other examples of Stage 4 companies seeking to improve their corporate image abound. Philip Morris, for example, has spent tens of millions of dollars on cultural sponsorships and smoker education programs, and Microsoft has emerged as a prominent charitable donor.

Unfortunately, trust in Stage 4 companies is long and slow to build and easy to lose. It takes a concerted long-term effort to achieve lasting results. Stage 4 companies need to develop and implement public relations, consumer awareness, and charitable donation programs. They need to build the high skill levels required to both lobby governments and involve nongovernmental organizations. Finally, companies must use sponsorships and corporate contributions to mitigate mistrust and fear.

Beyond the Curve

This chapter concludes the long journey through each of the four Endgames stages. By now, you should have a sense of the power and inevitability of the Endgames curve and you should accept that Endgames dynamics *will* affect your business and that of your competitors, suppliers, and customers.

Understanding the Endgames progression, though, is only half the battle. Some of the most interesting facets of the Endgames concept lie in its implications for business managers and investors. How should a CEO manage each Endgames stage? How should the Board of Directors carry out its duties across the Endgames spectrum? What are the implications of Endgames for investors? How will Endgames transform the business landscape between now and 2010? These questions will be the focal point of the third and final section of the book, “New Imperatives and Future Outcomes .”

Part III: New Imperatives and Future Outcomes

Chapter List

Chapter 7: CEO Strategies for Endgames

Overview

> There is no point at which you can say, "Well, I'm successful now. I might as well take a nap."
>
> —Carrie Fisher, actress and author

Want to generate some excitement and emotion? Try announcing a big merger. Nothing makes a CEO as famous. Nothing gets Wall Street buzzing like the prospects of a mega-merger. And rarely is anything quite as exciting for a CEO professionally as carrying out a merger.

CEOs such as Jack Welch (GE) and Carleton (Carly) Fiorina (HP) became household names primarily because of their involvement in Endgames (see sidebar: "The Jack Welch Phenomenon "). They each presided over hundreds of mergers and led consolidation in their respective industries. In addition, mergers can make CEOs wealthy. For example, Carly Fiorina, the CEO of Hewlett-Packard, reportedly received a merger success fee of tens of millions of dollars for the merger between HP and Compaq. But both the glory and financial windfall dissolve in an instant if that one big deal turns sour.

> The skills required from a CEO vary according to a company's position on the Endgames curve.

The Jack Welch Phenomenon

Jack Welch demonstrated many unique talents while he was CEO of General Electric, but his implicit understanding of Endgames dynamics was perhaps his greatest strength. He epitomized the Endgames strategy through four GE strengths:

- Predicting industry consolidation and deconsolidation
- Building a strong post-merger integration competency
- Maintaining primary focus on GE's core business despite a high volume of M&A activity
- Structuring and using the Board of Directors as an effective Endgames sounding board

Welch anticipated the consolidation of the medical systems, plastics, and aircraft engine industries (to name a few) well ahead of his competitors and forced GE to become the consolidation leader in each. He also recognized that the mining industry had reached the Balance and Alliance Stage and divested it before its financial performance and market valuation dropped off—again well ahead of any competitor. Finally, Welch reinforced the Endgames strategy across GE by insisting that any GE business unit be the number-one or -two competitor in its industry or be sold off. Most of the time, this strategy led to anticipating Stage 4.

Welch also empowered his senior line managers to fully integrate newly acquired businesses into the GE business model. The acquired companies were fully assimilated into GE; from day one, their primary focus became the business success of GE's core business. The only time Welch negotiated special concessions in an acquisition, he regretted it. Following the acquisition of the investment bank Kidder Peabody, the investment bankers were reluctant to be fully integrated into the GE Capital business model. What especially irritated Welch was that the bankers felt they were entitled to hefty bonuses even when their financial performance came in below their commitments. Welch tolerated the Kidder differences until a 1994 insider-trading scandal involving the head of its government trading desk, Joseph Jett. At this point, Welch put in GE executives to manage Kidder and fully integrate it into GE Capital.

Finally, Welch relied heavily on his Board of Directors for advice and insight on potential acquisitions. In a number of deals, Welch counted on his Board to establish contacts with acquisition candidates, as well as act as a sounding board for the strategic rationale for buying them. He also chose or recommended potential new Board members in part based on their ability to introduce GE to acquisition candidates or ideas in new industries.

In this chapter, we examine what CEOs must do to successfully carry out an Endgames strategy and the new onus placed upon the Board of Directors to manage the Endgames execution.

The most important issue for a CEO and a Board of Directors to realize is the inevitability of Endgames consolidation. The reality is that *every* company in *every* industry will go through the four Endgames stages—or disappear. Some industries may consolidate faster or slower than others, and one Endgames stage may last longer than another, but Endgames consolidation *will* happen. Period.

Although the beauty of the Endgames model is its promise as a predictive tool, this potential will be realized only through strong execution by the CEO and the Board of Directors. Senior leaders must always be aware of where their industry and company lie on the Endgames curve and plan their strategies accordingly. The key question, then, becomes how the CEO and the Board should react to and lead through Endgames consolidation dynamics.

Our research reveals that the skills required from a CEO vary according to a company's position on the Endgames curve.

From Stage 1 through Stage 2, CEOs must drive aggressive growth and lead their industry in consolidation: brute force, bold leadership, and vision are key success factors. In Stage 3 through Stage 4, however, CEOs become more like master chess players: careful planning, anticipating competitors' strategies, identifying and implementing a mega-merger, and mastering portfolio management become paramount.

CEO Imperatives: Stage 1 Through Stage 2

Positioning the CEO as the primary architect of an Endgames strategy has the potential for great success, if properly managed. To illustrate this point, we looked at the evolution of two companies, WorldCom and Bank of America, when they were successfully executing a consolidation strategy, moving their companies through the first stages of the Endgames curve (Opening and Scale).

Obviously everyone would have wanted to be shareholders in these companies during this stage! What did these chief executives do to successfully implement their Endgames vision?

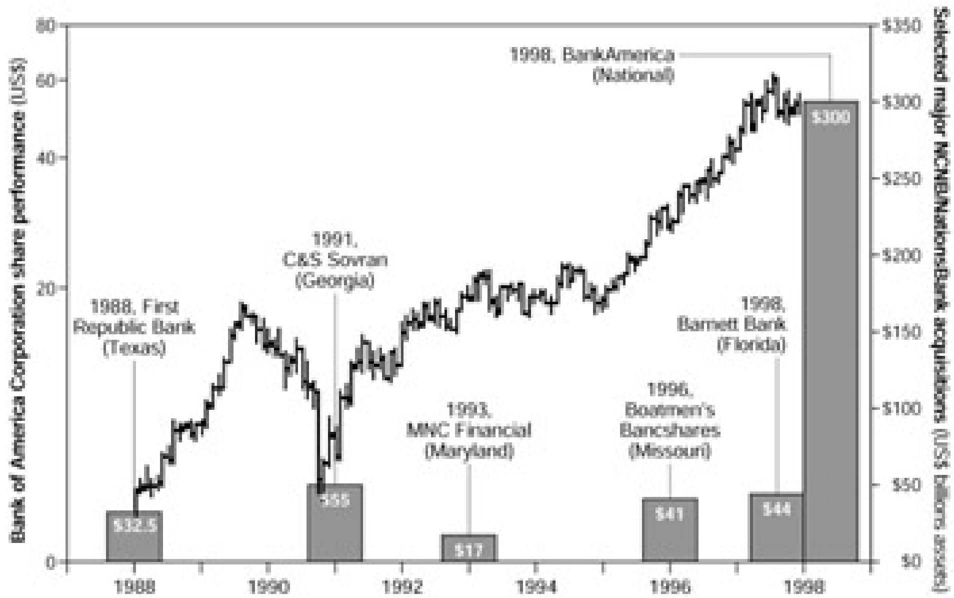
The path to success in the early Endgames stages is relatively straightforward and comprises three distinct phases:

- Develop an Endgames vision.
- Create a merger integration engine.
- Prepare for Endgames Stages 3 and 4.

Develop an Endgames Vision

First, the company must develop an Endgames vision. In many industries, the necessity of consolidation is apparent. In steel, paper, and chemicals, the economics of scale argue compellingly in favor of consolidation as one of the few strategic levers to achieve superior profits.

However, in other industries, CEOs must have a rare talent to gain first-mover advantage by spotting an Endgames play before any other competitor. In these situations, the Endgames vision is not so obvious. At this point, it is imperative for CEOs to develop a success model for acquisitions. As Figure 7-1 illustrates, the first step is to identify the most promising acquisition candidates.



Sources: www.finance.yahoo.com; Thomson Financial Mergers & Acquisitions database; Mergerstat

Figure 7-1. NCNB/NationsBank share performance through the Scale Stage

Take the case of NCNB under CEO Hugh McColl. In the early 1980s when McColl became CEO of NCNB, a small bank based in North Carolina, interstate banking was not permitted under U.S. law. This clearly positioned the U.S. banking industry in the Opening Stage of the Endgames curve.

McColl believed that the only way for NCNB to control its destiny and achieve superior returns was to create a regional, multi-state bank. In 1982, NCNB began its interstate banking M&A activities by exploiting a regulatory loophole and acquired a bank in Florida. He successfully lobbied regulators in the southern United States and eventually, in 1985, the law changed to permit regional bank holding companies. By this time, McColl had acquired banks in Florida, South Carolina, and Georgia and achieved a big lead over his competition.

> In many industries, the necessity of consolidation is apparent… In others, CEOs must have a rare talent to

gain first-mover advantage by spotting an Endgames play before any other competitor.

In 1992, NCNB merged with C&S/Sovran to become NationsBank, the fourth-largest bank in the United States. McColl completed more than 40 acquisitions and grew the banks' assets twentyfold to US$120 billion. With a new federal interstate banking law in place, McColl's strategy kicked into a new gear and, in 1998, McColl completed his biggest deal ever: the US$60 billion merger with BankAmerica to create Bank of America. At this point, the original NCNB had gone from a single state bank with less than US$20 billion in assets to the largest depository bank in the United States, with US$570 billion in assets, US$10 billion in earnings, and operations in 22 states—clearly McColl had a well-developed vision for Endgames consolidation. (See Figure 7-1 .)

Although WorldCom is better known for its recent accounting scandals, management turmoil and subsequent fall from grace rather than for its rise to power, it still serves as an example of a breakthrough Endgames vision in Stage 2. In fact, WorldCom's troubles also illustrate—in dramatic fashion—how many companies fail to make the transition from the rapid growth of Stage 2 to the slower growth of Stage 3. It also shows the risks that CEOs face when taking the lead in consolidating an industry—and the consequences of consolidating too early, ahead of the Endgames curve.

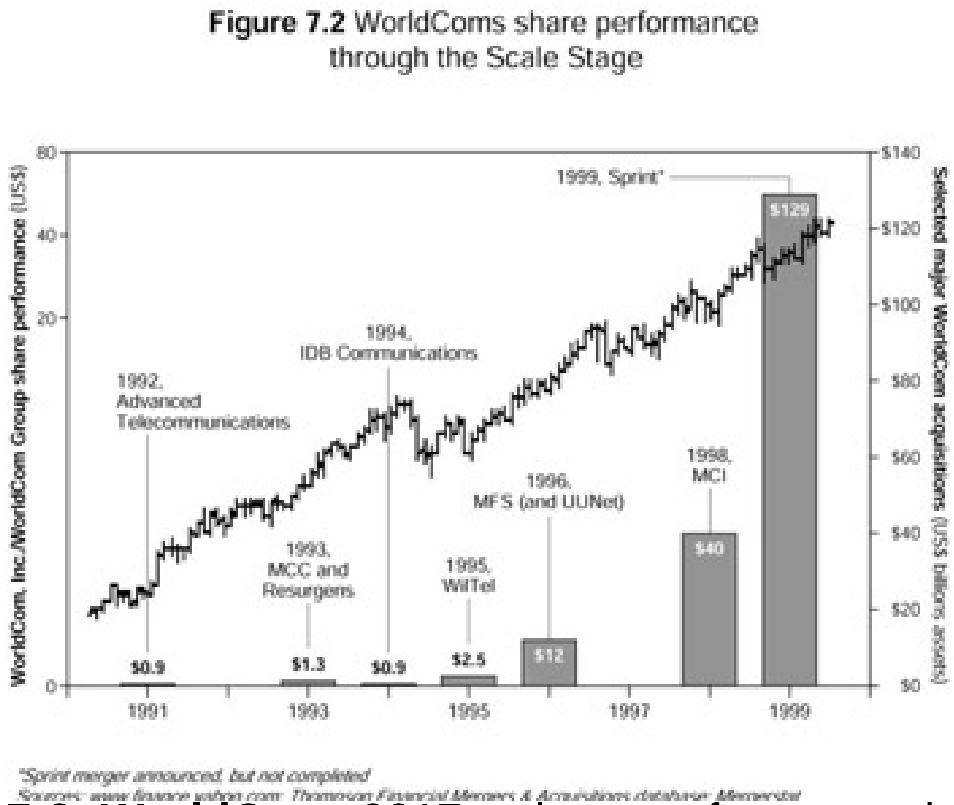
The WorldCom Endgames vision began in 1983 with Long Distance Discount Calling (LDDC), a small long distance reseller. When Bernie Ebbers became CEO of the company in 1985, he recognized several important trends in the U.S. telecommunications industry: deregulation, rapidly increasing growth in data communications among large U.S. corporations, and a fast-changing technological environment.

Ebbers' Endgames vision was to create a coast-to-coast competitor of AT&T, focusing on the corporate data communications market. From 1985 to 1989, he restructured LDDC to position it for rapid consolidation. From 1989 to 1997, he carried out more than 70 mergers, primarily buying long distance resellers and companies that could bolster his corporate data capabilities.

Also, the new technological advances created by the Internet heavily favored WorldCom in a big way. WorldCom's corporate data strategy seemed to be the right strategy at the right time and Ebbers had visions of carrying huge amounts of Internet traffic across WorldCom's global network. Soon, M&A fever hit the telecommunications industry like a pandemic, with global telecommunications giants snapping up wireless, broadband, and cable companies at an astonishing rate.

WorldCom merged with MCI in 1998, which at the time was the largest merger in history (US$40 billion). MCI solidified WorldCom's U.S. and European corporate data network and positioned WorldCom as the second-largest long distance provider in the United States. WorldCom's acquisitiveness reached its nadir in late 1999 with its proposed purchase of Sprint for US$129 billion. The rationale for the Sprint deal was to put WorldCom within striking distance of AT&T's U.S. long distance market share (34% versus 45% for AT&T), to consolidate its position as the leading Internet traffic carrier, and perhaps most important, to acquire a nationwide wireless network.

Unfortunately for Ebbers and WorldCom, however, they were forced to abandon the Sprint acquisition due to regulatory concerns. This effectively ended the company's Endgames rapid consolidation phase. WorldCom's business then deteriorated with accounting scandals, management changes, and Chapter 11 bankruptcy. (See Figure 7-2.)

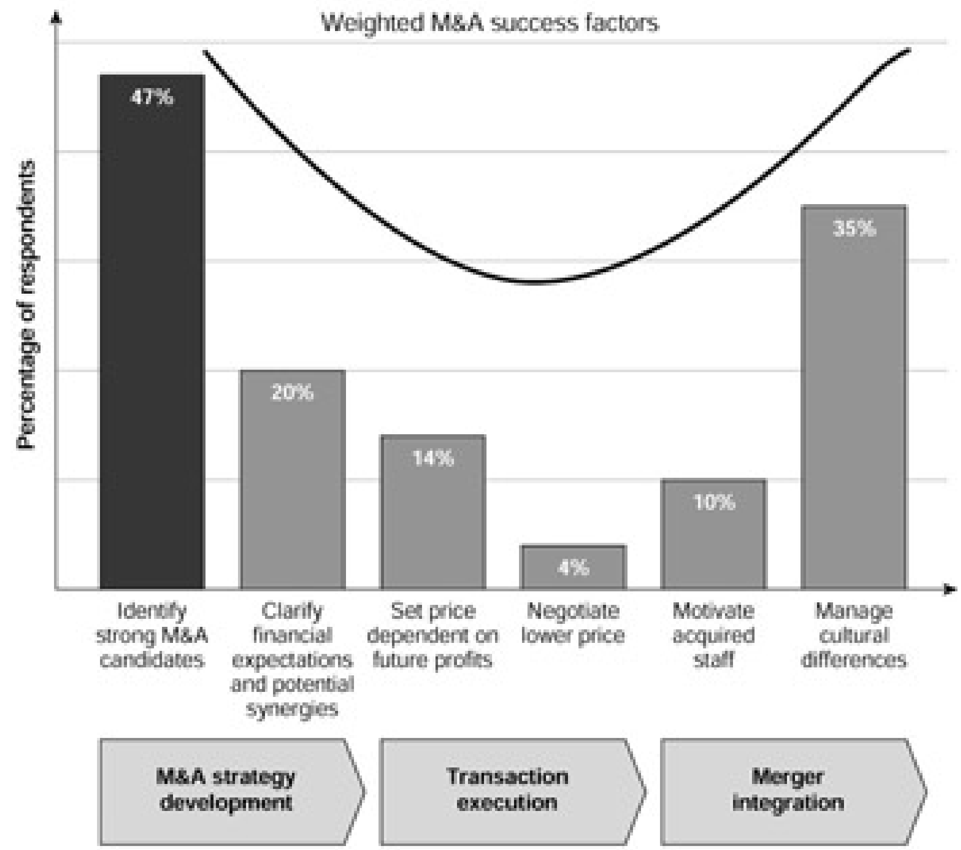


7-2. WorldCom: 8217;s share performance through the Scale Stage

Create a Merger Integration Engine

Once a company's Board of Directors embraces an acquisition strategy and the first wave of deals is completed, the vision is usually confirmed and validated. This marks the beginning of the Scale Stage. At this point, a company in Stage 1 or Stage 2 will often carry out dozens of deals a year. The key differentiating success factor, however, becomes a company's ability to successfully integrate the high volume of acquisitions into its core business (see Figure 7-3).

Figure 7.3 Critical capabilities for M&A success



Sources: Business International 1996; A.T. Kearney analysis

Figure 7-3. Critical capabilities for M and A success

Most successful companies build what is often referred to as an “integration engine.” Hugh McColl and NCNB, for example, aggressively integrated acquisitions to fit NCNB’s core business model. They developed an integration template for each core function and process of the business and deluged a newly acquired company on day one with integration specialists. These specialists completely integrated the new company in all areas, from IT to lending systems and processes to credit scoring systems. As one senior NCNB executive said after NCNB acquired First Republic Bank Corp. in 1988, “[McColl] gave us two things: an airline ticket and a red book with the battle plan.”

In some of its acquisitions, NCNB was prepared to lose up to 20% to 30% of the acquired company’s customer base as well as a certain portion of the management team. Senior management accepted this as a necessary part of achieving the company's objectives—and believed that a 70% retention rate added to its core business was good progress.

This brings up an important point: a critical success factor for executing an Endgames strategy is ensuring that Wall Street understands and supports the Endgames rationale. Not every merger will be a complete success, but investors will be somewhat more patient if management takes the time to get buy-in for an Endgames strategy (see sidebar at end of chapter: "Seven Steps to Merger Success ").

Like NCNB, WorldCom also created a straightforward merger integration strategy and capability. Because margins were so thin in the long distance market, Ebbers focused on rapidly assimilating an acquired company's customer base and revenues into WorldCom's network and cutting costs to the bone. This strategy worked to perfection through the early 1990s as WorldCom completed a series of small- to medium-sized acquisitions.

Finally, it is important to note that conglomerates and companies executing roll-up strategies sometimes take a different approach and delegate merger integration issues down the chain of command. When Berkshire Hathaway makes acquisitions, for example, the incumbent management team is generally left in place. Even if acquired companies compete in the same industry, they are rarely integrated. On the other hand, Cisco Systems is an integration powerhouse. As an industry leader, Cisco focused on smaller acquisitions during its consolidation phase. The company's guiding belief is that acquisitions should be friendly, not hostile, and that acquired companies should be fully integrated into the Cisco business model immediately. Senior Vice President Peter Solvik explains, "We've learned, sometimes the hard way, that the only way to make an acquisition is to fully and seamlessly integrate all aspects of the new company into Cisco. There are no exceptions." One of the most striking examples of this, Solvik relates, is that one acquired company had just upgraded all of its employees' computers—more than 1,000 of them.

Nevertheless, Cisco replaced them all after the acquisition to ensure compatibility within the Cisco business model.

Prepare for Endgames Stages 3 and 4

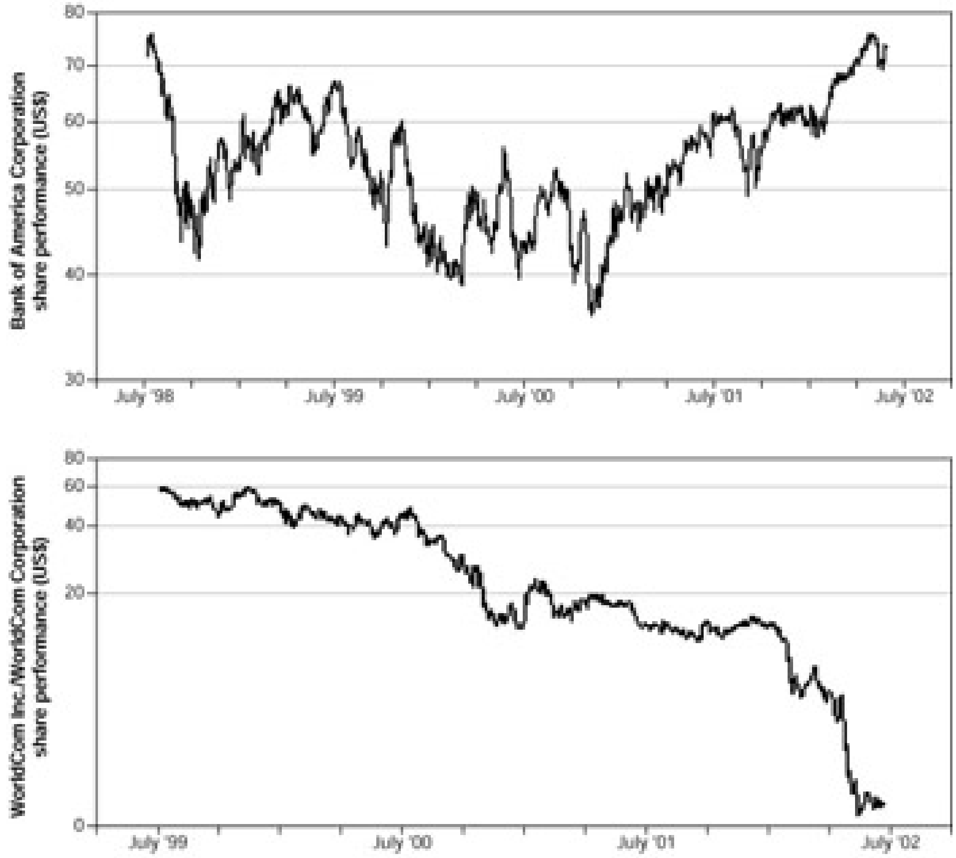
Sometime during Stage 2 or the early part of Stage 3, competitors begin to think about a defining, industry standard-setting mega-merger.

> Not every merger will be a complete success, but investors will be somewhat more patient if management takes the time to get buy-in for an End-games strategy.

Companies in these stages typically face several new competitive realities. Their market share has grown substantially and their largest industry competitors are taking notice. There aren't as many deals available because targets are too big and competitors also become "deal hungry." Companies experience a "stick to their knitting" renaissance and the core business performance becomes the key driver of a company's stock price. As a result, the CEO faces a whole new set of business dynamics.

Once companies arrive at Stage 3, they reach a crossroads: either they continue along the path to glory or they die by the sword. Both NCNB/NationsBank and WorldCom chose to continue along the acquisition path, each capping off their Stage 2 journey with massive acquisitions. Same strategy, perhaps, but the results couldn't be more different.

Although both WorldCom and NCNB enjoyed great runs during their consolidation heydays, they ultimately suffered setbacks on the stock market when their companies reached the end of the rapid consolidation Endgames phase. As Figure 7-4 illustrates, Bank of America's stock price has stalled since NationsBank acquired it in 1998 and WorldCom's stock price has plummeted since it made the Sprint announcement in 1999.



Source: www.finance.yahoo.com

Figure 7-4. Share performance for Bank of America and WorldCom since their largest acquisitions

At NCNB, McColl's deal-making prowess ultimately became the driver of NationsBank's stock price—NationsBank had to sign bigger deals, faster, to keep increasing its share price. As the size and pace of deals increased, management's ability to integrate the acquired companies became compromised. At the same time, the acquisition price per dollar of assets acquired increased substantially, almost quintupling between the C&S/Sovran deal in 1991 and the acquisition of Barnett Banks in 1998. These issues came to a head with the BankAmerica deal (which created what is now Bank of America) and the stock price has been flat, never regaining its US$70 per share peak since the announcement of the transaction.

In retrospect, the BankAmerica deal signified the bank's arrival into Stage 3. However, the size and scope of the post-merger integration overwhelmed McColl and his senior management team, forcing the company into a protracted transition period. Since the merger, Bank of America has reorganized and gone through a major senior management and CEO change. It has had to realign its strategy and objectives to adjust to its new position in Stage 3. In addition, the economic slowdown of 2001 and 2002 has delayed the realization of the merger benefits, and it is not yet clear whether the merger will create significant incremental shareholder value.

> Companies must undergo a major strategic transition when their industries move from Endgames Stage 2 to Stage 3. This transition can wreak havoc with a company's business strategy and management processes.

By the same token, at WorldCom, Ebbers also stepped up the size and pace of acquisitions in 1996. The US$14 billion acquisition of MFS Communications in Omaha, NE, that year was almost five times larger than his previous biggest deal, the WilTel acquisition in 1995. WorldCom's winning formula of integrating customers and cutting costs took longer to fully implement and realize than with previous acquisitions. Then came the MCI deal, which at US$40 billion was almost off the scales. At the same time, telecommunications companies' share prices boomed during the Internet bubble, which meant that when the bubble burst (just after the time of the Sprint announcement), WorldCom's share price plummeted, both due to the erosion of the Internet premium built into the stock and because of underlying core business profitability (due in part to the slower pace of integration of MCI).

Similar to the NationsBank example, the telecommunications industry moved rapidly from Stage 2 to Stage 3 on the Endgames curve. The size, scope, and pace of mega-mergers carried out by WorldCom eventually overwhelmed the company's management team. It became difficult to realize the synergies from all of the acquisitions in a timely manner and post-merger integration timetables lagged. From its peak of over US$60 per share at the time of the Sprint announcement, WorldCom's share price plummeted more than 90% to less than US$3 in April 2002. Bernie Ebbers resigned as CEO, leaving the company to put together a new senior management team. The company is in turmoil and its future in its current form is in question.

While each company has its own unique circumstances and the force of the business cycle always is a shaping factor, A.T. Kearney's Endgames research shows that companies must undergo a major strategic transition when their industries move from Endgames Stage 2 to Stage 3. This transition can wreak havoc with a company's business strategy and management processes. It may forewarn of the need for a company's senior management team to seriously rethink its medium- to long-term strategic plan to ensure its strategies will lead to success in the Stage 3 environment.

Let's look at some of the warning signals and red flags that management and their Boards should watch for:

- Mergers and consolidation become the focal point of corporate strategy (the means instead of the end) and of share price performance.
- Operating managers are so overly burdened by integration issues that they neglect core business performance.

> Companies must undergo a major strategic transition when their industries move from Endgames Stage 2 to Stage 3. This transition can wreak havoc with a company's business strategy and management processes.

- The company can become "too big to manage" as a result of the cumulative effect of so many mergers.
- The CEO achieves a certain degree of fame or notoriety in the business community, usually accompanied by a significant bonus or stock award (hundreds of millions of dollars).

> Unlike the dealmaker skills and bold leadership traits required in Stages 1 and 2, the prototypical Stages 3 and 4 CEO is a shrewd chess player and portfolio manager.

- The CEO evolves into a "one-trick wonder" rather than an industry visionary.
- The CEO makes one deal too many… or too big… or both.

Any of these trends can signal the end of Stage 2 and indicate the need for a new strategy. But the complication is that they are often realized simultaneously—sometimes with disastrous effects. CEOs must read the Endgames tea leaves, heed the Endgames warning signals, and adjust their companies' strategy for the realities of Stages 3 and 4—or risk disastrous consequences for their shareholders and their tenure as the organizations' leaders.

CEO Imperatives: Stage 3 Through Stage 4

Why did Pepsi offer such a significant acquisition premium for Quaker Oats' Gatorade business? What was the underlying strategic rationale for Philip Morris to undertake an initial public offering (IPO) of its Kraft Foods business unit and contemplate selling its Miller Beer business? The answer is the Endgames curve.

Managing Stage 3 and Stage 4 of the Endgames curve requires a particular set of CEO attributes. Unlike the dealmaker skills and bold leadership traits required in Stages 1 and 2, the prototypical Stages 3 and 4 CEO is a shrewd chess player and portfolio manager.

Consider Johnson & Johnson, a leader in the pharmaceutical and health care industry, which is transitioning into Stage 3. Johnson & Johnson has carried out more than 30 acquisitions over the past 10 years, but has always stuck to its core businesses: prescription and over-the-counter pharmaceutical products, medical devices and diagnostics, and consumer and baby products. Well-known for being a decentralized company, J&J empowers each business head to identify and execute acquisitions.

As a result, J&J has acquired companies across its entire portfolio of businesses; examples include Neutrogena (consumer products), ALZA (pharmaceutical), Centocor (biotechnology), and DePuy (medical devices). While J&J has carried out some big deals over the years (ALZA was the biggest, at almost US$12 billion), the company has stayed away from deals big enough to risk changing its culture or business model.

In addition, J&J has pursued its acquisition strategy over the tenure of several CEOs, not just one, which has meant that M&A and consolidation have become embedded as an integral part of the company strategy. Finally, the Board of Directors reviews J&J's portfolio of businesses on a regular basis to assess whether J&J should shed underperforming businesses and whether J&J as an overall entity is more valuable to shareholders as is or as separate companies. In other words, through regular meetings, the Board validates J&J's Endgames strategy.

Many companies in Endgames Stage 4 industries adopt a strategy of creating spin-off growth businesses from their core business. Typically, these spin-off businesses launch new industries or subindustries that are in an earlier Endgames stage and lead to new opportunities for these companies to fuel their future growth. PepsiCo is a good example of a Stage 4 company that took advantage of this strategy. Faced with the prospects of low growth in its core (Stage 4) soft-drink business, PepsiCo identified two new spin-off industries: the sports drink subindustry and the bottled water subindustry.

These subindustries were both much less concentrated than the soft drink industry, showing characteristics of Endgames Stage 1 or 2. PepsiCo managers believed that both of these subindustries could provide growth to boost the top line of the overall company. They acquired the Gatorade sports drink business from Quaker Oats, paying a significant premium over a competing offer from Coca-Cola, and have since used Gatorade as a focal point for developing their sports drink business.

Another Stage 4 management strategy is to "isolate" a Stage 4 business in a portfolio company and use the cash thrown off from it to either fuel other businesses in the portfolio or return it to investors. In this light, Philip Morris has set the standard for excellent management of a particularly tough Stage 4 business—the tobacco industry. In the late 1980s and early 1990s, when it became clear that the tobacco industry was advancing toward Stage 4, Philip Morris diversified into the Stage 2 food industry. With the acquisition of Kraft, General Foods, Jacob Suchard, and others, Philip Morris diversified into a food industry powerhouse.

In the late 1990s, though, the impact of government regulation of the tobacco industry for health-related claims led Philip Morris to change its Stage 4 strategy. It is now in the process of isolating its tobacco business, with a strategy of containing it with respect to litigation claims and maximizing its cash dividend payments to shareholders. In the process, it sold 16% of its Kraft shares in an IPO, is spinning off other businesses, and has sold its Miller Beer business. This type of bold, shareholder-focused leadership in Stage 4 led shareholders to give retiring CEO Geoffrey Bible a 10-minute standing ovation at Philip Morris' 2002 annual shareholder meeting.

Nestlé has been successful in supplementing its core Stage 3 food business with acquisitions of businesses in earlier stages. This strategy enables Nestlé to continually realize new growth opportunities and grow the company aggressively. Nestlé consolidated the Stage 2 bottled water industry with the acquisitions of Perrier and San Pellegrino, among others, and appears to be in the process of consolidating the Stage 2 pet food industry as well. Like Johnson & Johnson, which executes a similar strategy, Nestlé has built strong capabilities in merging large acquisitions quickly and effectively on a global basis.

The bottom line on managing through Stages 3 and 4 is that there are few winners and many losers. CEOs must accept the position of their industry on the Endgames curve and plan their strategy accordingly. A few brilliant strategic insights can make a CEO famous in these stages.

Implications for Endgames Survival and Success

In this chapter we have discussed some of the challenges CEOs face at each Endgames stage. In the coming years, the scale, pace, and complexity of business will surely increase as more and more industries consolidate and move along the Endgames curve.

What can CEOs do to lead a successful Endgames strategy? Let's summarize this chapter by looking at three key implications of our research and the tools and strategies available to CEOs to manage in the Endgames environment.

1. **Take a global view and adjust your strategy to reflect your position on the Endgames curve.** Endgames consolidation is a global phenomenon. It may be a cliché, but it's no longer enough for CEOs to think local, regional, or even national in strategic planning. Scope must be global and corporate strategy has to be significantly adjusted several times over the course of the Endgames journey. Ignoring this concept leaves you vulnerable to being surpassed, or acquired, by your most feared competitors.

2. **Capitalize on cross-industry opportunities.** Because consolidation is universal and all industries consolidate, look beyond your own industry to see what can be learned from others. If necessary, bring in fresh thinking from the outside to incorporate cross-industry thinking. At the same time, the strategy of creating new products that lead to subindustries in earlier Endgames stages can be a growth accelerator for any company, and CEOs need to be creative and innovative in identifying these new potential growth engines.

3. **Leverage the Board of Directors.** Although the CEO has been the focal point of this chapter, the Board of

Directors must also take on new roles in the successful execution of Endgames strategy. This represents a renewed vision for how a Board carries out its duties and reinforces the need for CEOs and shareholders alike to ensure that Boards are structured for success. Some imperatives include:

- *Contributing deep expertise and relationships in customer and supplier industries, as well as adjacent industries* . The Board must be able to assist the CEO in determining when one Endgames stage is over and when another is beginning. In addition, Board members should become a source of acquisition ideas and contacts and be able to assist in closing deals.

- *Assessing the strengths and weaknesses of a CEO in managing in a particular Endgames stage.* The Board must ensure that the CEO has the appropriate skill set to lead the transition from one Endgames stage to another and, if necessary, determine if the CEO should be replaced.

- *Thinking carefully about how to appropriately reward a CEO in each Endgames stage.* Best practice suggests that big payouts or tying compensation to the number or size of deals completed should be avoided at all costs. Rather, focusing on the health and success of a company’s core business should continue to be the focal point.

Some of these imperatives may require many Boards to significantly restructure their current objectives and membership. Ultimately, however, the Board and the CEO must take ownership for the successful execution of an Endgames strategy through detailed, hands-on deliberation and decision-making.

From CEOs to Stocks

As strategists, orchestrators, and leaders, CEOs play a pivotal role in driving their companies up the Endgames curve. But other constituencies wield considerable influence as well, including Wall Street and the investor community. In discussing Endgames strategies with our clients, those in the private equity community have been our most interested listeners. The implications of Endgames on investment timing and choice of target industry are enormous for private equity investors.

What are the implications of Endgames on the stock market? What strategies should investors adopt along the Endgames curve? Let's turn to the next chapter to see.

> The Board and the CEO must take ownership for the successful execution of an Endgames strategy through detailed, hands-on deliberation and decision-making.

Seven Steps to Merger Success

The numbers are startling: more than half of mergers ultimately fail to create the value top management had envisioned. But heeding the pitfalls of the past is a big step toward a successful future. Analysis based on an A.T. Kearney survey completed in 1999 reveals that seven steps are key to making mergers work. Highlights of the research first appeared in the book, *After the Merger: Seven Rules for Successful Post-Merger Integration* , by Max M. Habeck, Fritz Kroeger, and Michael R. Traem.

Create a clear vision and strategy. While companies devote a great deal of thought to strategy and vision when embarking on a merger, nearly 80% of companies place corporate "fit" ahead of corporate vision. Learning about a potential partner may win the battle; still, the companies that learn to live with each other are the ones that ultimately win the war.

Vision is the only acid test as to whether companies are on the right track as they prioritize, execute, and interpret post-merger integration tasks. Many merging companies learn the hard way that fit flows from vision—and not vice versa.

Establish leadership quickly. It is impossible to overestimate the importance of immediately establishing strong leadership when a merger deal is completed. The faster the merged company solidifies management—by working out compromises, minimizing or preventing defections, and making the most of available talent and knowledge—the faster it can exploit the growth opportunities inherent in its "one business" vision. Yet, nearly 40% of all companies in the A.T. Kearney study faced a leadership vacuum because they failed to put the establishment of leadership at the top of the priority list. With no one to secure buy-in or provide a clear direction, conflicts simmer, decisions go unmade, and constituencies—from employees to customers to market analysts—lose patience.

Merge to grow. As important as cost-cutting and similar synergies are in mergers and acquisitions, they should be a secondary issue in the post-merger integration. It is clear that almost all mergers offer opportunities to save money. But the primary reason for the merger decision—and the obvious focal point during post-merger integration—should be growth. Merging companies must unlock the "merger added value" by taking advantage of the positive combinations offered by their combined resources. One example: the "growth" synergies identified during due diligence cannot be trumped by "cost" or "efficiency" synergies. Companies run the risk of cutting too much and for too long.

In short, there are two kinds of synergies: "efficiency" and "growth." Our survey clearly shows where the emphasis currently—and unfortunately—lies. Some 76% of companies surveyed focused too heavily on the "efficiency" synergies. Some 30% of the companies surveyed virtually ignored attractive growth opportunities such as cross-selling possibilities or knowledge sharing in research and development.

Focus on results and communicate them. Merger announcements consistently spread uncertainty, not only among employees, but among suppliers, customers, and shareholders as well. It is critical to inform stakeholders of plans and goals, but addressing these longer-term issues is not enough. Companies need to also communicate "early wins"—successful and sustainable moves made quickly after the merger. This offers the audience the first glimmers of the potential of the deal. The result is solidified support and increased buy-in, both inside and outside of the new company.

Where do early wins come from? Areas to consider inside the company include asset sales, knowledge sharing, and improvements to the work environment. And there is a rich source of early wins in a place few companies look: outside of the company. Relationships with suppliers or customers may improve after a merger—offering additional potential for positive communication.

Companies that look internally often fall into the trap of citing job cuts as early wins. Some 61% of merged companies search for early wins, but frequently tread on dangerous territory by turning to job shedding, factory closings, or inward-looking cost moves. The negative emotions these moves produce can quickly turn them into "early losses."

Fortunately, when business due diligence has been conducted properly, several sources of early wins should be readily apparent.

Be sensitive to culture clashes. Cultural differences represent one of the most intractable problem areas in mergers and acquisitions, both before and after the deal is done. The term culture, of course, refers to a collection of elements, including behaviors, objectives, self-interest, and ego, that people are reluctant to discuss openly.

Successfully integrating cultures is key to making any merger work. When this challenge is approached in a structured way, it becomes more manageable.

When we looked at 115 transactions around the globe, we discovered one reason why many mergers are unsuccessful and why cultural differences are blamed. Cultural imposition is standard practice—whether or not it is the most appropriate strategy. While this tactic is valid in some cases, in others it destroys the value the merger was supposed to create.

Problems frequently arise when the organizations that are coming together serve very different markets; in such cases, it is often best to leave the two cultures intact. If full integration of the two organizations is critical to release value, a “compound” culture should be created, one that takes the best elements from each of the parent organizations.

Communicate throughout the process. Managers who can persuade constituencies to believe in a vision and to act on it fare much better at achieving their merger integration goals. In other words, the most compelling communicators come out ahead. This may appear to be the easiest aspect of merger integration. It’s not. Communication doesn’t just happen; managers must take responsibility, plan it carefully, and then control it over time.

Behind every effective communications program is a combination of communications goals, flexibility, and feedback. The effort is part art, part science—and often inadequate, as most companies acknowledge. Some 86% of respondents said that they failed to communicate their new alliance sufficiently in their merger integration phase.

For most companies, the biggest barrier to merger integration is failure to achieve employee commitment. Some 37% of respondents listed this as their primary challenge, well ahead of obstructive behavior and cultural barriers.

Successful companies emphasize their ultimate communications goal—a company that works seamlessly to realize the value of the merger. Taking this perspective encourages the deep-seated commitment required to achieve buy-in, provide proper direction and orientation, and properly manage expectations.

Manage risks aggressively. The most common reaction to risk is to avoid it. That's understandable: risk carries a negative connotation in many people's minds. Unfortunately, any endeavor involving high returns and strong growth—including a merger—comes with comparably strong risks as well. Companies need to recognize and confront these risks instead of ducking them; when they do, they ultimately maximize the returns on the merger. Fortunately, the corporate world is acknowledging this need. Our global survey of 115 transactions showed encouraging signs that companies are making efforts to proactively face their risks. Some 32% of companies that are merging actively pursue formal risk management.

Effective risk management can lead to early wins. Some of these companies have developed enough expertise in risk management that it has become a source for both early wins and long-term growth.

Yet on the other side of the coin are the two-thirds of all companies that integrate after a merger without the benefit of the risk management process. This statistic is alarming today—and will be more so tomorrow. In the future, the complexity of risk will grow in proportion with the opportunities large deals offer.

The Board and the CEO must take ownership for the successful execution of an Endgames strategy through detailed, hands-on deliberation and decision-making.

Chapter 8: The Stock Market Connection

Overview

> The history of the market is clear: in the short term, stocks have extreme ups and downs …, but in the long term, stocks go in only one direction. Up.
>
> —James K. Glassman and Kevin A. Hassett Dow 36,000, 1999

From the beginning, we've noted that there is a connection between the Endgames curve and the performance of equities markets worldwide. Now it's time to take a closer look.

The basis of this discussion stems from several conclusions that we've drawn from the Endgames analysis so far.

First, the competitive and economic dynamics in each of the four Endgames stages present crisper acquisition and consolidation strategies to companies than ever before. Companies that lead their industries will have unprecedented opportunities to outgrow their rivals, make superior profits, and lead the pack in stock prices.

Second, the Endgames model is a predictive tool that looks as far as 20 years into the future. One major implication from the model is that the pace and size of mergers across most industries will accelerate.

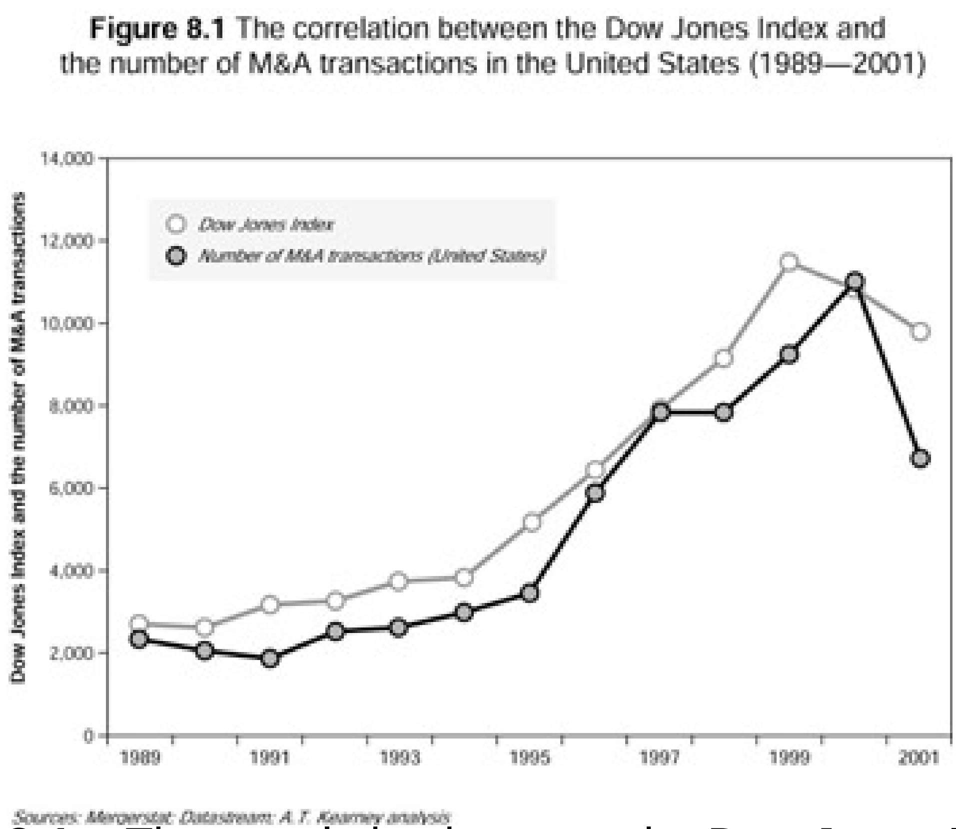
Today, with merger activity generally idle while the economy recovers from the recession, the stock market has been moving sideways for some time. However, as the economy recovers and consolidation resumes, there is significant potential for stock prices to be boosted by merger premiums and the superior economic returns offered by the successful implementation of Endgames strategies. On this basis, the stock market has the potential to increase several times over.

Third, the Endgames analysis implicitly predicts and forecasts industrial deregulation in Stage 1 industries, trade liberalization as a means to achieve growth and transition from Stage 1 to Stage 2 or Stage 3, and increased corporate governance. As this happens, several outcomes are clear: companies will have new opportunities to increase profits and lead their industries; the size and number of mergers will increase; and macroeconomic and regulatory factors will be more conducive to growth and expansion—all of which, in turn, point to rising stock markets.

PREVIOUS NEXT

Global Connections

Looking back on history, a rising stock market and increased merger activity usually go hand in hand. A detailed analysis of the number of M&A deals and the market indices shows a strong correlation between the Dow Jones index and acquisition activity in North America. As Figure 8-1 illustrates, from 1989 to 2001, there is a correlation of 93% between the number of U.S. mergers and the Dow Jones Industrial Average (R^2 of 93%). This implies that, at least to a certain degree, rising stock prices form a currency for making M&A transactions possible and are therefore a key driver of acquisition and consolidation booms.

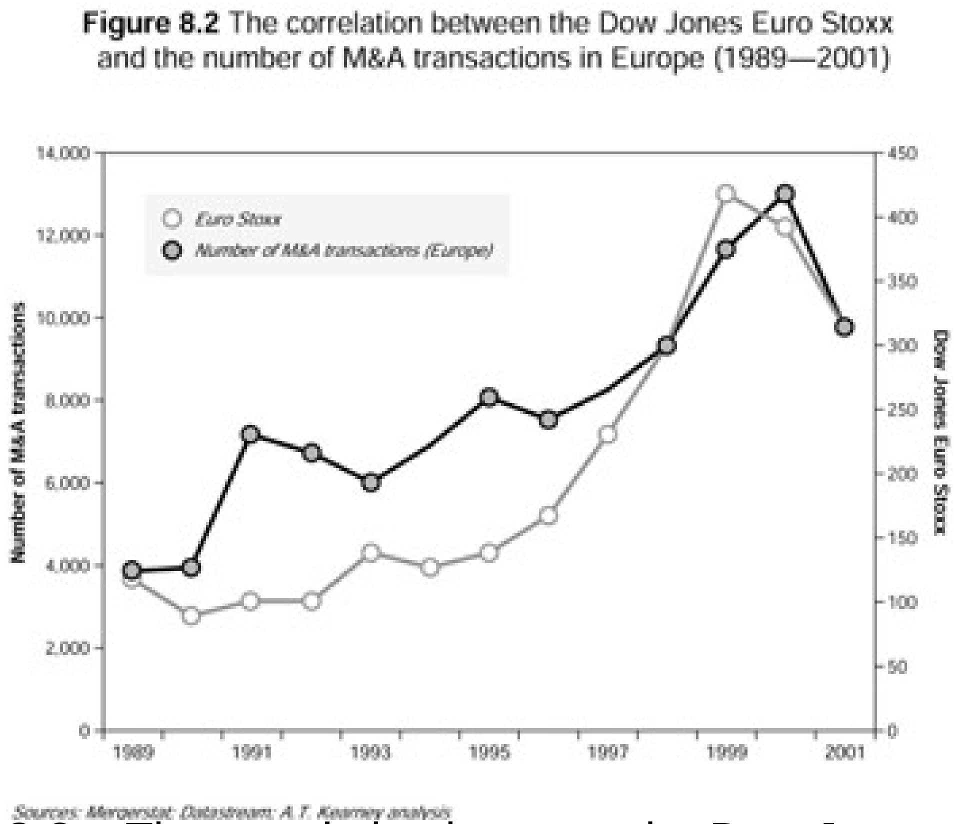


8-1. : The correlation between the Dow Jones Index and the number of M and A transactions in the United States (1989—2001)

How many of the mergers of the 1990s would have taken place without the high stock valuations of the equities used by acquirers to pay for the transactions? And don't forget the favorable accounting treatment of mergers completed via share swaps. Still, timing plays a key role in the success of acquisition strategies; a high stock market alone means little. For example, in what was considered a bold move at the time, Tyco International purchased CIT Financial in a highly leveraged move to diversify into the financial services field. One year later, however, Tyco began looking to unload CIT Financial—for a loss—when the balance sheets of highly debt-leveraged companies (like Tyco) came under scrutiny for possible financial irregularities in the backwash following the failure of Enron.

Rising stock markets and lots of merger activity don't always guarantee a *successful* acquisition strategy.

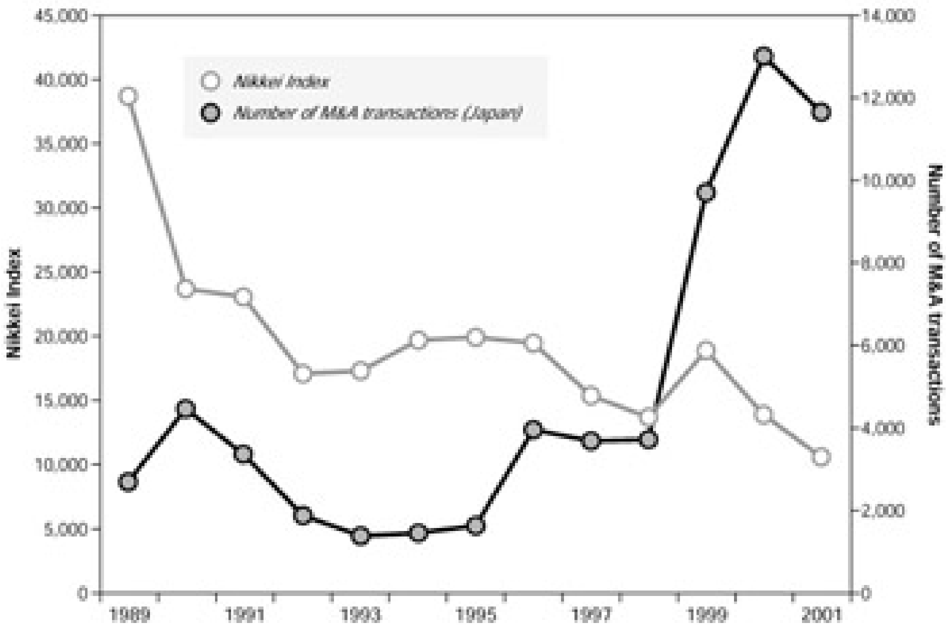
Expanding our field of vision a little further, the same holds true for the European markets, where Figure 8-2 shows that the Euro Stoxx and merger activity are 80% correlated.



8-2. : The correlation between the Dow Jones Euro Stoxx and the number of M and A transactions in Europe (1989–2001)

In Japan, however, a different picture emerges (see Figure 8-3). Merger activity was relatively flat while the Nikkei Index plummeted in the early- and mid-1990s. However, in the midst of the Asian economic crisis in 1998, merger activity rocketed upward. This discrepancy can be traced to a number of Endgames-related factors:

Figure 8.3 The correlation between the Nikkei Index and the number of M&A transactions in Japan (1989—2001)



Sources: Mergerstat; Datastream; A.T. Kearney analysis

8-3. : The correlation between the Nikkei Index and the number of M and A transactions in Japan (1989–2001)

Rising stock markets and lots of merger activity don't always guarantee a successful acquisition strategy.

- In Japan, financial services companies, automotive companies, and real estate assets industries had fallen so much in value that investors believed they could be acquired for a reasonable price. These companies were all in Stage 2 industries, prompting foreign banks to jump in and make a number of acquisitions as part of their global Endgames consolidation strategy.
- The Japanese government "encouraged" the merger of several troubled financial services institutions as it began to deregulate and reform this huge industry.
- Although acquisitions of Japanese companies by foreign companies were rare, after the Asian crisis the Japanese government could no longer insulate national companies

from foreign acquirers. The market began to open up and globalize, primarily in Japan’s Stage 2 and 3 industries.

Although merger activity in Japan is not as closely correlated with markets as it is in Europe and North America, it is still driven by Endgames phenomena. And when we combine the data for North America, Europe, and Japan, we see that the strong correlation between share prices and M&A activity also holds true globally. If this long-term trend stays intact, the entire global market capitalization for the year 2010 could amount to between US$60 and $80 trillion (see Figure 8-4). The size of this number suggests that there is more than enough room for mega-mergers—and the acceleration of merger activity in general—that the Endgames model predicts.

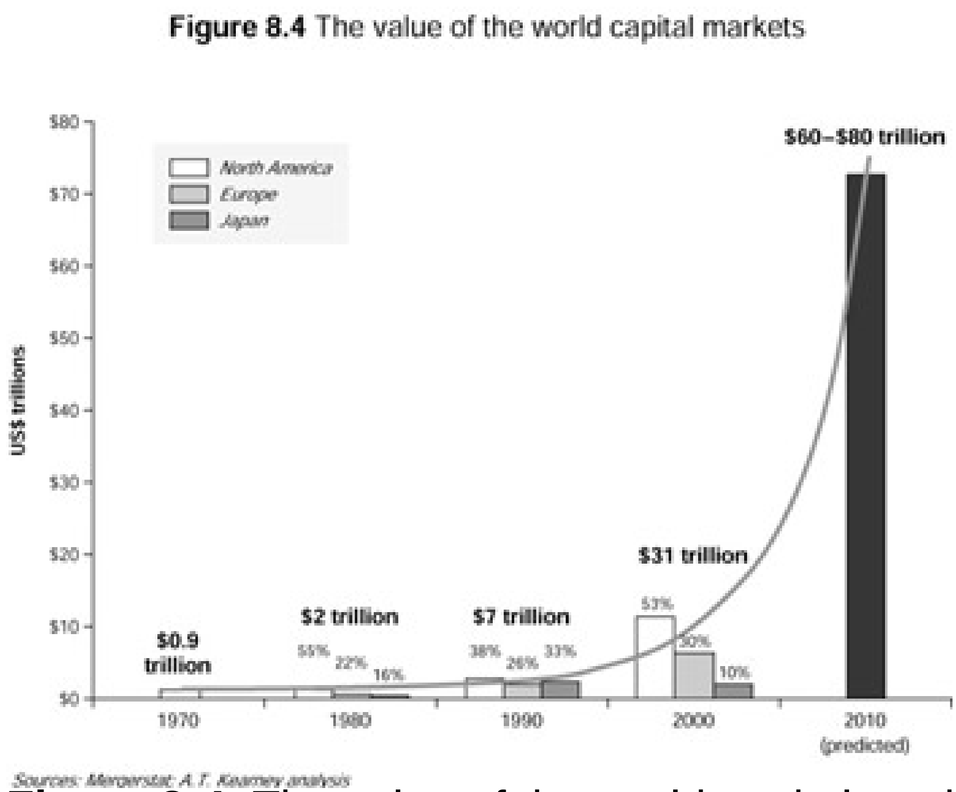


Figure 8-4. The value of the world capital markets

There are Winners in Every Endgames Stage

Investors can profit at every stage along the Endgames curve. In this section, we look at some of the best practices of companies across the entire Endgames spectrum and explain how identifying those practices can lead to superior investments.

We began by creating Endgames stage-specific indexes based on industry indexes from Dow Jones and plotting their development from the beginning of 1992 until the first quarter of 2002. The Stage 1 index is the combination of the utilities, financial services, and railroads indexes; Stage 2 is chemicals and retailers; Stage 3 is aerospace, automotive manufacturers, distillers and brewers, and food services; and the Stage 4 index is made up of soft drinks and tobacco. As Figure 8- 5 illustrates, our analysis revealed that there is no significant variation in the stock market returns between stages (and industries within those stages) along the Endgames curve.

> The key to using the Endgames analysis as an investment tool is the ability to identify companies that apply Endgames principles particularly well.

The key to using the Endgames analysis as an investment tool, then, is the ability to choose companies that apply Endgames principles particularly well. In turn, this means being able to identify companies that have the highest probability of becoming the ultimate winners in the Endgames consolidation battle.

In each industry, regardless of where it is along the Endgames curve, there are leaders and laggards. The value building growth matrix, described in earlier chapters, should serve as the starting point for identifying top-performing companies in any industry on the basis of revenue growth and growth in value creation. How concentrated is the industry? What core competencies separate leaders and laggards?

Sources: Mergerstat; Datastream; A.T. Kearney analysis

Figure 8-5. Industry indexes for the four stages

Regardless of what Endgames Stage their industries are in, companies that exhibit revenue growth and value growth above their industry averages are the starting point for good Endgames-based investments.

With this industry growth framework in mind, the second step is to look at the specific dynamics in each Endgames Stage for clues as to which companies may perform best.

In the Opening Stage, it is important to choose companies that have financial backing and a sound business model. This may sound obvious, but because industries are often fragmented in Stage 1, there is plenty of room for big winners … and big losers.

A company called Northpoint illustrates this example well. Verizon, a telecommunications leader in the United States, offered to acquire Northpoint, a pioneering “last-mile” DSL communications provider that sold discounted DSL service to its local phone customers. But when it appeared that the economy was headed into a recession, Verizon walked away from the deal. Despite Northpoint's fundamental attractiveness to Verizon, like so many other DSL providers that were undercapitalized and suffered from slower adoption rates than predicted, it soon went bankrupt. Verizon ultimately purchased Northpoint's assets for pennies on the dollar, triggering rapid consolidation of Northpoint's entire industry. Phoenix, for example, a rival to Northpoint, ended up being acquired for a bargain-basement price as well.

In the Scale and Focus Stages (Stages 2 and 3), look for potential mergers of near equals as the pace of consolidation increases rapidly. Recent examples include:

- Exxon and Mobil, Chevron and Texaco, Conoco (a spinoff from DuPont) and Phillips, BP and Amoco, and Arco and Castrol from the Focus Stage (Stage 3) oil industry.
- Pfizer and Warner Lambert, Pfizer and Pharmacia, Glaxo Wellcome and SmithKline Beecham, Bristol-Myers Squibb andDuPont's pharmaceutical subsidiary, and Sandoz and Ciba- Geigy to form Novartis from the Scale Stage (Stage 2) pharmaceutical industry.
- Citigroup and Associates First Capital, and Morgan Stanley and Dean Witter from the Scale Stage (Stage 2) financial services industry.

Also, look for Scale and Focus Stage companies that stick to their knitting. Ventures too far afield from a company's core competencies usually yield poor returns. Consider Starbucks, which turned designer coffee into an industry among a galaxy of little players. It is dominant in its field, but when it decided to embrace the Internet, it made a number of investments in dot.coms—Living.com, Cooking.com, Kozmo.com, and TalkCity.com—that left a bitter taste in the mouths of shareholders. Starbucks has written off the majority of its dot-com investment and no longer considers the Internet as part of its core business strategy.

Another example is Tyco International, a conglomerate of companies in Stage 2 and 3 industries. After an aggressive series of mergers in unrelated industries, Tyco has fallen on hard times because it became so big and diversified it was unable to extract synergies from its far-flung portfolio of acquisitions.

In Stage 4, look for companies that reinvent themselves and spin off new businesses into earlier Endgames stages. These spin-off companies can create the next wave of growth and shareholder value. A good example is the defense electronics industry. Following the September 11, 2001 terrorist attacks in the United States, the U.S. Congress approved the largest increase in U.S. defense spending in a decade. This augurs well for the core business of defense electronics companies, but also opens them up to develop whole new spin-off subindustries such as aircraft security, airport security, and passenger screening technologies, effectively launching another wave of Endgames growth, mergers, and consolidation.

Do Your Due Diligence

From following the regulatory environment to tracking economic cycles, constant research is critical. A solid Endgames strategy depends on having the right information at the right time—and there is no substitute for the due diligence companies must go through to gain it:

Research the regulatory environment. The regulatory environment can be a complicated maze; how well a company navigates it can help make or break a merger. It is a good idea to be aware of public attitudes and assess the sentiment among government regulators, as they may override any potentially attractive financial combinations. In the Canadian banking industry, for example, a number of banking mergers were doomed before they started. A parade of the country's leading players—led by the Royal Bank ofCanada and followed by the Bank of Montreal,CIBC, and Toronto-Dominion—all announcedintentions to merge, but their plans were dashedwhen the Finance Minister ruled criteria had tobe in place to evaluate the deals properly.

When Jack Welch stretched his retirement date, he did it just to close his proposed merger with Honeywell, a deal that European competition regulators ultimately squelched despite painstaking efforts on GE's part to pare or sell off the business lines that might be considered anticompetitive.

> A solid Endgames strategy depends on having the right information at the right time—and there is no substitute for the due diligence companies must go through to gain it.

Examine the merger success rate. Look for companies that execute the merger process well. Companies such as Teleflex and Danaher in the industrial equipment industry are renowned for identifying good acquisition candidates on a global basis, conducting uncompromising due diligence, and integrating their acquisitions quickly and effectively. On the other hand, companies that acquire without adequate screening and due diligence processes can destroy shareholder value with dizzying rapidity. United States Senator Joseph Lieberman summed it up quite simply for reporters during the Senate investigation following the Enron scandal: too many analysts failed to ask “why” before they said “buy.”

Anticipate future trends. Use the Endgames model to find new industries that are being created. Look beyond the current mania to developing trends to discover future opportunities and strategic industry shifts. One such longer-term shift is the movement toward developing a sustainable environment. New industries and subindustries that improve the quality of the environment are emerging rapidly as the spotlight on the deteriorating environment and rising energy prices shines brighter.

However, just as new opportunities and industries emerge, others will naturally decline. For example, coal mining has been in a world decline since the mid-1990s. Will petroleum follow suit? And what about the effect on automobile companies? Will they decline as well, or will they develop renewable energy power sources? Disposable packaging and collateral materials consumption will give way to more intense efforts at innovation in design that makes better and less wasteful use of the earth’s resources. And long before such changes work their way through the ecosystem, there will be both consumer and capital backlash against companies that have no strategy in place to cope with the future. Industries in potential jeopardy include automotive, mining, logging, fishing, petroleum, and nuclear energy. Industries on the ascent may include remanufacturing, fuel cells, mass transportation, solar and hydrogen power generation, fish farming, nanotechnology, and biotechnology, all of which leverage technology to use materials and energy more efficiently and effectively.

Follow the cycles. Finally, merger activity is cyclical. As economist Frederic Pryor explained in a recent article:

The only difference in the current climate is that the merger boom of the late 1990s was of a much larger magnitude than any of the previous ones. So the anticompetitive effects of the greater concentration that inevitably follows as a result of the bigger boom is theoretically greater. However ... a lot of the mergers were done quickly and for defensive purposes so they have a greater chance of failure.... Some of these were mergers of competitors with weak market positions. In such cases, it is doubtful whether increased size will solve these problems. For instance, among the world's 18 largest pharmaceutical companies, 11 of the 12 companies which experienced mergers lost (combined) market share between 1990 and 1998, while all six of the companies which had not merged gained market share.[1]

[1] Pryor, Frederic L., "Dimensions of the Worldwide Merger Boom," *Journal of Economic Issues* , 12-01-2001, p. 825.

Mining for Gold

As we have seen throughout the book, the Endgames model sometimes produces circumstances that are particularly opportune for identifying winning and losing companies. Because the Endgames model is predictive, investors can identify and analyze industries to determine whether they are poised for a new round of consolidation and merger activity.

They can also look at how successfully they execute Endgames strategies. In the transition from the Opening Stage to the Scale Stage, for example, some companies experience huge run-ups in their share prices due to their savvy in this area. Success traits in this Opening-to- Scale transition include:

- Developing a CEO vision to identify the right time to gain first- mover advantage by being the first company in an industry to begin aggressive consolidation.
- Building a track record of successful acquisitions. Companies that successfully identify good acquisitions—and don't overpay for them—typically emerge as Endgames leaders in their industries.
- Building the best post-merger integration capabilities in the industry and enabling consolidation and acquisition activity at a more rapid pace than the competition.

The transition from late Stage 2 or early Stage 3 to late Stage 3 or early Stage 4 also presents opportunities for investors to identify superior companies. Once most of the consolidation has occurred in an industry and only a few major global players are left, investors must be certain they choose the ultimate winner of the Endgames consolidation race from the remaining players. Some of the Endgames-based success factors in this transition include:

- A solid track record in integrating mega-mergers successfully and quickly.

- The ability to develop new growth engines for the core Stage 3 or Stage 4 business.
- Success in managing the portfolio of subindustries and spin-off industries along the Endgames curve to achieve optimum growth and shareholder value.

Clearly, the Endgames model has great potential for private equity and direct investment firms. In fact, in a recent series of executive briefings we hosted across North America and Europe, private equity firms have been extremely enthusiastic about the Endgames model and its implications. Investors not only can use the key success factors we've just discussed for specific companies, but they also can look at Endgames stages. With a typical holding period of three to seven years, private equity firms value the Endgames analysis because of its ability to predict specifically which industries will consolidate capabilities and to pinpoint the duration of industry consolidation stages. Both have significant implications for which industry a private equity firm should invest in and for how it should execute its exit strategy.

> Once most of the consolidation has occurred in an industry ... investors must be certain they choose the ultimate winner of the Endgames consolidation race from the remaining players.

To illustrate, an ideal investment for a private equity firm would be in an industry in the late Opening Stage or early Scale Stage. The firm would invest in several companies in this industry, or in related or adjacent industries, and integrate the acquisitions (often by way of a "rollup"). This strategy would be executed over a window of two to five years. Once the integration was successfully completed, the private equity firm would exit its investment by selling in the early part of Stage 3, when acquisition premiums are typically at their highest. At this point in the Endgames curve, mega-mergers are taking place among the global industry giants in order to stake out leading positions in the run-up to Stage 4. By replicating this strategy over and over, with investments progressing across the Endgames spectrum, private equity firms can optimize their portfolios—and the returns for their investors.

The final Endgames special situation is a rarity indeed—an Endgames-visionary CEO. Many CEOs can successfully execute an Endgames strategy within aparticular stage and some can make a successfultransition from one stage to another. But there areonly a handful of CEOs who can manage successfully up and down the Endgames curve.

Jack Welch of General Electric was one such CEO, consolidating industries years ahead of his competitors and selling companies in Stage 4 industries to other companies that didn't realize that the growth prospects for those industries were gone.

Lou Gerstner, the recently retired CEO of IBM, was another such visionary. IBM, once the juggernaut in mainframes along with Unisys, continued to dominate the field into the 1980s, when a shift from the mainframe to the desktop computer began. After losing its way in the 1990s, IBM was thought to be in peril of extinction like so many other Dow constituents and former members of the *Fortune* 100 club. Under the steady hand of Gerstner, though, the company survived by shifting its focus from a hardware company to a provider of end-to-end solutions and services to its clients. Hardware revenues remained virtually flat during the 1990s and have shrunk since the millennium, while services have grown nearly fivefold. The acquisitions Gerstner made along the way, Lotus Development and Tivoli Systems, supported his end-to-end solution strategy with a networked software platform.

> There are only a handful of CEOs who can manage successfully up and down the Endgames curve.

And so, the CEO who was made famous for his anti-vision statement—telling the press in 1993, “the last thing IBM needs now is avision”—rejected the breakup strategy followed by other Goliaths like AT&T and opted instead for the integrated scale advantage. In the process, IBM’s stock price increased more than sevenfold in less than a decade. Clearly, a visionary CEO who crafts strategies that harmonize with the Endgames curve can reward shareholders immensely.

A New World of Opportunity

Investors can capitalize on several opportunities to use the Endgames Stages to their advantage. Clearly, the principles and theories embedded in the Endgames analysis all point to a rising stock market. Although the future of the market can never be predicted precisely, the positive trends are there: an increasingly rapid pace of merger activity, deregulation, freer trade, improved corporate governance, and bigger merger premiums built into stock prices.

As industries progress along the Endgames curve, investors need to adjust their strategy to achieve consistently good returns. In the early stages, look for companies that have sound business models with strong growth potential and focus. In the later stages, companies that demonstrate proven track records of successful mergers and of creating spin-off sub-industries are the ones to seek.

The transition from one Endgames stage to another almost always presents investors with the opportunity to identify winners and losers—including the chance to better recognize the rare CEO who is an “Endgames visionary.” Finally, the opportunities for private equity firms to use Endgames to their advantage appear extremely attractive.

The Endgames model is extremely robust: beyond its predictive capabilities, it opens the imagination of business people to a host of new opportunities, scenarios, and possibilities. In the next chapter , we examine some of the possibilities Endgames dynamics may create over the next decade.

Chapter 9: The Endgames Vision of 2010

Overview

> ... it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!
>
> —The Red Queen in *Through the Looking Glass* by Lewis Carroll, 1871

In this final chapter we turn our attention to the future. With more than a bit of bravado and perhaps even some brazenness, we forecast what we believe the next decade holds for the both the stock market and consolidation trends. We leave statistical rigor behind and let the panorama of our thinking go well beyond trends for mergers and equity markets. We take a cosmic view of the players and we speculate who will be the winners and losers, both in terms of nations and industries.

In this chapter, then, we offer our broad predictions for change between now and 2010. We also describe what the road to that near future will be like and what challenges will face executive travelers. We look at the 2010 horizon with a view to its corporate composition before taking a scan of global competitiveness. Finally, we come to the Endgames agenda and propose a solid strategy for those who want to be winners at the end of the first decade of the 21st century.

Our Predictions

Dow to Soar

Little did Charles Dow realize in 1885 when he first began publishing a daily average of 12 stocks (10 of them railroads) that the Dow or Dow Jones Industrial Average (DJIA) would become the most widely known and most widely quoted stock market index in the world.

The composition of the Dow has changed radically over the years, constantly being modified to reflect the composition of the real world of business. And the DJIA has grown dramatically in the last decade. Other indices also have taken on greater significance (such as the NASDAQ, the Nikkei, the S&P 500, the FTSE 100, the Hang Seng, and DJ Euro Stoxx), but the Dow—even though made up of just 30 stocks of U.S.-based corporations—still is perceived, rightly or wrongly, as *the* index to watch. It is truly the progenitor.

In mid-2002 the Dow stood at 10,000. Over the next decade, we foresee it increasing about fourfold. Today, the DJIA has a market capitalization of approximately US$3 trillion. This, coupled with the fact that the Dow comprises the largest publicly traded companies in the United States, makes it an ideal indicator for the Endgames scenario. Each of the constituent companies has a leading industry position and is poised to finish among the winners in Stage 4.

This track record, plus the Dow's periodic adjustments to more closely mirror the economy make us confident that it should continue to track the long-term upward momentum we see developing in consolidation with a very high correlation.

Of course, not all companies in the Dow will survive the Endgames curve or manage to stay on top. Chevron, a Dow component in 1997, acquired oil giant Texaco in 2000 and was dropped from the index—although it remains a very healthy company. GE tried but failed to take over Honeywell, another Dow component company (due to strong objections from the European Union competition directorate). We can imagine another one or two companies consolidating and disappearing (or losing market share or stock price panache).

> With Endgames consolidation trending to higher velocity and greater scale into the future, by 2010 the first US$1 trillion merger will become a reality.

Our predictions on the future of the Dow are shared by several investment experts. Authors such as David Elias in his book *Dow 40,000* and James K. Glassman and Kevin A. Hassett in *Dow 36,000* all predict a similar bullish development.[1] ,[2]

Elias predicts the Dow to break 40,000. This is based on his projection of the past trend into the future with annual returns of 9%. He conjectures that factors sustaining this momentum are global growth, increased savings for Social Security, and higher productivity.

Glassman and Hassett also predict that the Dow will reach 36,000 because investors will finally understand the real value of stocks. Here and in his 2002 book, *The Secret Code of the Superior Investor* , Glassman's thesis is that stocks are no riskier than bonds and, in fact, they have outperformed bonds in any 20-year period. Using an equation that defines stock returns as dividend yield plus dividend increase rate and assuming that stocks should be less and less discounted for risk—since they have done so well over such a long period of time—Glassman sees tremendous upward potential ahead. We agree. The overlay of Endgames staging fits neatly with the prediction that the Dow will witness nearly 15% to 20% compounded growth through 2010.

The overall historical growth of the Dow has been a little more than 5% annually since 1896—due to the effects of economically destructive periods such as world wars and the depression of the 1930s. (In fact, from the beginning to the

1930s, the index rose by only about 3% per year.) However, starting in the 1950s, the return has been close to 8%, and over the past 10 years—even taking into consideration the recent setback—the annual return has been almost 12%. So a projection of 15% to 20% for the next several years doesn't seem so utopian in comparison.

We are keeping a long-term perspective here, whereas the typical stock market analyst is much more focused on the short term. The main factor in our projection is a new valuation of stocks driven by industry Endgames.

The US$1 Trillion Merger

The biggest merger deals each year have increased in value tremendously over time, but with a lot of volatility. In 2001, merger activity experienced a big setback, both in the number of deals and in the total value. But this is a temporary phenomenon. The upward trend will resume shortly and continue to grow at an exponential rate.

As Figure 9-1 illustrates, the maximum value of M&A transactions has increased more or less steadily over the last 14 years, despite an occasional blip such as 2001. The largest transaction that year was the smallest since 1994.

Figure 9-1. Biggest mergers by year

With Endgames consolidation trending to higher velocity and greater scale into the future, by 2010 the first US$1 trillion merger will become a reality. Today's highest market cap companies are well below US$0.5 trillion; however, the positive trends developing in the stock market along with the globalization of the Endgames scenario are catalysts certain to bring about this mega-merger. It's only a matter of time.

> Industry insiders believe that the full Endgames cycle will no longer take 20 to 25 years to run its course but may cycle at 16 or 17 years in the near future.

[1] David Elias, *Dow 40,000* (New York: McGraw-Hill, 1999).

[2] James K. Glassman and Kevin A. Hassett, *Dow 36,000* (New York: Random House/Three Rivers Press, 2000).

PREVIOUS NEXT

The Road to 2010

In recent decades, most of the interest has centered on one or another Endgames stage. In the mid-to-late 1990s, for example, the Internet boom created a plethora of new industries and subindustries. Mergers, roll-ups, and early-stage consolidation strategies were abundant, and all the action seemed to be in the Opening Stage. By the early 2000s, though, the boom had ended and growth rates stalled. Losers in the Internet boom had been acquired or had gone out of business and winners now evolved their strategy to increasing scale and building their competitive position. The spotlight has shifted from Endgames Stage 1 to Stage 2.

What predictions can we make about the road to 2010? What role will Endgames play? What will the industrial landscape look like and where will the action be?

We see Endgames Stages 3 and 4 as the battlegrounds of the next decade. Industries that exhibited high growth rates in the 1980s and 1990s will run out of steam in what is sure to be a lower-growth global economy. Many of the traditional preferred growth engines—geographic expansion and buying up and consolidating smaller competitors—have been exhausted. In the late 1990s and early 2000s, the extreme focus placed on maximizing stock prices and quarterly results will soon take its toll as consumers become disenfranchised. This trend will implicitly commoditize companies (and industries) that neglected product innovation and customer service for so long.

As a result, companies in the major Stage 2 industries today—automotive, airlines, telecommunications, consumer products, banking, pharmaceuticals, and others—will move gradually to Stages 3 and 4 over the next decade. Merger activity and, in particular, merger size will be unprecedented as the biggest players in these industries acquire their competitors in bids for industry dominance. Spin-offs will also become rampant as companies try to assemble a winning portfolio of businesses. New industries of outsourcers designed to serve these global behemoths will be created. Finally, roll-ups will become even more popular as smaller Stage 2 companies try to grow rapidly through mergers and acquisitions so as not to “miss the window” to attain the perceived superior economic returns by transitioning into Stages 3 and 4.

What are the implications of this Endgames trend over the next decade? Is it possible to imagine headlines like these?

> **General Motors and Toyota merge to form global automotive powerhouse**
>
> **Johnson & Johnson breaks into 50 separate businesses, unleashes growth and innovation**
>
> **AT &T and Deutsche Telekom form world’s largest global telecommunications company**
>
> **GE Capital and Deutsche Bank merge and break the new company into separate businesses; CEO says, “We’re unleashing shareholder value and refocusing into new directions”**

These imaginary examples may seem far-fetched, but they are direct implications of the Endgames model. Who would have foreseen the unbelievable number and size of merger combinations in the past decade? And yet, the Endgames model would have predicted that, too.

Management Challenges

The exponential rise we see in stock prices will have a ripple effect on the whole economy. Technology innovation, product innovation, market roll-ups, and mergers, in addition to split-ups, spin-offs, and even corporate breakdowns, will happen at speeds never encountered before. Along with this will come uncharted innovation in information technology and knowledge management and an explosion of new services, new products, new industries, and new markets. The convergence of all this interconnectedness, interoperability, and value chain rationalization will turbocharge corporate developments to a speed that will make unwary executives dizzy. However, this speed has to be channeled in the direction that most benefits companies and shareholders.

This speed will also boost the velocity at which the Endgames, mergers, and consolidation trends will coalesce in the future. Industry insiders believe that the full Endgames cycle will no longer take 20 to 25 years to run its course but may cycle at 16 or 17 years in the near future. What will the cycle be in the year 2010? Will it be 10 years or even less? Perhaps as few as eight years in some industries? Even with all the technological innovations boosting productivity and making businesses more efficient, economies will not redline or overheat as productivity increases. The technology revolution has an impact on the economy that resembles that of a tax cut. Growth will continue at greater levels without the usual inflationary consequences. Information handling and control will surpass product and marketing know-how as a core competency.

Whatever it takes, management must step up to the challenge. This means learning to manage knowledge and information while staying in the driver's seat. Keeping up with the knowledge and information explosion while you're moving at Autobahn speed is no easy task.

New Global Titans

By 2005 we will almost certainly see more than a dozen companies with market capitalization of more than US$1 trillion. The largest company today, GE, has a market capitalization of US$332 billion. What will it look like—or who will surpass it—in 2010? Volume and scale barriers are collapsing in the face of technological and information management innovations.

> By 2005 we will almost certainly see more than a dozen companies with market capitalization of more than US$1 trillion.

Take the WorldWide Retail Exchange (WWRE). Headquartered in the United States, the WWRE is a truly global network of more than 60 retailers that conducts business that represents—in the aggregate sales of its member network—a company with more than twice the revenue of Wal-Mart. By the end of the decade, will WWRE be a global entity with US$10 trillion in revenues? Will it encompass more than 1 million employees and contractors? Will it cover more than 80 national markets? Will conglomerates be revitalized—because no single product market could nourish such a huge corporate entity? Will the speed of concentration increase so that one or two companies merge every day—not unlike the Nestlé model of an acquisition every three to four days?

Just 10 years ago, managing a company of more than 500,000 employees and US$80 billion of revenue was unthinkable. Now the seemingly unlimited potential of information technology finds its real challenge in controlling giant complex entities online—and this trend will increase in scale as the speed of consolidation accelerates.

Coupled with this growing scale and need for complexity management are advancing technology and streamlining of the value chain. The supply chain has been tightening up for quite a while, but the value chain goes beyond supply to encompass everything from the concept to the customer. To cite the WWRE again, trading relationships have been revolutionized with open exchanges and interoperable transaction architectures offering the following benefits:

- Open exchanges and architectures allow members to form short- or long-term relationships with one or many partners.
- Electronic interfaces radically reduce transaction costs for buyers and sellers.

- Transparency has been introduced to the marketplace, eliminating the costs of maintaining hedges and being surprised by oversupplies in the value chain.
- New e-commerce business models are easily developed and adapted to the exchange, and implementing new technologies is increasingly easier.
- Transactions are conducted from end to end along the supply chain—from sourcing through settlement.
- Participants gain value through the exchange as a way to trade goods and services, and scale is no longer a barrier.

What is the future for competitors in such an industry environment? They may belong to one or more exchanges, moving in and out of them at will, to gain the benefits of a global value chain that expands their markets for goods or services on a planetwide basis, while they continue to enjoy the benefits of the low cost of doing business—thanks to the seamless pipeline developed by the public exchange. And, at the same time, these smaller businesses can continue to delight the customer on a local level, where custom services and customer relationships often matter more than the lowest transaction cost.

> In 2010 there won't be 50 or 60 undisputed global industry leaders: there will be hundreds.

An analysis of roughly 150 companies along the Endgames curve also revealed that increasing consolidation is changing the economics of their business in a way that favors a division of labor between the upcoming commodity service providers and outsourcers. As businesses grow in scale and scope, the definition of core business competencies will sharpen. The consolidation trend will also usher in a tremendous increase in outsourcing, not only of traditional target activities such as MRO, but of new, complex business processes as well. Payroll, for example, will inevitably be outsourced, followed by benefits administration, facilities management, human resources, and even business processes such as assembly subsystems that are not unique to the company, but use precious processing, design, and strategic resources that could be better deployed elsewhere.

Next we'll look at how the industry titans will rise to the challenges of their dominant positions in Stage 4 of Endgames.

Keeping Success Evergreen

Maintaining momentum and managing to stay on top in Stage 4 of Endgames consolidation will require a special breed of company and management talent. Of course, some of these challenges are not new but the penalties for missteps will be greater and swifter than in the past. There are no longer any safe havens.

In 2010 there won't be 50 or 60 undisputed global industry leaders: there will be hundreds, each in its respective industry. Companies in such dominant positions will deal with high volumes of merger transactions—perhaps 10 or more per year. They will face troublesome cultural issues in the process—not just corporate cultural issues, but national issues as well.

Executives will also confront perhaps the biggest bugaboo of all, complacency. The old watchword about fighting the lethargy that comes with contentment will be revived in the future. Throughout history, long-term market dominance has characteristically bred complacency among industry leaders. Few can stay lean, mean, and hungry once the corporate coffers are brimming with success and profits.

Today, U.S. or European companies tend to dominate the industrial scene, while many Japanese companies that were once the model of efficiency struggle with outmoded business systems. One of the areas in which the United States has enjoyed great success is in improving supply chain management. As that trend continues and extends across the entire value chain, Japanese companies will work to wring substantial costs out of their product and service delivery equation.

To compound Japan's problems, Moody's Investors Service has declared the former economic superpower a credit risk as great as Botswana, Cyprus, and Israel because of its "soaring national debt, chronic deflation and wobbly banks," according to *The Wall Street Journal* . In mid-2002, Moody's said it was slashing Japan's credit rating by two notches because government debt "will approach levels unprecedented in the postwar era in the developed world and as such Japan will be entering 'uncharted territory.'"[3]

Another key to gaining or maintaining a leading position is customer learning. With the advent of intranets and improved information sharing, companies can finally reach out and get closer to the customer. They can also get a lot closer to their employees, who possess most of the company knowledge. Companies that find ways to hear—and listen to customers and connect their employees both to one another and to the customers stand a good chance of being industry leaders. And then they must never let up. Ever.

Even powerhouse companies that have exhibited staying power for decades must fight to maintain their hard-won competitive edge. GE, for example, has entered into uncharted—if not somewhat unstable—territory since its superstar CEO, Jack Welch, retired. It remains to be seen whether Welch's successor, Jeffrey Immelt, can continue to move the enterprise forward or whether GE will break into several viable businesses that resume rapid growth and consolidate on their own.

Companies that abandon or neglect learning and development experience the pain of losing position or market momentum. As we discussed in Chapter 6 , Coca-Cola lost its position of indisputable market dominance to Pepsi and now it's fighting hard to win back market share. It is no longer a battle of the colas as each of these predatory competitors aggressively goes after the other. Pepsi was the first to understand the bigger business these companies are in—beverages—and moved into the larger market. Coke has been responding with similar purchases, such as the acquisition of the mixers business from Seagram’s, in a spin-off from Diageo.

Global Culture

Global capability continues to be a critical success factor for the world dominators that will populate the corporate stage over the next few years. The Endgames masters will develop and nurture a truly global culture that can integrate nations, races, and skill sets to gain maximum productivity from stakeholders.

The new planetwide enterprise will also have expertise in resolving cultural issues. It’s not just about synergy. Cultural problems and poor communication can sabotage more well-planned mergers and destroy more value than lack of due diligence.

Several cultural models have worked in the past. In the book *After the Merger* , the authors discussed cultural differences at length.[4] Our Endgames research, however, suggests several approaches work best with cross-border mergers and acquisitions.

The first approach is to expand the global platform, but keep the local flavor. This is the method favored by Masayoshi Son, the maverick globetrotting Japanese entrepreneur who founded Softbank. Son acquired Ziff-Davis in 1995 and essentially left the existing culture intact. In the same year he invested US$100 million in Yahoo! in return for a 15% interest in the company. Yahoo! employees were especially fearful he would try to change them into a Japanese-style company. But Son let the cultures remain independent. He was educated in the United States and lived there for several years afterward and feels he understands enough about American culture to trust his investments without trying to change them.

Another winning approach is to gain in international experience first—as was the case with the BP-Amoco combination. Each company had experience integrating cross-border mergers prior to BP's acquisition. BP integrated Standard Oil of Ohio, while Amoco learned valuable lessons with its purchase of Canada's Dome Petroleum.

Another approach is to try to create an entirely new culture, such as Daimler-Benz of Germany attempted when it acquired Chrysler. Daimler did its homework by conducting a study of large cross-border mergers and joint ventures to assess failures and their causes. Leaders identified cultural conflict as a major problem. Consequently, DaimlerChrysler executives built a merger integration strategy around major tasks designed to minimize cultural conflict and prevent a cultural implosion. But for all its diligent preparation, the newly merged company still experienced many problems surrounding what turned out to be a strong and dominant German culture.

In our Endgames vision, cultural integration works most easily when a more neutral and integrative Swiss-, Dutch-, or Norwegian-style culture is adopted. Witness the winning method of Nestlé, which has its headquarters in Vevey, Switzerland. It takes a "United Nations" approach. The composition of its board is truly international—it has not a single Swiss national member. Nestlé acquires a company every week and finds it very easy to integrate its numerous acquisitions without any turmoil being reported in the press or trade publications. ABB, another corporate model, has successfully merged Swiss and Swedish components into a truly global culture that integrates executives and employees from many nations.

[3] Ken Belson, "Debt Load in Japan Brings a Downgrade," *International Herald Tribune,* 31 May 2002.

[4] Max M. Habeck, Fritz Kroeger, and Michael R. Traem, *After the Merger: Seven Rules for Successful Post-Merger Integration* (London: Pearson Education Limited, 2000).

New Players in the 2010 Consolidation Game

Consider the unprecedented size, complexity, and scale of global companies by 2010: what was once almost unimaginable becomes reality. Just to run one of these companies on a day-to-day basis, a number of new enabling industries will be created and others, mainly in professional services fields, will have to significantly change their business models. The roles of the CEO and the Board of Directors will surely change as well.

> In our Endgames vision, cultural integration works most easily when a more neutral and integrative Swiss-, Dutch-, or Norwegian-style culture is adopted.

How will these trends change the world we'll be working in by 2010? Consider some potential new players and new roles for current players.

Outsourcing Companies. When Sara Lee announced a few years ago that it was outsourcing the manufacturing of many of its products, it shocked the industry. But in 2010, this will be the norm, at least for companies in Stage 3 and 4 industries. Whole new industries focused on outsourcing manufacturing, product distribution, lending or claims processes, retail branch banking, or automotive warranty administration could all be possible as Stage 3 and 4 companies focus on the true strategic differentiators and outsource their remaining processes.

As another group of A.T. Kearney authors explain in their book, *Rebuilding the Corporate Genome* , leading companies "are dissecting their companies into tiny pieces and creating new and innovative ways to make the most of their best assets." The authors liken this process to rebuilding the corporate genome because of “the similarities we see between a corporate capability (a single element of a value chain, like manufacturing, branding or purchasing) and a human gene.”[5]

Taking this a step further, companies might even outsource certain parts of their line management ranks to management consulting firms to be better positioned to manage complexity, shift resources, and adjust capacity quickly and ensure continual innovation capabilities. Or they might outsource the post-merger integration of new acquisitions. As a result of an even greater volume of merger activity, they might shift the risk and burden of post-merger integration onto investment banks, rather than assuming the risk themselves in effect, outsourcing this important business process.

New Financial “Scorekeepers.” As mergers become even more predictable, commonplace, and embedded as a competitive strategy, the role of auditors and compensation consultants seems likely to change as well. Taken to an extreme, one could picture an annual report with an independent section written by a company’s auditor on where the company and its industry are positioned on the Endgames curve, the five-year outlook for merger activity and consolidation in the industry, and the major strategic imperatives for the company’s management to address. Or, one could imagine the role of compensation consultants changing as well. Instead of comparisons against industry groups as a key determinant of senior management compensation, one could picture a comparison versus companies in different industries but in similar Endgames stages. Management imperatives like creating superior competitiveness, realizing shareholder benefits from mega-mergers, and achieving economies of scale would become more important drivers of compensation, to the benefit of shareholders.

New Role of the CEO. Finally, the role of the CEO will change dramatically as the size and complexity of a company increases. The world’s largest companies may very well have more than one million employees by 2010 or have market capitalization bigger than the gross domestic product (GDP) of some medium-sized country. Right now, GE and half a dozen other U.S. companies have market caps larger than the GDPs of all but the top 20 countries.

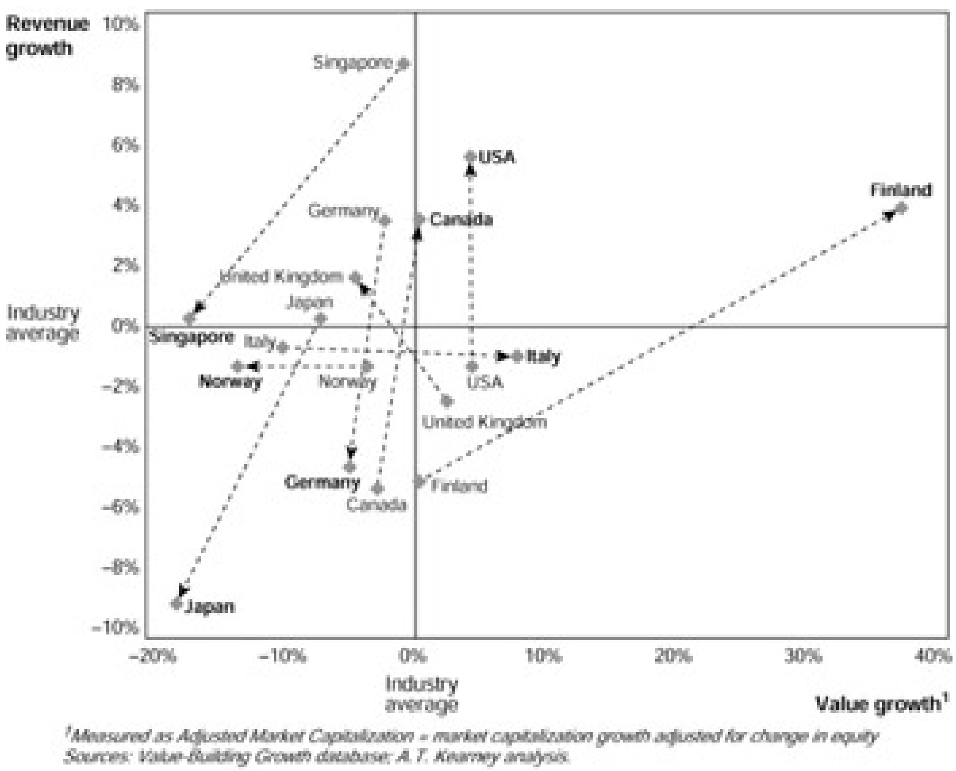
Strategy will have a renaissance in the CEO suite. CEOs will focus primarily on the positioning of the businesses in a company's portfolio on the Endgames curve and assess what the strategic implications and choices are for those businesses going forward. Mergers, acquisitions, spin-offs, and divestitures will become routine for CEOs, but embedding creativity, innovation, and organic growth strategies throughout all levels of a company will become more important and difficult to achieve. Organizationally, because of the size and complexity issue, CEOs may have to reorient their roles toward coaching and empowerment, just to be able to keep a business going from day to day and to have their messages reach all of their employees. Finally, particularly for CEOs in the new Stage 3 and 4 industries, keeping ahead of the technology innovation curve will be critical, so that technology does not render their company obsolete.

> The world's largest companies may very well have more than one million employees by 2010 or have market capitalization bigger than the gross domestic product (GDP) of some medium-sized country.

[5] Johan C. Aurik, Gillis J. Jonk, and Robert E. Willen, *Rebuilding the Corporate Genome: Unlocking the Real Value of Your Business* (New York: John Wiley & Sons, 2002).

A Global Scan: Industry and National Competitiveness

As global culture continues to develop and technology virtually connects the continents, countries themselves will star in the galaxy of commerce. The last 10 years have seen a dramatic change in competitive positions of nations (see Figure 9-2).



9-2. Growth portfolio (CAGR 1989: 8211;2001) of countries, benchmarked against industry average

The United States has been consistently dominant, followed by the strong performance of Canada. Canada's economy, in fact, has weathered the recent recession surprisingly well, driving it from the underperformer quadrant into the value builders section. Conversely, Japan has declined from being *the* global high performer to the declared laggard of the industrial world. Finland has been transformed from a middle player into a high-tech country, due mainly to its position in telecommunications. Nokia, the world's leading cellular phone manufacturer, accounts for 50% of the Finnish stock market capitalization. However, such reliance on a single company can be dangerous: no company is immune from the pressures of the Endgames consolidation curve.

Meanwhile, Germany has declined from the industrial European powerhouse to the bottom of the league in growth in 2001 and, to the south, Italy has transformed itself from a laggard into a veritable high performer in the European Union.

What implications does this have for the position of various industries in the Endgame? For that we created some country grids to help visualize the trends.

First we developed a global economy plot of industries according to the four Endgames stages, which resulted in a broad bell curve with roughly 15% each in the Opening and Balance stages and roughly 35% each in the Scale and Focus stages. By plotting an individual national economy against that curve, it is immediately apparent whether the economy is made up mostly of young industries and thus will have a bright future or whether it is overdominated by companies in old industries rooted in preserving the status quo.

Germany and Japan, for example, are equally strong in old industries and are substantially underrepresented in the Opening Stage where most young industries reign. In contrast, North America is equally balanced across all stages—very close to the classic S curve—while Singapore, like some other emerging markets, is front-loaded. China is weak in Stage 1 and very strong in Stage 2 companies (see Figure 9-3).

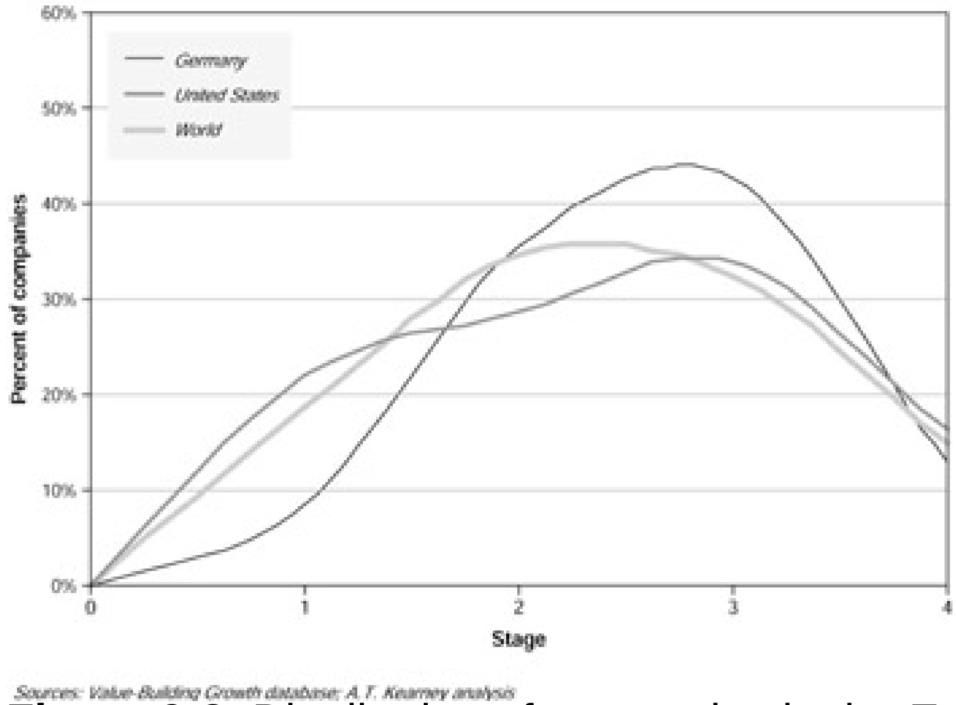


Figure 9-3. Distribution of companies in the Endgames stages

So who will be the winners and who will be the losers in the future?

Obviously, North America is well-equipped for the future and will likely strengthen its already strong position and its domination of the world economy. The same holds true for India, which is strongly front-loaded and thus has a strong position in the up-and-coming industries that will transition through the major consolidation waves. But, of course, having an abundance of companies in the young industries does not guarantee that those companies will move up the Endgames curve and become global leaders in their sectors.

Political leaders have to provide the appropriate environmental and political infrastructure to foster and nourish those industries, to support their further growth, and to encourage companies to maintain their headquarters in the native country. This opens the door to future spin-offs and creation of industrial networks or "clusters" that form the breeding ground for large-scale economic growth and employment. We have seen this in the automotive and automotive supplier industry in southwest Germany and around Turin and Detroit. We have seen the aerospace industry develop around Bavaria. We have seen the high-tech industry blossom in Silicon Valley (California), Silicon Alley (New York), and Boston, and the biotech industry grow in Bavaria and Berlin, Hong Kong, Singapore, and Malaysia's Multimedia Super Corridor—all with heavy government support and encouragement.

The authors have a message for world leaders: industrial policy is still in vogue. It is not a vestige of the 1970s. Here is where future-oriented country leaders (and leaders of states and provinces and mayors of major cities) can make their marks. The state must play a proactive role by setting the right regulatory environment, along with industrial development and tax system incentives. Our recommendations for far-sighted political leaders are very clear and direct:

> The state must play a proactive role by setting the right regulatory environment, along with industrial development and tax system incentives.

1. Create a growth-oriented regulatory environment.
2. Establish an infrastructure that is positive for the local economy, for industries and companies.
3. 3. Create an educational system that stimulates people to exploit their growth potential to the utmost and ultimately induces younger industries to settle in the region and to create economic clusters that boost the national economy.
4. Understand the importance of scale and size of companies and industries at the global level and promote the formation of strong global players that are able to compete planetwide while continuing to benefit the local and national economy.

The Endgames Agenda

Having looked at world markets, management and government challenges, new players, and suggestions for policy leaders, we will now return to our Endgames consolidation theme. For ardent pursuers of the consolidation game, we present the agenda we feel is necessary for success in the Endgames race or to be the final successful consolidator of the industry. Thus we leave you with a slate of 10 ideas you can use to improve performance as you guide your company through the cycle. We believe these are seminal thoughts that should be a part of every company's strategy platform.

10-Point Endgames Strategy

1. Diagnose where your industry stands on the Endgames curve and the short-term and long-term operational and strategic imperatives of these positions.
2. Benchmark the company's performance against its competitors in the Endgames race and plot future potential winners and losers with a long-term view.
3. Reorient your strategy, raising your growth hurdle to step or stay ahead of the growth curve of the industry.
4. Screen and evaluate potential merger candidates with regard to their value and synergy potential in the short- and long-term Endgames competition.
5. Sketch out the appropriate roll-up strategy to become the dominant and final consolidator of your industry.
6. Evaluate your current senior management team for suitability, readiness, and potential in the specific Endgames position. In addition, assess the appropriateness of the organization structure according to its Endgames requirements, its value-added depth, and the outsourcing potential appropriate to the particular

Endgames stage.

7. Optimize your portfolio by evaluating the Endgames position of each individual business unit within its respective industry.

8. Screen all potential breakthrough technologies in your company for possible spin-offs to form new industries and nurture their growth.

9. Screen existing IT systems, structures, and processes for their appropriateness for further enhanced growth and integration of other acquired businesses.

10. Screen the existing culture for organic strength, openness, and diversity and take action to add any missing pieces. The culture should form a solid, yet flexible core for future global leaders who will integrate future mergers and help rolled-up companies find an emotional home.

On top of these 10 general points, we recommend specific agendas for each stage of the Endgames curve.

Opening Stage

- Stake out space in your industry and aggressively capture ground.
- Plant the seeds of a strong global culture to facilitate rapid growth.
- Get the right leadership on board to be the cadre for future growth.
- Assimilate and merge acquisitions as soon as possible to minimize disruptions and maximize the synergies.

Scale Stage

- Continue to grow rapidly, setting targets well above the average of the industry.

- Strengthen the already existing culture; continuously benchmark against the other major players in the industry.
- Target, acquire, and integrate the most attractive players in your industry.
- Create a global viewpoint and a global culture that permeate the enterprise.
- Continue to develop leadership and focus on changing skill sets. Remember: different skills are needed for different stages.
- Adjust the organization so it is capable of adapting and channeling future growth.
- Adjust the IT systems, processes, and structures to create the benchmark knowledge management practices in the industry.

Focus Stage

- Prepare for the final battle of consolidation, with solid offensive (winner take all) and defensive (exit the industry) strategies.
- Refocus the portfolio of activities to dominate the industry.
- Adjust the cost structure to achieve the most competitive value chain and outsource non-core businesses to gain flexibility and cost advantages.
- Create global coverage, a global network, and global intelligence systems necessary to achieve, of course, global dominance.

Balance and Alliance Stage

- Take necessary steps, at the appropriate time, to prepare the political and cultural environment to accept your company as the global leader in your industry.

- Consider reinvesting profits for charitable causes such as education, environmental protection, and health development.
- Fight and overcome complacency to gain a spirit of continuous competitiveness and further development to prolong industry dominance.
- Screen and benchmark other competitors and upcoming competitive technologies with regard to their potential threats to the existing business model and the impact on future development.
- Reexamine the business portfolio for potential spin-off candidates.

The Endgames Future: What's Next?

Sometimes, taking the scenic route pays off. It's been four years since we began compiling data to study value-building growth. We wanted not only to find out how companies grow, but also to uncover what specific growth methods they use to increase shareholder value. Soon after, we extended our research to examine merger integration, scrutinizing the conundrum of combining functions and departments of widely different companies and cultures. This, in turn, led us to focus more intently on mergers, acquisitions, and the consolidation activity in industry. It's been a long journey, but the sights—and insights—we experienced along the way have been well worth our while.

But the journey is not over. The data and insights expressed in *Winning the Merger Endgame* take us to the horizon of a new age of industry titans and carefully constructed conglomerates. We believe these entities will become global corporate citizens that partner with governments and global trade organizations for the betterment of the planet and its people. We look forward to living through and writing the next chapter of this epic.

We would like to invite our readers to join us in this venture. If you agree or disagree with our views on how the Endgames model will play out over the next decade—or if you have personal experiences in consolidating industries—please share your views and experiences with us. You can write to the authors at endgames@atkearney.com .

Appendix: Endgames Methodology and M&A Transactions 1988 to 2001

Overview

> Our life is frittered away by details. Simplify. Simplify.
>
> —Henry David Thoreau, *Walden*
>
> But, then again, others might argue ... God is in the details.
>
> —Ludwig Mies van der Rohe

The current wave of merger activity crested at the opening of the decade with a multitude of mega-deals. America Online announced it was merging with Time Warner in a strategic move to create what it called the world's first fully integrated media and communications company. The all-stock combination was valued at US$165 billion. This record U.S. deal was topped by the US$200 billion deal announced a few months earlier by Britain's Vodafone, the world's largest mobile phone provider, which declared a hostile bid for Mannesmann AG (Germany) and Orange PLC (Britain). This in turn had surpassed the earlier world record US$90 billion bid for Warner-Lambert by Pfizer. Since this flurry of deals in 2000, activity has fallen to much lower levels both in scale and number—in large part due to the meltdown of dot-coms and telecom companies. And the cratering of the stock market in 2000–2001 reduced the value of stock equities that would have contributed to the currency of most M&A activity.

In this book we have taken a much longer-term view of merger activity. In Chapter 9 we predicted that the current ebb in activity is only a pause while a new and bigger wave gathers momentum. In depleted industries—the situation in which we find telecommunications at the time of publication—assets are purchased by newly funded players, the industry reorganizes, and then consolidation begins anew. And in general downturns, stronger well-funded companies will use tough markets to look for opportunities to buy out smaller firms to maintain or improve their growth rates and capitalize on efficiencies of scale.

In looking at long-term M&A activity, we wanted to do more than simply observe the ebb and flow of global consolidation, we also wanted to:

1. Establish a sound foundation for our thesis that there is a certain predictable pattern to all the merger activity.
2. Illustrate how merger activity goes through a series of phases or stages that can be shown to form an S curve—starting with a deconsolidated industry dispersed among several hundred companies and culminating in a concentration of up to 90% or more of an industry's market share in a few large companies.
3. Define a distinct consolidation trend that is leading to an irrevocable quickening global trend toward industrial concentration.

How Is Concentration Measured?

Various audiences are interested in being able to measure concentration for a variety of reasons. Business leaders need to know the level of concentration to evaluate competitiveness (to make strategic decisions about entry into markets, for example). Government agencies monitor industry consolidation to prevent undue concentration in the hands of one company, in other words to avoid a monopoly situation. Academics and business scholars are interested in the mechanics of M&As. Therefore, not surprisingly, a number of different concentration indicators exist.

In the Endgames study, we used the two most popular metrics.

The first is a measure of the relative size of an industry's largest firms. The three-firm concentration ratio (CR_3) measures the combined share of industry sales held by the three largest firms in an industry:

$CR_3 = s_1 + s_2 + s_3$,

where s is market share.

Another commonly used measure is the Hirschman-Herfindahl Index (HHI), which is the sum of the squared market shares of the firms in a market:

$HHI= s_1 2 + s_2 2 + s_3 2 + s_4 2 + s_n 2$,

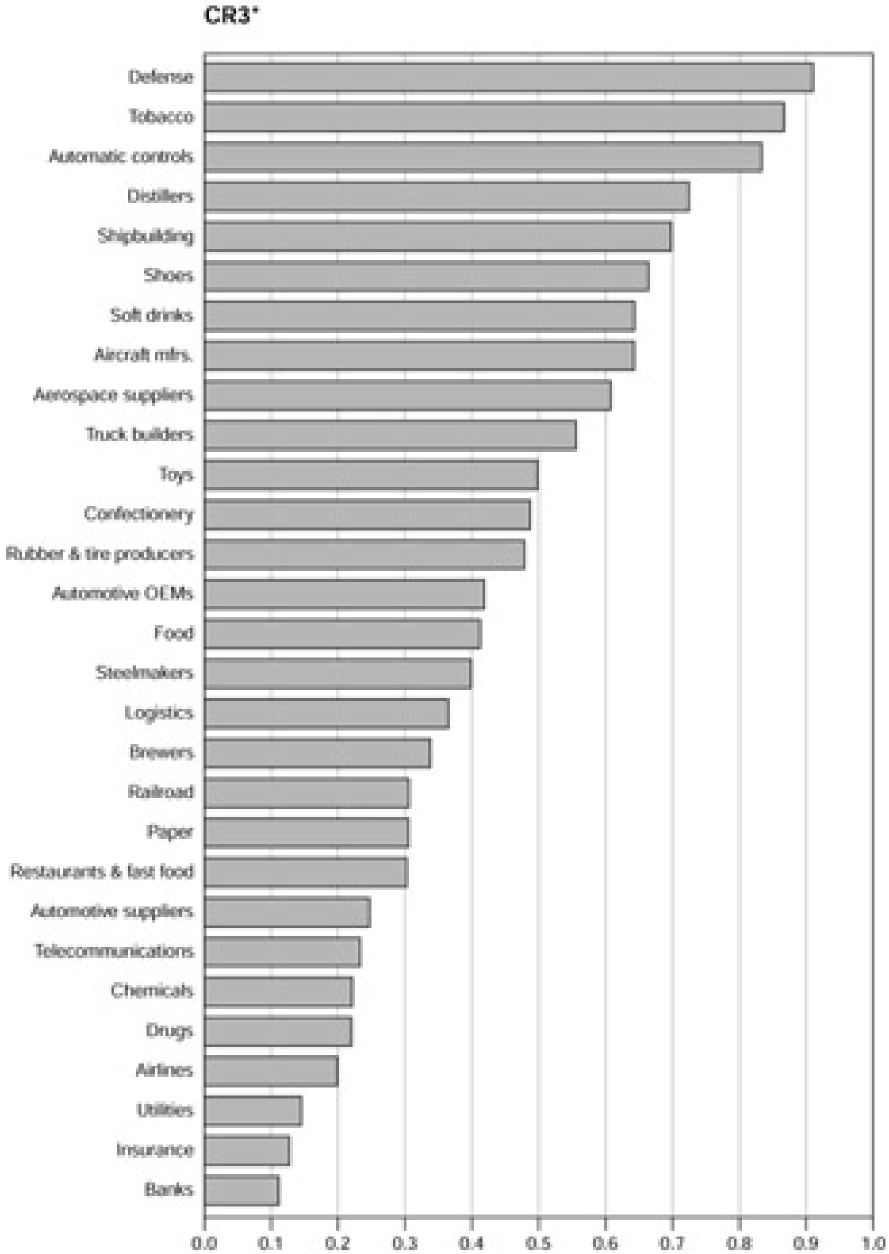
where s is market share.

The HHI takes into account the relative size and distribution of the firms in a market and approaches zero when a market consists of a large number of firms of relatively equal size. For example, in a market with 20 firms each having 5% of the market, the HHI index would be 0.05. The HHI increases both as the number of firms in the market decreases and as the disparity in size among those firms increases. Markets in which the HHI is below 0.1 are considered as relatively unconcentrated, those with HHI values between 0.1 and 0.18 are considered to be moderately concentrated, and those in which the HHI is higher than 0.18 are considered to be concentrated. The maximum value is 1.0.

Transactions that increase the HHI by more than 0.01 in concentrated markets presumptively raise antitrust concerns under the Horizontal Merger Guidelines issued by the U.S. Department of Justice and the U.S. Federal Trade Commission. Occasionally, the percentage value is not normalized and the range of the HHI then goes from 0 to 10,000.

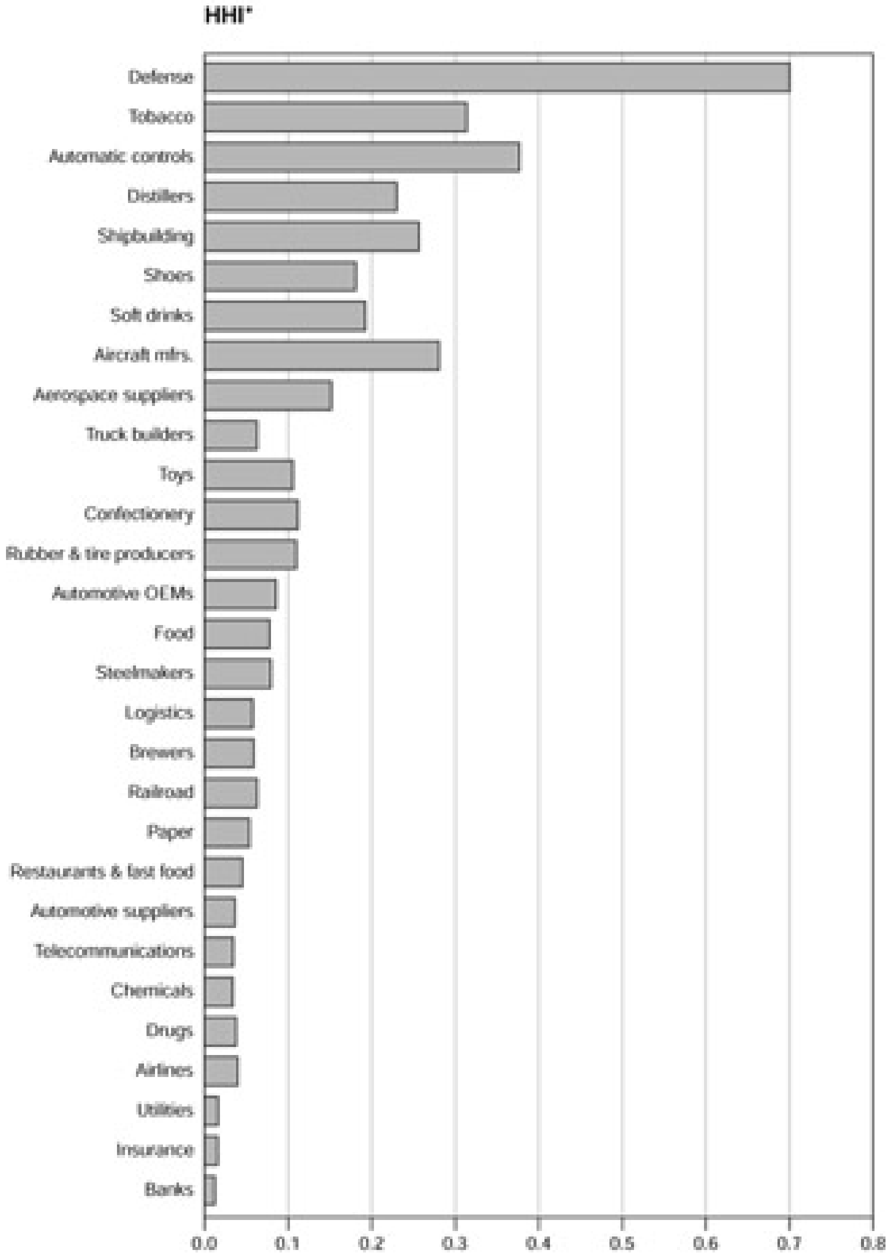
Of course, both metrics, as well as other concentration metrics, strongly correlate.

Figures A-1 and A-2 provide an overview of the most important industries in the Endgames study by the CR3 and the HHI index from 1995 to 1999.



*CR3 = Market share of the three largest companies of the total market based on VBG database (25,000 companies).
Sources: Value-Building Growth database; A.T. Kearney analysis

A-1. : Industries ranked by consolidation level (1995–1999)



*HHI = Hirschman-Herfindahl Index corresponds to the sum of the squared market shares of all companies and is greater than 90%; the axis logarithmically plotted.
Sources: Value-Building Growth database; A.T. Kearney analysis

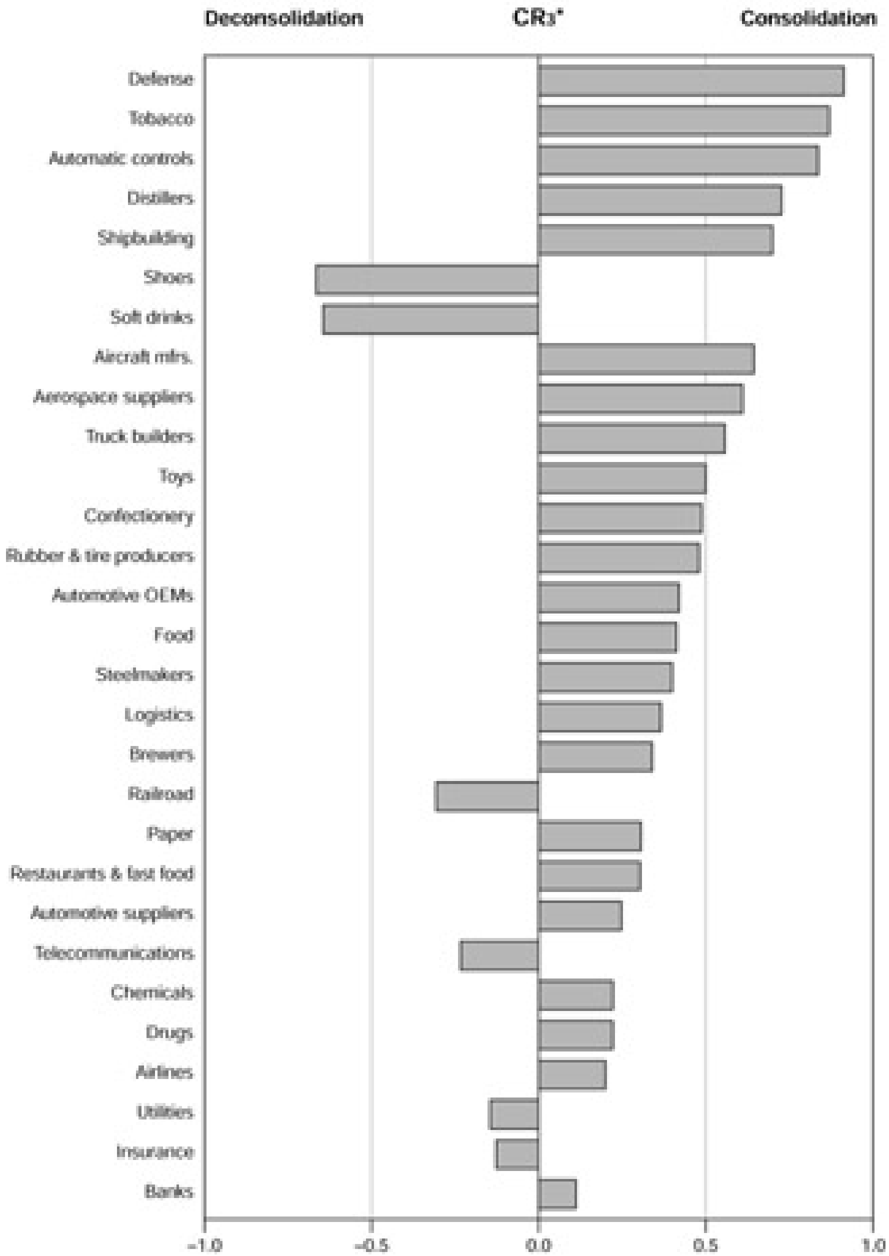
A-2. : Industries ranked by consolidation level (1995–1999)

The concentration is based on the revenue figures of the included companies, which are measured in U.S. dollars. Revenue figures from countries that do not normally use U.S. dollars in their accounting have been converted into U.S. dollars using the respective year-end exchange rate. Within quantitative analyses, the official SIC (Standard Industry

Classification) industry codes were used for segmentation. For deeper analyses, A.T. Kearney industry specialists were called in to fine-tune the industry picture further.

How the Endgames Curve Is Calculated

The Endgames curve is based on two sets of values: the concentration degree on the y-axis and the dynamics or speed of concentration on the x-axis. In addition to the concentration values, information on the speed is necessary to derive the Endgames curve. As a next step therefore, we measure the dynamics—the concentration over time, for example—to understand whether an industry is consolidating or deconsolidating. This was done by defining two five-year time frames from 1990 to 1994 and 1995 to 1999, and measuring the concentration degree twice. Based on the difference between the two values one can determine whether an industry is consolidating or deconsolidating (see Figure A-3).



*CR_3 = Market share of the three largest companies of the total market based on VBG database (25,000 companies).
Sources: Value-Building Growth database; A.T. Kearney analysis

Figure A-3. Level of industry consolidation and deconsolidation

Furthermore, it is possible to derive an order or state of these industries based on the degree of concentration and its direction. For example, the railroad industry is modestly concentrated and deconsolidating, with the telecommunications industry following close behind. Next, look at the consolidating industries with rising degrees of concentration, such as drugs, truck and trailer manufacturers, and defense electronics. And finally a high degree of concentration exists and some industries are deconsolidating.

Based on this natural order, the time that one industry needs to reach the next level of concentration can be calculated based on its current consolidation speed. For example, airlines are not forecast many years into the future, but one can forecast the number of years the industry needs at the current consolidation speed to reach the level of concentration of the next higher concentrated industry, which is pharmaceuticals. The development of the pharmaceuticals industry is forecast to the point it reaches the same level of concentration as diversified chemicals and so forth.

By projecting the trend from one industry to the next, where the different industries reflect different points of concentration, it is possible to get a curve of more than 20 years by using only 10 years of historical data and forecasting only a couple of years into the future. The average projection from one consolidation level to the next is only 0.8 years, with the longest projection being nearly two years from the concentration of railroads down to that of telecommunications.

How Do We Define a Successful Merger?

Our analysis shows that 49.5% of all mergers fail to increase shareholder value, while 50.5% are successful. (But merger success or failure can vary by industry. See Figure 1-4 in Chapter 1 for examples of industry-specific merger success. Bubble size relates to M&A success.)

The success of a merger is defined as the change in the stock price of the company versus the industry average stock performance during the three-year period after the announcement of the merger. If the stock of the combined company outperforms the industry index, the deal is considered a success.

This analysis comprises the biggest mergers in the period 1990 to 1999 with a transaction value more than US$500 million. Both the acquirer and the target company must be publicly held companies with stock listed on a major exchange. The acquirer must hold a majority share in the acquired company of at least 51% after the transaction.

How we define a successful merger is relevant to our discussion of the implications for success rates that occur at various stages of the Endgames cycle, the type of merger that is most successful, and when external growth through acquisitions is more likely to produce favorable outcomes.

Mergers and Acquisitions Database

A.T. Kearney's mergers and acquisitions data was gathered from the SDC database with the permission of Securities Data Corporation, a subsidiary of Thomson Financial. Of the SDC database of more than 135,000 mergers and acquisitions, we selected only those with a transaction value of more than US$500 million. As we noted in Chapter 1 , transactions smaller than that would not be significant in a global context.

The database that follows on pages 164 to 229 is a current list of the largest mergers from 1988 to 2001 showing when they were announced, the price of the deal, and the industries of both the acquirer and the target company.

Advertising Services

$4,979
WPP Group PLC
Young & Rubicam Inc
Advertising Services
May-00
$2,765
Havas Advertising SA
Snyder Communications Inc
Business Services
Feb-00
$2,133
Interpublic Group of Cos Inc
True North Communications Inc
Advertising Services
Mar-01
$1,721
Publicis SA
Saatchi & Saatchi PLC
Advertising Services
Jun-00
$1,000
Outdoor Systems Inc
National Advertising Co
Advertising Services
May-97
$690
Outdoor Systems Inc
Mediacom Inc (Gannett Co Inc)
Advertising Services
Jul-96

$674
Interpublic Group of Cos Inc
NFO Worldwide Inc
Business Services
Dec-99

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Aerospace and Aircraft

$13,359
Boeing Co
McDonnell Douglas Corp
Aerospace and Aircraft
Dec-96
$8,762
Lockheed Martin Corp
Loral Corp
Measuring, Medical, Photo Equipment; Clocks
Jan-96
$5,204
Martin Marietta Corp
Lockheed Corp
Aerospace and Aircraft
Aug-94
$5,158
Northrop Grumman Corp
Litton Industries Inc
Measuring, Medical, Photo Equipment; Clocks
Dec-00
$3,600
Northrop Grumman Corp
Westinghouse Electric-Defense
Measuring, Medical, Photo Equipment; Clocks
Jan-96
$3,086
Boeing Co
Rockwell Intl Corp-Aerospace
Aerospace and Aircraft
Aug-96

$3,057
Northrop Grumman Corp
Newport News Shipbuilding Inc
Transportation Equipment
May-01
$3,050
Martin Marietta Corp
General Electric-Aerospace
Aerospace and Aircraft
Nov-92
$2,668
Lockheed Martin Corp
COMSAT Corp
Telecommunications
Sep-98
$2,174
Thomson-CSF
Racal Electronics PLC
Computer and Office Equipment
Jan-00
$2,104
Northrop Corp
Grumman Corp
Aerospace and Aircraft
Mar-94
$1,559
Rockwell International Corp
Reliance Electric Co
Electronics and Electrical Equipment
Oct-94
$1,525
Lockheed Corp
General Dynamics-Ft Worth Div
Aerospace and Aircraft
Dec-92
$1,270

BF Goodrich Co
Rohr Inc
Aerospace and Aircraft
Sep-97
$1,028
Northrop Grumman Corp
Logicon Inc
Business Services
May-97
$724
United Technologies Corp
Specialty Equipment Companies
Machinery
Oct-00
$600
Textron Inc
Cessna Aircraft Co
Aerospace and Aircraft
Jan-92
$598
Saab AB
Celsius AB
Measuring, Medical, Photo Equipment; Clocks
Nov-99
$517
General Dynamics Corp
Primex Technologies Inc
Measuring, Medical, Photo Equipment; Clocks
Nov-00

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announc

Agriculture, Forestry and Fishing

$1,588
Willamette Industries Inc
Cavenham Forest Industries
Real Estate; Mortgage Bankers and Brokers
Mar-96
$740
Sime Darby Bhd
Consolidated Plantations Bhd
Agriculture, Forestry and Fishing
Nov-93
$552
Plum Creek Timber Co Inc
Riverwood Intl-US Timberlands
Agriculture, Forestry and Fishing
Aug-96
$513
Sime Darby Bhd
United Malayan Banking Corp
Commercial Banks, Bank Holding Companies
Feb-95

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Air Transportation and Shipping

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announc
$2,471	FDX Corp	Caliber Systems Inc	Transportation and Shipping (except air)	Oct-97
$1,921	Delta Air Lines Inc	Comair Holdings Inc	Air Transportation and Shipping	Oct-99
$742	American Airlines Inc (AMR)	Trans World Airlines Inc	Air Transportation and Shipping	Jan-01
$693	Malaysian Helicopter Service	RZ Equities (Malaysian Helicop)	Investment & Commodity Firms, Dealers and Exchanges	Jun-94
$675	BAA PLC	Duty Free International Inc	Retail, General Merchandise and Apparel	Jul-97

Amusement and Recreation Services

$18,837
Walt Disney Co
Capital Cities/ABC Inc
Radio and Television Broadcasting Stations
Jul-95
$1,855
Premier Parks Inc
Six Flags Entertainment Corp
Amusement and Recreation Services
Feb-98
$1,148
Harrah's Entertainment Inc
Showboat Inc
Hotels and Casinos
Dec-97

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Business Services

$21,101
VeriSign Inc
Network Solutions Inc
Prepackaged Software
Mar-00
$8,090
Granada Group PLC
Compass Group PLC
Retail, Restaurants
May-00
$7,047
Phone.com Inc
Software.com Inc
Prepackaged Software
Aug-00
$6,336
Sanmina Corp
SCI Systems Inc
Computer and Office Equipment
Jul-01
$6,188
Terra Networks (Telefonica SA)
Lycos Inc
Business Services
May-00
$5,946
First Data Corp
First Financial Management
Business Services
Jun-95

$5,447
Granada Group PLC
Forte PLC
Hotels and Casinos
Nov-95
$4,338
Sema Group PLC
LHS Group Inc
Business Services
Mar-00
$3,072
Rentokil Group PLC (Sophus)
BET PLC
Personal Services
Feb-96
$2,440
OpenTV Corp
Spyglass Inc
Prepackaged Software
Mar-00
$2,395
Akamai Technologies Inc
InterVU Inc
Business Services
Feb-00
$2,342
MindSpring Enterprises Inc
EarthLink Network Inc
Business Services
Sep-99
$2,306
Wanadoo (France Telecom SA)
Freeserve PLC (Dixons Group)
Business Services
Dec-00
$2,212

Adia SA
ECCO
Business Services
May-96
$2,155
CMG PLC
Admiral PLC
Business Services
Apr-00
$2,103
Williams Holdings PLC
Chubb Security PLC
Communications Equipment
Feb-97
$1,948
Lucas Industries PLC
Varity Corp
Machinery
May-96
$1,835
PSINet Inc
Metamor Worldwide Inc
Business Services
Mar-00
$1,786
CMGI Inc
FlyCast Communications
Business Services
Sep-99
$1,622
Computer Sciences Corp
Continuum Co Inc
Prepackaged Software

$1,478
Commerce One Inc

AppNet Inc
Business Services
Jun-00
$1,475
Adecco SA
Olsten Corp
Business Services
Aug-99
$1,331
webMethods Inc
Active Software Inc
Prepackaged Software
May-00
$1,267
NOVA Corp
PMT Services Inc
Business Services
Jun-98
$1,257
VeriSign Inc
Illuminet Holdings Inc
Telecommunications
Sep-01
$1,203
WebVan Group Inc
HomeGrocer.com
Business Services
Jun-00
$1,159
First Financial Management
Western Union Finl Svcs Inc
Other Financial
Aug-94
$1,118
HBO & Co

Access Health Inc
Health Services
Sep-98
$1,052
Granada Group PLC
LWT Holdings PLC
Radio and Television Broadcasting Stations
Dec-93
$1,046
United Rentals Inc
US Rentals Inc
Business Services
Jun-98
$1,017
UEM Bhd
Projek Lebuhraya Utara-Selatan
Construction Firms
Sep-94
$1,010
AccuStaff Inc
Career Horizons Inc
Business Services
Aug-96
$1,004
Sanmina Corp
Hadco Corp
Electronics and Electrical Equipment
Apr-00
$984
Electronic Data Systems Corp
Structural Dynamics Research
Prepackaged Software
May-01
$981
Sabre Holding Corp
Getthere.Com Inc

Business Services
Aug-00
$962
Thorn EMI PLC
Virgin Music Group
Electronics and Electrical Equipment
Nov-91
$944
Pure Software Inc
Atria Software Inc
Prepackaged Software
Jun-96
$926
Infoseek Corp
Starwave Corp
Business Services
Nov-98
$914
Celltech Chiroscience PLC
Medeva PLC
Business Services
Nov-99
$900
Renters Choice Inc
THORN Americas Inc (Thorn PLC)
Business Services
Jun-98
$888
TRW Inc
BDM International Inc
Business Services
Nov-97
$878
DST Systems Inc
USCS International Inc

Business Services
Sep-98
$859
Williams Holdings PLC
Yale & Valor (Williams Hldgs)
Metal and Metal Products
Jan-91
$850
Randstad Holding NV
Strategix Solutions Inc
Business Services
Aug-98
$845
Ceridian Corp
Comdata Holdings Corp
Business Services
Aug-95
$837
Arbor Software Corp
Hyperion Software Corp
Prepackaged Software
May-98
$798
Quintiles Transnational Corp
Innovex Holdings Ltd
Advertising Services
Oct-96
$793
Granada Group PLC
Yorkshire-Tyne Tees Television
Motion Picture Production and Distribution
Jun-97
$752
Anglo American Corp of SA Ltd
Anglo American Coal Corp
Mining

Oct-98
$750
Homedco Group Inc
Abbey Healthcare Group Inc
Health Services
Mar-95
$698
Equifax Inc
Telecredit Inc
Business Services
Jun-90
$670
Mandator AB
Cell Network AB
Business Services
Feb-00
$623
PerkinElmer Inc
Packard BioScience Co
Measuring, Medical, Photo Equipment; Clocks
Jul-01
$607
Olsten Corp
Lifetime Corp
Health Services
May-93
$596
First Data Corp
Card Establishment Services
Business Services
Nov-94
$576
Sanmina Corp
Segerstrom & Svensson AB
Metal and Metal Products

Jan-01
$570
Computer Sciences Corp
Policy Management Systems Corp
Prepackaged Software
Jun-00
$553
Interim Services Inc
Michael Page Group PLC
Business Services
Mar-97
$537
Tiphook PLC
Sea Containers-Cargo Container
Metal and Metal Products
Jan-90
$534
Granada Group PLC
Sutcliffe Catering, Spring
Retail, Restaurants
Mar-93
$523
CMGI Inc
Yesmail.com Inc
Advertising Services
Dec-99
$523
ServiceMaster LP
ServiceMaster Consumer Svcs LP
Agriculture, Forestry and Fishing
Nov-95
$502
Acxiom Corp
May & Speh Inc
Business Services
May-98

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Chemicals and Allied Products

$30,090
Sandoz AG
Ciba-Geigy AG
Drugs
Mar-96
$26,486
Monsanto Co
Pharmacia & Upjohn Inc
Business Services
Dec-99
$11,692
Dow Chemical Co
Union Carbide Corp
Chemicals and Related Products
Aug-99
$8,000
ICI PLC
Quest International, 3 Others
Chemicals and Related Products
May-97
$7,265
Hoechst AG
Marion Merrell Dow Inc
Drugs
Feb-95
$4,832
Rhone-Poulenc SA
Rhone-Poulenc Rorer Inc
Drugs
Jun-97

$3,686
Sandoz AG
Gerber Products Co
Food and Related Products
May-94
$3,474
Hoechst AG
Roussel-Uclaf SA
Drugs
Dec-96
$3,448
Clariant AG
Hoechst AG-Specialty Chemicals
Chemicals and Related Products
Dec-96
$3,217
Mitsui Petrochemical Inds
Mitsui Toatsu Chemicals Inc
Chemicals and Related Products
Apr-92
$3,090
Hercules Inc
BetzDearborn Inc
Chemicals and Related Products
Jul-98
$3,083
Akzo Nobel NV
Courtaulds PLC
Chemicals and Related Products
Apr-98
$3,038
Akzo NV
Nobel Industrier Sweden AB
Chemicals and Related Products
Nov-93
$2,600

EI du Pont de Nemours and Co
Du Pont Merck Pharmaceutical
Drugs
May-98
$2,306
Ciba Specialty Chemicals Hldgs
Allied Colloids Group PLC
Chemicals and Related Products
Jan-98
$2,263
Monsanto Co
DeKalb Genetics Corp
Business Services
May-98
$2,259
EI du Pont de Nemours and Co
Imperial Chem Ind-White Pigmen
Chemicals and Related Products
Jul-97
$2,149
Praxair Inc
CBI Industries Inc
Chemicals and Related Products
Oct-95
$1,739
Clariant AG
BTP PLC
Chemicals and Related Products
Jan-00
$1,584
BASF AG
Boots Co PLC-Pharmaceutical Op
Drugs
Nov-94
$1,500

EI du Pont de Nemours and Co
Protein Technologies Intl
Chemicals and Related Products
Aug-97
$1,463
Crompton & Knowles Corp
Uniroyal Chemical Co
Chemicals and Related Products
May-96
$1,400
IMC Global Inc
Harris Chemical Group
Chemicals and Related Products
Dec-97
$1,400
Monsanto Co
Cargill-International Seed Ope
Wholesale Trade, Nondurable Goods
Jun-98
$1,380
Degussa-Huels AG
SKW Trostberg AG (E.ON AG)
Chemicals and Related Products
Aug-00
$1,337
DSM NV
Koninklijke Gist-Brocades NV
Chemicals and Related Products
Feb-98
$1,219
IMC Global Inc
Vigoro Corp
Chemicals and Related Products
Nov-95
$1,210
Georgia Gulf Corp

Georgia Gulf Corp
Chemicals and Related Products
Nov-89
$1,200
Dow Chemical Co
DowElanco (Dow Chem, Eli Lilly)
Chemicals and Related Products
May-97
$1,081
SKW Trostberg AG (VIAG AG)
Master Builders Technologies
Chemicals and Related Products
Aug-96
$1,075
Monsanto Co
Kelco Biopolymers
Chemicals and Related Products
Dec-94
$1,065
Amersham International PLC
Nycomed ASA
Drugs
Jul-97
$986
Agrium Inc
Viridian Inc
Chemicals and Related Products
Oct-96
$982
Laporte PLC
Inspec Group PLC
Chemicals and Related Products
Aug-98
$964
International Flavors

Bush Boake Allen (Union Camp)
Food and Related Products
Sep-00
$955
Valspar Corp
Lilly Industries Inc
Chemicals and Related Products
Jun-00
$945
Monsanto Co
Holden's Foundation Seeds
Agriculture, Forestry and Fishing
Jan-97
$934
Methanex Corp
Fletcher Challenge Methanol
Chemicals and Related Products
Feb-93
$832
SKW Trostberg AG (VIAG AG)
Elf Sanofi SA-Bioactivities &
Soaps, Cosmetics and Personal-Care Products
Oct-94
$830
Sherwin-Williams Co
Thompson Miniwax Holding Corp
Chemicals and Related Products
Nov-96
$824
SKW Trostberg AG (VIAG AG)
Sanofi Bio-Industries, Soprorga
Food and Related Products
Dec-94
$791
IMC Global Inc
Freeport-McMoRan Inc

Chemicals and Related Products
Jul-97
$778
BASF AG
Sandoz AG-US and Canada Corn
Chemicals and Related Products
Sep-96
$762
Witco Corp
OSi Specialties Inc
Chemicals and Related Products
Sep-95
$639
Montedison SpA
HIMONT Inc (Montedison SpA)
Chemicals and Related Products
Jul-89
$637
NOVA Corp of Alberta Ltd
Huntsman-US & Euro Styrenics
Chemicals and Related Products
Jul-98
$632
BetzDearborn Inc
WR Grace & Co-Dearborn Water
Chemicals and Related Products
Mar-96
$600
BASF AG
Daesung Corp-Lysine Unit
Chemicals and Related Products
Mar-98
$590
ICI PLC
Williams PLC-European Home

Wood Products, Furniture and Fixtures
Mar-98
$565
ARCO Chemical Co (ARCO)
Olin Corp-Isocyanates Business
Chemicals and Related Products
Oct-96
$560
ICI PLC
Acheson Industries Inc
Chemicals and Related Products
Mar-98
$541
Kalon Group PLC
Euridep
Chemicals and Related Products
Mar-95
$523
Monsanto Co
Plant Breeding Intl Cambridge
Agriculture, Forestry and Fishing
Jul-98
$510
Rhodia SA
ChiRex Inc
Chemicals and Related Products
Jul-00

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announc

Commercial Banks, Bank Holding Companie

$61,633
NationsBank Corp, Charlotte, NC
BankAmerica Corp
Commercial Banks, Bank Holding Companies
Apr-98
$45,494
Sumitomo Bank Ltd
Sakura Bank Ltd
Commercial Banks, Bank Holding Companies
Oct-99
$40,097
Fuji Bank Ltd
Dai-Ichi Kangyo Bank Ltd
Commercial Banks, Bank Holding Companies
Aug-99
$38,525
Royal Bank of Scotland Group
National Westminster Bank PLC
Commercial Banks, Bank Holding Companies
Nov-99
$34,353
Norwest Corp, Minneapolis, MN
Wells Fargo Capital C
Commercial Banks, Bank Holding Companies
Jun-98
$33,788
Mitsubishi Bank Ltd
Bank of Tokyo Ltd
Commercial Banks, Bank Holding Companies
Mar-95

$33,555
Chase Manhattan Corp, NY
JP Morgan & Co Inc
Commercial Banks, Bank Holding Companies
Sep-00
$30,760
Fuji Bank Ltd
Industrial Bank of Japan Ltd
Commercial Banks, Bank Holding Companies
Aug-99
$29,616
BANC ONE Corp, Columbus, Ohio
First Chicago NBD Corp
Commercial Banks, Bank Holding Companies
Apr-98
$23,017
Mitsui Bank Ltd
Taiyo Kobe Bank Ltd
Commercial Banks, Bank Holding Companies
Aug-89
$23,009
Union Bank of Switzerland
Schweizerischer Bankverein
Commercial Banks, Bank Holding Companies
Dec-97
$21,085
Firstar Corp, Milwaukee, WI
US Bancorp, Minneapolis, MN
Commercial Banks, Bank Holding Companies
Oct-00
$17,122
First Union Corp, Charlotte, NC
CoreStates Financial Corp, PA
Commercial Banks, Bank Holding Companies
Nov-97
$16,543

UBS AG
PaineWebber Group Inc
Investment & Commodity Firms, Dealers and Exchanges
Jul-00
$15,316
TSB Group PLC
Lloyds Bank PLC
Commercial Banks, Bank Holding Companies
Oct-95
$14,984
Sanwa Bank Ltd
Tokai Bank Ltd
Commercial Banks, Bank Holding Companies
Mar-00
$14,822
NationsBank Corp, Charlotte, NC
Barnett Banks, Jacksonville, FL
Commercial Banks, Bank Holding Companies
Aug-97
$13,132
First Union Corp, Charlotte, NC
Wachovia Corp, Winston-Salem, NC
Commercial Banks, Bank Holding Companies
Apr-01
$11,377
Banco Bilbao Vizcaya SA
Argentaria Caja Postal y Banco
Commercial Banks, Bank Holding Companies
Oct-99
$11,100
HSBC Holdings PLC
Credit Commercial de France
Commercial Banks, Bank Holding Companies
Apr-00
$10,959

Credito Italiano SpA
Unicredito SpA
Commercial Banks, Bank Holding Companies
Apr-98
$10,440
Chemical Banking Corp, New York
Chase Manhattan Corp
Commercial Banks, Bank Holding Companies
Aug-95
$10,373
Bank of Tokyo-Mitsubishi Ltd
Mitsubishi Trust & Banking
Commercial Banks, Bank Holding Companies
Apr-00
$9,667
NationsBank Corp, Charlotte, NC
Boatmen's Bancshares, St Louis
Commercial Banks, Bank Holding Companies
Aug-96
$9,662
Credit Suisse Group
Winterthur Schweizerische
Insurance
Aug-97
$9,603
SunTrust Banks Inc, Atlanta, GA
Crestar Finl Corp, Richmond, VA
Commercial Banks, Bank Holding Companies
Jul-98
$9,492
Istituto Bancario San Paolo di
Istituto Mobiliare Italiano
Commercial Banks, Bank Holding Companies
Apr-98
$8,929
First Bank Sys, Minneapolis, MN

US Bancorp, Portland, Oregon
Commercial Banks, Bank Holding Companies
Mar-97
$8,093
Kyowa Bank Ltd
Saitama Bank Ltd (Asahi Bank)
Commercial Banks, Bank Holding Companies
Nov-90
$7,963
Barclays PLC
Woolwich PLC
Real Estate; Mortgage Bankers and Brokers
Aug-00
$7,655
Kredietbank NV
Almanij-Banking and Insurance
Commercial Banks, Bank Holding Companies
Mar-98
$7,317
HypoVereinsbank AG
Bank Austria AG
Commercial Banks, Bank Holding Companies
Jul-00
$7,304
BANC ONE Corp, Columbus, Ohio
First USA Inc
Credit Institutions
Jan-97
$7,218
Star Banc Corp, Cincinnati, OH
Firstar Corp, Milwaukee, WI
Commercial Banks, Bank Holding Companies
Jul-98
$7,053
National City, Cleveland, Ohio

First of Amer Bk, Kalamazoo, MI
Commercial Banks, Bank Holding Companies
Dec-97
$7,012
FleetBoston Financial Corp, MA
Summit Bancorp, Princeton, NJ
Commercial Banks, Bank Holding Companies
Oct-00
$7,001
Bayerische Vereinsbank AG
Bayerische Hypotheken
Commercial Banks, Bank Holding Companies
Jul-97
$5,906
Commonwealth Bank of Australia
Colonial Ltd
Commercial Banks, Bank Holding Companies
Mar-00
$5,708
HSBC Holdings PLC
Midland Bank PLC
Commercial Banks, Bank Holding Companies
Mar-92
$5,680
DBS Group Holdings Ltd
Dao Heng Bank Group (Guoco)
Commercial Banks, Bank Holding Companies
Apr-01
$5,438
First Union Corp, Charlotte, NC
First Fidelity Bancorporation
Commercial Banks, Bank Holding Companies
Jun-95
$5,415
NBD Bancorp, Detroit, Michigan
First Chicago Corp, Illinois

Commercial Banks, Bank Holding Companies
Jul-95
$5,048
Almanij NV
CERA
Commercial Banks, Bank Holding Companies
Jan-98
$4,954
Fifth Third Bancorp, Cincinnati
Old Kent Finl Corp, Michigan
Commercial Banks, Bank Holding Companies
Nov-00
$4,571
Citicorp
AT&T Universal Card Services
Credit Institutions
Dec-97
$4,372
Sanwa Bank Ltd
Toyo Trust & Banking Co Ltd
Commercial Banks, Bank Holding Companies
Jul-00
$4,259
NCNB Corp, Charlotte, NC
C&S/Sovran Corp
Commercial Banks, Bank Holding Companies
Jun-91
$4,213
BankAmerica Corp
Security Pacific,Los Angeles
Commercial Banks, Bank Holding Companies
Aug-91
$3,924
Society Corp
KeyCorp, Albany, NY (Key Corp, OH)

Commercial Banks, Bank Holding Companies
Oct-93
$3,920
Banco Ambrosiano Veneto SpA
Cassa di Risparmio delle Provi
Commercial Banks, Bank Holding Companies
May-97
$3,865
Fleet Financial Group Inc, MA
Shawmut National Corp
Commercial Banks, Bank Holding Companies
Feb-95
$3,850
Banco de Santander SA
Banesto
Commercial Banks, Bank Holding Companies
Feb-98
$3,754
Oversea-Chinese Banking Corp
Keppel Capital Holdings Ltd
Commercial Banks, Bank Holding Companies
Jun-01
$3,427
CoreStates Financial Corp, PA
Meridian Bancorp Inc
Commercial Banks, Bank Holding Companies
Oct-95
$3,344
Svenska Handelsbanken AB
Stadshypotek
Real Estate; Mortgage Bankers and Brokers
Dec-96
$3,320
First Union Corp, Charlotte, NC
Signet Bkg Corp, Richmond, VA
Commercial Banks, Bank Holding Companies

Jul-97
$3,260
Fleet Financial Group Inc, MA
National Westminster Bancorp
Commercial Banks, Bank Holding Companies
Dec-95
$3,169
BANC ONE Corp, Columbus, Ohio
First Commerce, New Orleans,LA
Commercial Banks, Bank Holding Companies
Oct-97
$3,159
Schweizerischer Bankverein
SG Warburg Grp PLC-Inv Bkg Arm
Investment & Commodity Firms, Dealers and Exchanges
May-95
$3,144
Banca Intesa SpA
Banca Commerciale Italiana SpA
Commercial Banks, Bank Holding Companies
Oct-00
$3,080
Danske Bank A/S
RealDanmark A/S
Commercial Banks, Bank Holding Companies
Oct-00
$2,872
Lloyds Bank PLC
Cheltenham & Gloucester Bldg
Real Estate; Mortgage Bankers and Brokers
Apr-94
$2,872
PNC Bank Corp, Pittsburgh, PA
Midlantic Corp
Commercial Banks, Bank Holding Companies

Jul-95
$2,810
Wells Fargo & Co, California
First Security Corp,Utah
Commercial Banks, Bank Holding Companies
Apr-00
$2,791
Grupo Financiero Bancomer SA
Bancomer SNC (Mexico)
Commercial Banks, Bank Holding Companies
Apr-91
$2,647
First American Corp, Tennessee
Deposit Guaranty, Jackson, MS
Commercial Banks, Bank Holding Companies
Dec-97
$2,589
Lloyds TSB Group PLC
Lloyds Abbey Life PLC
Insurance
Sep-96
$2,549
Dexia Belgium
Finl Security Assurance Hldgs
Insurance
Mar-00
$2,489
Regions Financial Corp
First Commercial Corp, Arkansas
Commercial Banks, Bank Holding Companies
Jan-98
$2,480
BNP Paribas SA
BancWest Corp, Honolulu, HI
Commercial Banks, Bank Holding Companies
May-01

$2,448
Cie Financiere de Paribas SA
Cie Bancaire SA
Investment & Commodity Firms, Dealers and Exchanges
Nov-97
$2,414
AMRO
ABN NV
Commercial Banks, Bank Holding Companies
Mar-90
$2,354
Credito Italiano SpA
Gruppo Bancario Credito Romagn
Commercial Banks, Bank Holding Companies
Oct-94
$2,320
Royal Bank of Canada
Centura Banks Inc, NC
Commercial Banks, Bank Holding Companies
Jan-01
$2,303
Wachovia Corp, Winston-Salem, NC
Central Fidelity Banks Inc, VA
Commercial Banks, Bank Holding Companies
Jun-97
$2,287
Banco de Santander SA
Banesto
Commercial Banks, Bank Holding Companies
Jan-94
$2,224
St George Bank Ltd
Advance Bank Australia Ltd
Commercial Banks, Bank Holding Companies
Oct-96

$2,216
Almanij NV
ABB Verzekeringen NV
Commercial Banks, Bank Holding Companies
Jan-98
$2,215
First Union Corp, Charlotte, NC
Money Store Inc
Real Estate; Mortgage Bankers and Brokers
Feb-98
$2,204
Skandinaviska Enskilda Banken
Trygg-Hansa AB
Insurance
Oct-97
$2,200
NationsBank Corp, Charlotte, NC
Chrysler First Inc (Chrysler)
Credit Institutions
Nov-92
$2,173
Kookmin Bank
H&CB
Commercial Banks, Bank Holding Companies
Dec-00
$2,162
BankAmerica Corp
Continental Bank Corp NA
Commercial Banks, Bank Holding Companies
Jan-94
$2,152
Daiwa Bank Holdings Inc
Asahi Bank Ltd
Commercial Banks, Bank Holding Companies
Sep-01
$2,151

Abbey National PLC
Natl & Provincial Bldg Society
Commercial Banks, Bank Holding Companies
Apr-95
$2,151
Union Planters Corp, Memphis, TN
Magna Group Inc, St. Louis, MO
Commercial Banks, Bank Holding Companies
Feb-98
$2,098
National City, Cleveland, Ohio
Integra Financial Corp
Commercial Banks, Bank Holding Companies
Aug-95
$2,077
Bankers Trust New York Corp
Alex Brown Inc
Investment & Commodity Firms, Dealers and Exchanges
Apr-97
$2,062
US Bancorp, Minneapolis, MN
NOVA Corp
Business Services
May-01
$2,059
Bank of Boston Corp, Boston, MA
BayBanks, Boston, Massachusetts
Commercial Banks, Bank Holding Companies
Dec-95
$2,054
Sovran Financial, Norfolk, VA
Citizens & Southern Georgia
Commercial Banks, Bank Holding Companies
Sep-89
$2,044

Chemical Banking Corp
Manufacturers Hanover Corp
Commercial Banks, Bank Holding Companies
Jul-91
$2,000
Mitsubishi Bank Ltd
Nippon Trust Bank
Commercial Banks, Bank Holding Companies
Oct-94
$1,971
ABN-AMRO Holding NV
Standard Fed Bancorp, Troy, MI
Commercial Banks, Bank Holding Companies
Nov-96
$1,961
National Commerce Bancorp
CCB Financial Corp,Durham, NC
Commercial Banks, Bank Holding Companies
Mar-00
$1,945
Chuo Trust & Banking Co Ltd
Mitsui Trust & Banking Co Ltd
Commercial Banks, Bank Holding Companies
Jan-99
$1,898
Cie Financiere de Paribas SA
Cetelem SA
Credit Institutions
Nov-97
$1,848
Mellon Bank Corp, Pittsburgh, PA
Dreyfus Corp
Commercial Banks, Bank Holding Companies
Dec-93
$1,731
Credito Agrario Bresciano SpA

Banca San Paolo di Brescia
Commercial Banks, Bank Holding Companies
Sep-98
$1,713
National Australia Bank Ltd
Michigan National Corp
Commercial Banks, Bank Holding Companies
Feb-95
$1,619
NationsBank Corp, Charlotte, NC
Bank South Corp, Atlanta, GA
Commercial Banks, Bank Holding Companies
Sep-95
$1,605
National Australia Bank Ltd
Yorkshire Bank PLC
Commercial Banks, Bank Holding Companies
Jan-90
$1,600
Daiwa Bank Ltd
Lloyds Bank-US Coml Banking
Commercial Banks, Bank Holding Companies
Sep-89
$1,596
EFG Eurobank SA
Ergobank SA
Commercial Banks, Bank Holding Companies
Jan-00
$1,554
Dresdner Bank AG
Kleinwort Benson Group PLC
Commercial Banks, Bank Holding Companies
Jun-95
$1,537
Bank Austria AG

Creditanstalt-Bankverein AG
Commercial Banks, Bank Holding Companies
Jan-97
$1,525
Fleet Financial Group Inc, MA
Quick & Reilly Group Inc
Investment & Commodity Firms, Dealers and Exchanges
Sep-97
$1,482
Deutsche Bank AG
Morgan Grenfell Group PLC
Commercial Banks, Bank Holding Companies
Nov-89
$1,476
US Bancorp, Portland, Oregon
West One Bancorp, Boise, Idaho
Investment & Commodity Firms, Dealers and Exchanges
May-95
$1,453
Mellon Bank Corp, Pittsburgh, PA
Boston Co
Investment & Commodity Firms, Dealers and Exchanges
Sep-92
$1,400
Norwest Corp, Minneapolis, MN
Island Finance (ITT Corp)
Credit Institutions
Dec-94
$1,397
BNP Paribas SA
Cie Benelux Paribas SA
Credit Institutions
Jun-00
$1,387
Comerica Inc, Detroit, Michigan
Imperial Bancorp, Inglewood, CA

Commercial Banks, Bank Holding Companies
Nov-00
$1,354
Royal Bank of Canada
Dain Rauscher Corp
Investment & Commodity Firms, Dealers and Exchanges
Sep-00
$1,348
BB&T Financial Corp
Southern Natl, Winston-Salem, NC
Commercial Banks, Bank Holding Companies
Aug-94
$1,348
Sparbanken Sverige AB
Foreningsbanken
Commercial Banks, Bank Holding Companies
Feb-97
$1,333
NationsBank Corp, Charlotte, NC
MNC Financial Inc
Commercial Banks, Bank Holding Companies
Jul-92
$1,328
Royal Bank of Canada
Gentra Inc-Canadian, Intl Asset
Commercial Banks, Bank Holding Companies
Feb-93
$1,305
Abbey National PLC
CIBC Mortgages PLC
Real Estate; Mortgage Bankers and Brokers
Feb-94
$1,300
ABN-AMRO Holding NV
Bouwfonds Nederlandse

Real Estate; Mortgage Bankers and Brokers
Aug-99
$1,235
Fleet Financial Group Inc, MA
ADVANTA Corp-Credit Card
Business Services
Oct-97
$1,230
National Australia Bank Ltd
HomeSide Inc
Real Estate; Mortgage Bankers and Brokers
Oct-97
$1,229
Unicredito Italiano
Pioneer Group Inc
Investment & Commodity Firms, Dealers and Exchanges
May-00
$1,216
Bank of Philippine Islands
Far East Bank & Trust Co
Commercial Banks, Bank Holding Companies
Oct-99
$1,208
Den Danske Bank AS
Danica (Baltica Holding A/S)
Insurance
May-95
$1,200
NationsBank Corp, Charlotte, NC
Montgomery Securities, CA
Investment & Commodity Firms, Dealers and Exchanges
Jun-97
$1,190
BB&T Corp, Winston-Salem, NC
One Valley Bancorp Inc, WV
Commercial Banks, Bank Holding Companies

Feb-00
$1,187
Mercantile Bancorp, St Louis, MO
Roosevelt Finl Group, Missouri
Savings and Loans, Mutual Savings Banks
Dec-96
$1,186
Society Corp
AmeriTrust Corp, Cleveland, OH
Commercial Banks, Bank Holding Companies
May-91
$1,186
BANC ONE Corp, Columbus, Ohio
Valley National Corp, Phoenix
Commercial Banks, Bank Holding Companies
Apr-92
$1,182
Cie Financiere de Paribas SA
Cie de Navigation Mixte
Investment & Commodity Firms, Dealers and Exchanges
Feb-96
$883
Barnett Banks, Jacksonville, FL
First Florida Banks Inc
Commercial Banks, Bank Holding Companies
May-92
$881
Banco Osorno y la Union
Banco Santander Chile
Commercial Banks, Bank Holding Companies
Apr-96
$878
Banco Bilbao Vizcaya SA
Banco Excel Economico SA
Commercial Banks, Bank Holding Companies

Apr-98
$875
Bank Hapoalim BM
Ampal-Amer Israel-Indl Loan
Credit Institutions
Jun-90
$875
Westpac Banking Corp
Trust Bank New Zealand Ltd
Commercial Banks, Bank Holding Companies
Apr-96
$867
Dexia Belgium
Labouchere NV (Aegon NV)
Insurance
Mar-00
$853
BANC ONE Corp, Columbus, Ohio
Liberty National Bancorp
Commercial Banks, Bank Holding Companies
Nov-93
$852
First Union Corp, Charlotte, NC
Florida Nat Bks of Florida Inc
Commercial Banks, Bank Holding Companies
Mar-89
$848
Eurafrance (Lazard FrÈres)
Azeo (Eurafrance)
Investment & Commodity Firms, Dealers and Exchanges
Nov-00
$828
Citicorp
Bank New England-Credit Card
Credit Institutions
Jan-90

$827
Unitas Oy
KOP
Commercial Banks, Bank Holding Companies
Feb-95
$822
North Fork Bancorp, Melville, NY
New York Bancorp,Douglaston, NY
Savings and Loans, Mutual Savings Banks
Oct-97
$820
Marshall & Ilsley, Milwaukee, WI
Valley Bancorp, Appleton, WI
Commercial Banks, Bank Holding Companies
Sep-93
$817
Mercantile Bancorp, St Louis, MO
Mark Twain Bancshares, MO
Commercial Banks, Bank Holding Companies
Oct-96
$811
Svenska Handelsbanken AB
Skopbank-Selected Assets
Real Estate; Mortgage Bankers and Brokers
May-95
$805
Union Bank, San Francisco, CA
Bank of California
Commercial Banks, Bank Holding Companies
Sep-95
$800
BankBoston Corp, Boston, MA
Robertson Stephens & Co
Investment & Commodity Firms, Dealers and Exchanges
May-98

$799
Colonial Ltd
Prudential Corp PLC-AU/NZ Ops
Insurance
Aug-98
$794
Crestar Finl Corp, Richmond, VA
Citizens Bancorp,Laurel, MD
Commercial Banks, Bank Holding Companies
Sep-96
$790
First Bank Sys, Minneapolis, MN
Metropolitan Financial Corp
Commercial Banks, Bank Holding Companies
Jul-94
$782
New York Community Bancorp Inc
Richmond County Financial Corp
Savings and Loans, Mutual Savings Banks
Mar-01
$779
Peoples Heritage Finl Group, ME
Banknorth Group Inc
Commercial Banks, Bank Holding Companies
Jun-99
$774
Regions Financial Corp
Morgan Keegan Inc
Investment & Commodity Firms, Dealers and Exchanges
Dec-00
$771
Daiwa Bank Ltd
Cosmo Securities Co Ltd
Investment & Commodity Firms, Dealers and Exchanges
Aug-93
$768

US Bancorp, Minneapolis, MN
Piper Jaffray Cos
Investment & Commodity Firms, Dealers and Exchanges
Dec-97
$768
National City, Cleveland, Ohio
Fort Wayne Natl Corp, Indiana
Commercial Banks, Bank Holding Companies
Jan-98
$763
Royal Bank of Scotland Group
Citizens Financial Group, RI
Savings and Loans, Mutual Savings Banks
Aug-98
$756
Banco de Credito Nacional SA
Banco Pontual
Commercial Banks, Bank Holding Companies
Nov-98
$750
Schweizerischer Bankverein
Brinson Partners Inc
Investment & Commodity Firms, Dealers and Exchanges
Aug-94
$747
Banca Intesa SpA
Banca Popolare Friuladria
Commercial Banks, Bank Holding Companies
Jun-98
$731
Generale de Banque SA
Credit Lyonnais Bank Nederland
Commercial Banks, Bank Holding Companies
Apr-95
$726

BANC ONE Corp, Columbus, Ohio
Team Bancshares Inc
Commercial Banks, Bank Holding Companies
Mar-92
$721
Alpha Credit Bank
Ionian Bank
Commercial Banks, Bank Holding Companies
Nov-99
$713
CoreStates Financial Corp, PA
First Pennsylvania Corp
Commercial Banks, Bank Holding Companies
Sep-89
$711
First Bank Sys, Minneapolis, MN
FirsTier Financial Inc
Commercial Banks, Bank Holding Companies
Aug-95
$705
Peoples Heritage Finl Group, ME
CFX Corp,Keene, New Hampshire
Savings and Loans, Mutual Savings Banks
Oct-97
$703
GreenPoint Financial Corp, NY
Bank of America-BankAmerica
Real Estate; Mortgage Bankers and Brokers
Apr-98
$701
Star Banc Corp, Cincinnati, OH
Trans Finl, Bowling Green,KY
Commercial Banks, Bank Holding Companies
Apr-98
$701
Credit Lyonnais SA

UAF (Credit Lyonnais SA)
Insurance
Mar-00
$696
BNP
Paribas SA (BNP)
Commercial Banks, Bank Holding Companies
Nov-99
$695
BANC ONE Corp, Columbus, Ohio
Premier Bancorp, Baton Rouge, LA
Commercial Banks, Bank Holding Companies
Jul-95
$694
Banca Popolare di Verona
Credito Bergamasco
Commercial Banks, Bank Holding Companies
Jul-97
$692
Bipop-Carire
Entrium Direct Bankers AG
Business Services
Jun-00
$692
Fifth Third Bancorp, Cincinnati
CitFed Bancorp Inc,Dayton, OH
Savings and Loans, Mutual Savings Banks
Jan-98
$691
Erste Oesterreichische
GiroCredit Bank AG
Commercial Banks, Bank Holding Companies
Mar-97
$688
HSBC Holdings PLC

Roberts SA de Inversiones
Commercial Banks, Bank Holding Companies
May-97
$686
Tokyo Securities Co Ltd
Tokai Maruman Securities Co
Investment & Commodity Firms, Dealers and Exchanges
Feb-00
$685
Setouchi Bank
Hiroshima Sogo Bank
Commercial Banks, Bank Holding Companies
Oct-00
$680
Bank of Scotland PLC
Bank of Western Australia
Commercial Banks, Bank Holding Companies
Sep-95
$676
Bank of New York, New York, NY
First City Bancorp-Credit Card
Credit Institutions
Mar-90
$675
Banco Santander Central Hispano
Banco Rio de la Plata SA
Commercial Banks, Bank Holding Companies
Feb-00
$674
Royal Bank of Scotland Group
GRS Holding Co Ltd
Business Services
Dec-97
$669
Mercantile Bancorp, St Louis, MO
Firstbank of IL, Springfield, IL

Investment & Commodity Firms, Dealers and Exchanges
Feb-98
$663
Star Banc Corp, Cincinnati, OH
Great Financial Corp, Kentucky
Savings and Loans, Mutual Savings Banks
Sep-97
$655
National City, Cleveland, Ohio
Merchants National Corp
Commercial Banks, Bank Holding Companies
Oct-91
$654
Canadian Imperial Bank of Commerce
Norex Leasing Ltd (Onex Corp)
Credit Institutions
Dec-90
$653
Regions Financial Corp
First National Bancorp, Georgia
Commercial Banks, Bank Holding Companies
Oct-95
$652
Royal Bank of Canada
Tucker Anthony Sutro
Investment & Commodity Firms, Dealers and Exchanges
Aug-01
$620
Citizens Bancshares Inc, OH
Mid Am Inc, Bowling Green, Ohio
Commercial Banks, Bank Holding Companies
May-98
$615
Texas Commerce Bancshares, TX
First City Bancorp of Texas

Commercial Banks, Bank Holding Companies
Oct-92
$608
Centura Banks Inc, NC
Triangle Bancorp, Raleigh, NC
Commercial Banks, Bank Holding Companies
Aug-99
$601
Banca Popolare di Milano
Banca di Legnano (Banca Comm)
Commercial Banks, Bank Holding Companies
Dec-00
$600
Lloyds TSB Group PLC
Banco Multiplic-Consumer & Cor
Commercial Banks, Bank Holding Companies
Feb-97
$594
Banco Frances del Rio de la
Banco de Credito Argentino SA
Commercial Banks, Bank Holding Companies
May-97
$594
North Fork Bancorp, Melville, NY
JSB Financial Inc, Lynbrook, NY
Commercial Banks, Bank Holding Companies
Aug-99
$592
Bank of New York, New York, NY
National Community Banks Inc
Commercial Banks, Bank Holding Companies
Jan-93
$590
National Westminster Bank PLC
Greenwich Capital Markets Inc
Investment & Commodity Firms, Dealers and Exchanges

Jun-96
$586
Boatmen's Bancshares, St Louis
Worthen Banking, Little Rock, AR
Commercial Banks, Bank Holding Companies
Aug-94
$584
BANC ONE Corp, Columbus, Ohio
Key Centurion Bancshares, WV
Commercial Banks, Bank Holding Companies
Jun-92
$579
Abbey National PLC
LMF, LTF, LBEL
Credit Institutions
Nov-98
$577
KeyCorp, Cleveland, Ohio
McDonald & Co Investments Inc
Investment & Commodity Firms, Dealers and Exchanges
Jun-98
$577
CNB Bancshares Inc, Indiana
Pinnacle Financial Svcs Inc, MI
Commercial Banks, Bank Holding Companies
Oct-97
$575
Sanwa Bank Ltd
Senshu Bank Ltd
Commercial Banks, Bank Holding Companies
Dec-00
$575
Guoco Group Ltd
Overseas Trust Bank Ltd
Commercial Banks, Bank Holding Companies

Jul-93
$575
Bankers Trust New York Corp
USL Capital-RE Financing Op
Investment & Commodity Firms, Dealers and Exchanges
Aug-96
$575
Piraeus Bank Group
Xiosbank
Commercial Banks, Bank Holding Companies
Dec-99
$568
Norwest Corp, Minneapolis, MN
Shawmut Natl Corp-Credit Card
Credit Institutions
Jan-91
$566
Old Kent Finl Corp, Michigan
First Evergreen Corp, IL
Commercial Banks, Bank Holding Companies
Apr-98
$561
Barnett Banks, Jacksonville, FL
Oxford Resources Corp
Repair Services
Jan-97
$561
MNC Financial Inc
Equitable Bancorp, Baltimore, MD
Commercial Banks, Bank Holding Companies
Jul-89
$561
First of Amer Bk, Kalamazoo, MI
Security Bancorp, Southgate, MI
Commercial Banks, Bank Holding Companies
Sep-91

$560
Bank of East Asia Ltd
FPB Bank Holding Co Ltd
Commercial Banks, Bank Holding Companies
Nov-00
$554
Colonial Ltd
Legal & General Australia Ltd
Insurance
May-98
$548
Toronto-Dominion Bank
Waterhouse Investor Services
Investment & Commodity Firms, Dealers and Exchanges
Apr-96
$545
Wachovia Corp, Winston-Salem, NC
Jefferson Bankshares Inc, VA
Commercial Banks, Bank Holding Companies
Jun-97
$544
Zions Bancorp, Utah
Sumitomo Bank of California
Commercial Banks, Bank Holding Companies
Mar-98
$541
Bank Austria AG
Creditanstalt-Bankverein AG
Commercial Banks, Bank Holding Companies
Aug-97
$541
United Building Society Hldgs
Allied, Volkskas
Commercial Banks, Bank Holding Companies
Jan-91

$539
Industri og Skipsbanken
Finansbanken ASA (Sparebanken)
Commercial Banks, Bank Holding Companies
Mar-96
$534
Bank of Osaka, Ltd
Bank of Kinki Ltd
Commercial Banks, Bank Holding Companies
May-99
$530
BANC ONE Corp, Columbus, Ohio
Liberty Bancorp Inc, Oklahoma
Commercial Banks, Bank Holding Companies
Dec-96
$528
National Westminster Bank PLC
Indosuez UK Asset Management
Investment & Commodity Firms, Dealers and Exchanges
Feb-96
$522
Advance Bank Australia Ltd
State Bank of South Australia
Savings and Loans, Mutual Savings Banks
Jun-95
$514
Bank of Melbourne Ltd
Challenge Bank Ltd-Victorian
Commercial Banks, Bank Holding Companies
May-96
$513
First Bank Sys, Minneapolis, MN
Colorado National Bankshares
Commercial Banks, Bank Holding Companies
Nov-92
$509

Republic New York Corp, NY, NY
Brooklyn Bancorp Inc
Commercial Banks, Bank Holding Companies
Sep-95
$504
Union Planters Corp, Memphis, TN
Leader Financial, Memphis, TN
Savings and Loans, Mutual Savings Banks
Mar-96
$503
Westpac Banking Corp
Challenge Bank Ltd
Commercial Banks, Bank Holding Companies
Jul-95
$502
ABN-AMRO Holding NV
Cragin Financial Corp
Savings and Loans, Mutual Savings Banks
Jul-93
$501
Societe Generale SA
Hambros PLC-Banking Group
Investment & Commodity Firms, Dealers and Exchanges
Dec-97
$501
Society Corp
Trustcorp Inc, Toledo, Ohio
Commercial Banks, Bank Holding Companies
Jun-89
$500
Shawmut National Corp
Barclays Business Credit Inc
Credit Institutions
Nov-94

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announc

Communications Equipment

$10,936
Motorola Inc
General Instrument Corp
Communications Equipment
Sep-99
$7,058
Alcatel SA
Newbridge Networks Corp
Communications Equipment
Feb-00
$7,057
Nortel Networks Corp
Alteon Websystems Inc
Electronics and Electrical Equipment
Jul-00
$4,685
Alcatel Alsthom CGE
DSC Communications Corp
Communications Equipment
Jun-98
$3,580
Alcatel Alsthom CGE
Alcatel NV(Alcatel Alsthom)
Communications Equipment
Mar-92
$3,529
Ascend Communications Inc
Cascade Communications Corp
Electronics and Electrical Equipment
Mar-97

$2,798
Lucent Technologies Inc
Ortel Corp
Communications Equipment
Feb-00
$2,163
Alcatel Alsthom CGE
Telettra SpA (Fiat SpA)
Communications Equipment
Oct-90
$1,901
Alcatel Alsthom CGE
Generale Occidentale SA
Wholesale Trade, Nondurable Goods
Apr-91
$1,863
Nortel Networks Corp
Clarify Inc
Prepackaged Software
Oct-99
$1,850
Corning Inc
NetOptix Corp
Metal and Metal Products
Feb-00
$1,825
Lucent Technologies Inc
Octel Communications Corp
Communications Equipment
Jul-97
$1,772
Alcatel SA
Genesys Telecommun Labs
Prepackaged Software
Sep-99
$1,659

Corning Inc
Oak Industries Inc
Electronics and Electrical Equipment
Nov-99
$1,612
ADC Telecommunications Inc
PairGain Technologies Inc
Communications Equipment
Feb-00
$1,323
GEC PLC
Tracor Inc
Measuring, Medical, Photo Equipment; Clocks
Apr-98
$1,270
GEC PLC
VSEL Consortium PLC
Transportation Equipment
Oct-94
$1,044
Lucent Technologies Inc
Yurie Systems Inc
Communications Equipment
Apr-98
$1,018
GEC PLC
GPT Holdings Ltd
Communications Equipment
Jun-98
$970
Ascend Communications Inc
Stratus Computer Inc
Computer and Office Equipment
Aug-98
$874

Comverse Technology Inc
Boston Technology Inc
Electronics and Electrical Equipment
Aug-97
$664
Tellabs Inc
Coherent Communications Sys
Communications Equipment
Feb-98
$650
Lucent Technologies Inc
Livingston Enterprises
Communications Equipment
Oct-97
$565
Corning Inc
Damon Corp
Health Services
Jun-93
$500
Polycom Inc
Accord Networks Ltd
Electronics and Electrical Equipment
Dec-00

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Computer and Office Equipment

$9,124
Compaq Computer Corp
Digital Equipment Corp
Computer and Office Equipment
Jan-98
$5,658
Cisco Systems Inc
ArrowPoint Communications Inc
Computer and Office Equipment
May-00
$4,834
Cisco Systems Inc
StrataCom Inc
Communications Equipment
Apr-96
$3,264
IBM Corp
Lotus Development Corp
Prepackaged Software
Jun-95
$2,780
Compaq Computer Corp
Tandem Computers Inc
Computer and Office Equipment
Jun-97
$1,925
Sun Microsystems Inc
Cobalt Networks Inc
Communications Equipment
Sep-00

$1,632
Xerox Corp
Rank Xerox (Xerox, Rank Organis)
Machinery
Jun-97
$1,375
Maxtor Corp
Quantum HDD (Quantum Corp)
Computer and Office Equipment
Oct-00
$1,245
Hewlett-Packard Co
VeriFone Inc
Computer and Office Equipment
Apr-97
$1,174
Wellfleet Communications
SynOptics Communications Inc
Business Services
Jul-94
$1,165
Seagate Technology Inc
Conner Peripherals Inc
Computer and Office Equipment
Sep-95
$1,106
Cybex Computer Products Corp
Apex Inc
Computer and Office Equipment
Mar-00
$779
FORE Systems Inc
Alantec Corp
Business Services
Dec-95
$770

Silicon Graphics Inc
Cray Research Inc
Computer and Office Equipment
Feb-96
$710
IBM Corp
Tivoli Systems Inc
Prepackaged Software
Jan-96
$678
Cisco Systems Inc
Aironet Wireless Communication
Communications Equipment
Nov-99
$571
Symbol Technologies Inc
Telxon Corp
Computer and Office Equipment
Jul-00
$529
Hewlett-Packard Co
Bluestone Software Inc
Prepackaged Software
Oct-00

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Construction Firms

$7,783
Halliburton Co
Dresser Industries Inc
Machinery
Feb-98
$1,695
Vinci SA
Groupe GTM
Construction Firms
Jul-00
$1,516
DR Horton Inc
Schuler Homes Inc
Construction Firms
Oct-01
$1,505
Lennar Corp
US Home Corp
Construction Firms
Feb-00
$845
Group Maintenance America
Building One Services Corp
Business Services
Nov-99
$814
Taylor Woodrow PLC
Bryant Group PLC
Construction Firms
Jan-01

$809
Bouygues SA
Colas SA (CFTR/Bouygues SA)
Construction Firms
Jul-00
$702
NBM-Amstelland NV
Wilma Nederland BV
Construction Firms
May-98
$590
DR Horton Inc
Continental Homes Holding
Construction Firms
Dec-97
$587
Halliburton Co
Landmark Graphics Corp
Business Services
Jul-96

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Credit Institutions

$8,704
Household International Inc
Beneficial Corp
Credit Institutions
Apr-98
$3,975
Household International Inc
Bank of New York-AFL-CIO Union
Credit Institutions
Jun-96
$3,960
Household International Inc
Transamerica-Consumer Finance
Credit Institutions
May-97
$1,693
Newcourt Credit Group Inc
AT&T Capital Corp
Credit Institutions
Nov-97
$1,350
Commercial Credit Group Inc
BarclaysAmer/Finl-Br, Portfolio
Credit Institutions
Nov-89
$995
Associates First Capital Corp
DIC Finance (Daiei Inc)
Real Estate; Mortgage Bankers and Brokers
Mar-98

$959
Providian Financial Corp
First Union, NC-CC Receivables
Credit Institutions
Dec-97
$901
Associates First Capital Corp
USL Capital Corp-Vehicle Fleet
Repair Services
Jun-96
$896
Associates First Capital Corp
SPS Transaction Svcs-Assets
Credit Institutions
Apr-98
$620
Green Tree Financial Corp
Manufacturer and Dealer Svcs
Prepackaged Software
Oct-96
$560
First USA Inc (BANC ONE Corp)
Chevy Chase Bank FSB-Credit
Credit Institutions
Sep-98
$527
Sanyo Shinpan Finance Co Ltd
Mycal Card Inc
Credit Institutions
Mar-01

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announc

Drugs

$89,168
Pfizer Inc
Warner-Lambert Co
Drugs
Nov-99
$75,961
Glaxo Wellcome PLC
SmithKline Beecham PLC
Drugs
Jan-00
$14,285
Glaxo Holdings PLC
Wellcome PLC
Drugs
Jan-95
$11,070
Johnson & Johnson
ALZA Corp
Drugs
Mar-01
$10,200
Roche Holding AG
Corange Ltd
Drugs
May-97
$9,561
American Home Products Corp
American Cyanamid Co
Drugs
Aug-94

$6,989
Upjohn Co
Pharmacia AB
Drugs
Aug-95
$6,226
Merck & Co Inc
Medco Containment Services Inc
Wholesale Trade, Nondurable Goods
Jul-93
$6,090
Astra AB
Astra Merck Inc (Merck & Co)
Wholesale Trade, Nondurable Goods
Jun-98
$5,307
Roche Holding AG
Syntex Corp
Drugs
May-94
$4,236
Fresenius AG
National Medical Care Inc
Wholesale Trade, Durable Goods
Feb-96
$4,000
Eli Lilly & Co
PCS Health Systems (McKesson)
Business Services
Jul-94
$3,748
Shire Pharmaceuticals Group
BioChem Pharma Inc
Drugs
Dec-00
$3,523

King Pharmaceuticals Inc
Jones Pharmaceutical Inc
Drugs
Jul-00
$3,488
Johnson & Johnson
Depuy Inc (Corange Ltd)
Measuring, Medical, Photo Equipment; Clocks
Jul-98
$2,925
SmithKline Beecham PLC
Sterling Winthrop Inc
Drugs
Aug-94
$2,888
Rhone-Poulenc Rorer Inc
Fisons PLC
Drugs
Aug-95
$2,417
Millennium Pharmaceuticals Inc
COR Therapeutics Inc
Drugs
Dec-01
$1,878
Johnson & Johnson
Cordis Corp
Measuring, Medical, Photo Equipment; Clocks
Oct-95
$1,858
Mallinckrodt Inc
Nellcor Puritan-Bennett
Measuring, Medical, Photo Equipment; Clocks
Jul-97
$1,825

Elf Sanofi SA
Sterling Winthrop-Prescription
Wholesale Trade, Nondurable Goods
Jun-94
$1,708
Elan Corp PLC
Dura Pharmaceuticals Inc
Drugs
Sep-00
$1,665
MedImmune Inc
Aviron
Drugs
Dec-01
$1,550
Reckitt & Colman PLC
L&F Products Group-Worldwide
Soaps, Cosmetics and Personal-Care Products
Sep-94
$1,530
Roche Holding AG
Genentech Inc
Drugs
Feb-90
$1,468
Invitrogen Corp
Dexter Corp
Chemicals and Related Products
Jul-00
$1,450
Pfizer Inc
SmithKline Beecham Animal Hlth
Wholesale Trade, Nondurable Goods
Nov-94
$1,257
Bayer AG

Nova Corp-Polysar Rubber Div
Chemicals and Related Products
May-90
$1,250
Reckitt & Colman PLC
Boyle-Midway Household Prods
Food and Related Products
Mar-90
$1,235
SmithKline Beecham PLC
Block Drug Co
Measuring, Medical, Photo Equipment; Clocks
Oct-00
$1,100
Roche Holding AG
Tastemaker
Chemicals and Related Products
Feb-97
$1,100
Bayer AG
Chiron Diagnostics Corp
Drugs
Sep-98
$1,052
Genzyme Corp
GelTex Pharmaceuticals Inc
Drugs
Sep-00
$1,050
Warner-Lambert Co
Warner Wellcome Consumer Hlth
Wholesale Trade, Nondurable Goods
Dec-95
$1,008
Johnson & Johnson

Eastman Kodak-Clinical
Drugs
Sep-94
$1,006
American Home Products Corp
Genetics Institute Inc
Business Services
Dec-96
$933
Johnson & Johnson
Neutrogena Corp
Soaps, Cosmetics and Personal-Care Products
Aug-94
$916
Watson Pharmaceuticals Inc
Schein Pharmaceutical Inc
Drugs
May-00
$914
Yoshitomi Pharmaceutical Inds
Green Cross Corp
Drugs
Feb-97
$910
Novartis AG
Merck-Crop Protection Business
Chemicals and Related Products
May-97
$854
Corixa Corp
Coulter Pharmaceuticals Inc
Drugs
Oct-00
$825
Elan Corp PLC
Neurex Corp

Drugs
Apr-98
$822
Abbott Laboratories
MediSense Inc
Drugs
Mar-96
$821
Roche Holding AG
Nicholas (Nicholas Kiwi AU)
Drugs
Jun-91
$805
Chiron Corp
Cetus Corp
Business Services
Jul-91
$700
Chiron Corp
PathoGenesis Corp
Drugs
Aug-00
$668
Elan Corp PLC
Liposome Co Inc
Drugs
Mar-00
$667
American Home Products Corp
Genetics Institute Inc
Drugs
Sep-91
$621
Watson Pharmaceuticals Inc
Circa Pharmaceuticals Inc

Drugs
Mar-95
$616
Chiron Corp
Ciba-Corning Diag, Biocine
Drugs
Nov-94
$616
Merck & Co Inc
Rosetta Inpharmatics Inc
Business Services
May-01
$614
Merck E (Merck AG)
Merck AG
Drugs
Apr-95
$612
IVAX Corp
Zenith Laboratories Inc
Drugs
Aug-94
$605
Glaxo Wellcome PLC
Nippon Glaxo (Glaxo-Wellcome)
Drugs
Jan-95
$601
Elan Corp PLC
Athena Neurosciences Inc
Drugs
Mar-96
$594
Barr Laboratories Inc
Duramed Pharmaceuticals Inc
Drugs

Jun-01
$587
Revco DS Inc
Hook-SupeRx Inc
Miscellaneous Retail Trade
Apr-94
$580
Bayer AG
Monsanto Co-Styrenics Plastics
Rubber and Miscellaneous Plastic Products
Nov-95
$561
Galen Holdings PLC
Warner Chilcott PLC
Drugs
May-00
$554
Vertex Pharmaceuticals Inc
Aurora Biosciences Corp
Measuring, Medical, Photo Equipment; Clocks
Apr-01

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Electric, Gas and Water Distribution

$40,428
Vivendi SA
Seagram Co Ltd
Motion Picture Production and Distribution
Jun-00
$16,006
El Paso Energy Corp
Coastal Corp
Electric, Gas and Water Distribution
Jan-00
$13,153
VEBA AG
VIAG AG
Electric, Gas and Water Distribution
Sep-99
$11,866
Vivendi SA
Canal Plus SA
Radio and Television Broadcasting Stations
Jun-00
$11,827
FirstEnergy Corp
GPU Inc
Electric, Gas and Water Distribution
Aug-00
$8,501
NiSource Inc
Columbia Energy Group
Electric, Gas and Water Distribution
Feb-00

$8,048
National Grid Group PLC
Niagara Mohawk Holdings Inc
Electric, Gas and Water Distribution
Sep-00
$7,984
Carolina Power & Light Co
Florida Progress Corp
Electric, Gas and Water Distribution
Aug-99
$7,667
Duke Power Co
PanEnergy Corp
Oil and Gas; Petroleum Refining
Nov-96
$7,386
PECO Energy Co
Unicom Corp
Electric, Gas and Water Distribution
Sep-99
$6,662
American Electric Power Co
Central & South West Corp
Electric, Gas and Water Distribution
Dec-97
$6,482
Dominion Resources Inc
Consolidated Natural Gas Co
Electric, Gas and Water Distribution
Feb-99
$6,256
RWE AG
Thames Water PLC
Electric, Gas and Water Distribution
Sep-00
$5,939

Suez Lyonnaise des Eaux SA
Societe Generale de Belgique
Holding Companies, Except Banks
Apr-98
$5,426
PowerGen PLC
LG&E Energy Corp
Electric, Gas and Water Distribution
Feb-00
$4,906
TransCanada Pipelines Ltd
NOVA Corp of Alberta Ltd
Chemicals and Related Products
Jan-98
$4,830
Northern States Power Co
New Century Energies Inc
Electric, Gas and Water Distribution
Mar-99
$4,772
Cie Generale des Eaux SA (CGE)
Havas SA
Advertising Services
Mar-98
$4,726
Brooklyn Union Gas Co
LILCO
Electric, Gas and Water Distribution
Dec-96
$4,473
Scottish Hydro-Electric PLC
Southern Electric PLC
Electric, Gas and Water Distribution
Sep-98
$4,217

National Grid Group PLC
New England Electric System
Electric, Gas and Water Distribution
Dec-98
$4,185
DTE Energy Co
MCN Energy Group Inc
Electric, Gas and Water Distribution
Oct-99
$3,879
El Paso Natural Gas Co
Tenneco Energy Resources Corp
Electric, Gas and Water Distribution
Jun-96
$3,649
Houston Industries Inc
NorAm Energy Corp
Oil and Gas; Petroleum Refining
Aug-96
$3,432
RWE AG
VEW AG
Electric, Gas and Water Distribution
Oct-99
$3,157
PowerGen PLC
East Midlands Electricity (DR)
Construction Firms
Jun-98
$3,125
VIAG AG
Bayernwerk AG
Electric, Gas and Water Distribution
Oct-92
$3,115
Cia di Partecipazioni Assicura

Montedison (Cie de Partecipazi)
Chemicals and Related Products
Feb-00
$2,870
Enova Corp
Pacific Enterprises Inc
Electric, Gas and Water Distribution
Oct-96
$2,862
North West Water Group PLC
Norweb PLC
Electric, Gas and Water Distribution
Sep-95
$2,852
Illinova Corp
Dynegy Inc
Oil and Gas; Petroleum Refining
Jun-99
$2,757
AES Corp
IPALCO Enterprises Inc
Electric, Gas and Water Distribution
Jul-00
$2,757
Williams Cos Inc
Barrett Resources Corp
Oil and Gas; Petroleum Refining
May-01
$2,706
Williams Cos Inc
Transco Energy Co
Electric, Gas and Water Distribution
Dec-94
$2,634
Williams Cos Inc

MAPCO Inc
Oil and Gas; Petroleum Refining
Nov-97
$2,561
KeySpan Corp
Eastern Enterprises
Electric, Gas and Water Distribution
Nov-99
$2,554
Scottish Power PLC
Southern Water PLC
Electric, Gas and Water Distribution
May-96
$2,543
Central & South West Corp
Seeboard PLC
Retail Trade-Home Furnishings
Nov-95
$2,352
Hidroelectrica Iberica
Hidroelectrica Iberica Iberdue
Electric, Gas and Water Distribution
Apr-91
$2,300
Northeast Utilities
Public Service Co of NH
Electric, Gas and Water Distribution
Mar-88
$2,281
Entergy Corp
Gulf States Utilities Co
Electric, Gas and Water Distribution
Jun-92
$2,264
Dominion Resources Inc
Louis Dreyfus Natural Gas

Oil and Gas; Petroleum Refining
Sep-01
$2,166
Catalana de Gas SA
Gas Madrid, Repsol Burtano SA
Oil and Gas; Petroleum Refining
Feb-91
$2,006
GPU Inc
PowerNet Victoria (GPU Inc)
Electric, Gas and Water Distribution
Oct-97
$1,900
Sydkraft AB
Bakab Energi
Electric, Gas and Water Distribution
Mar-92
$1,855
Lyonnaise des Eaux SA
Dumez SA
Construction Firms
Jul-90
$1,845
Suez Lyonnaise des Eaux SA
United Water Resources Inc
Electric, Gas and Water Distribution
Aug-99
$1,829
Scottish Power PLC
Manweb PLC
Electric, Gas and Water Distribution
Jul-95
$1,731
VEBA AG
GFC Gmbh fuer

Chemicals and Related Products
May-97
$1,687
Texas Utilities Co
ENSERCH Corp
Electric, Gas and Water Distribution
Apr-96
$1,658
AES Corp
CA La Electricidad de Caracas
Electric, Gas and Water Distribution
Apr-00
$1,638
Energy Group PLC
Peabody Holding Co (Hanson Ind)
Mining
Mar-97
$1,631
Southern Co Inc
South Western Electricity PLC
Electric, Gas and Water Distribution
Jul-95
$1,613
Texas Utilities Co
Eastern Energy Ltd (Australia)
Electric, Gas and Water Distribution
Nov-95
$1,613
Ohio Edison Co
Centerior Energy Corp
Electric, Gas and Water Distribution
Sep-96
$1,590
PG&E Corp
New England Elec Sys-Power Gen
Electric, Gas and Water Distribution

Aug-97
$1,548
Cincinnati Gas & Electric Co
PSI Resources Inc
Electric, Gas and Water Distribution
Dec-92
$1,539
LG&E Energy Corp
KU Energy Corp
Electric, Gas and Water Distribution
May-97
$1,522
Elektrowatt AG
Landis & Gyr AG
Holding Companies, Except Banks
Dec-95
$1,473
Kinder Morgan Energy Partners
Santa Fe Pacific Pipeline
Oil and Gas; Petroleum Refining
Oct-97
$1,445
Wisconsin Energy Corp
WICOR Inc
Electric, Gas and Water Distribution
Jun-99
$1,408
PG&E Corp
Valero Energy Corp-Natural Gas
Oil and Gas; Petroleum Refining
Jan-97
$1,404
Sonat Inc
Zilkha Energy Co
Oil and Gas; Petroleum Refining

Nov-97
$1,373
AES Corp
Cie Centro Oeste
Electric, Gas and Water Distribution
Sep-97
$1,343
Welsh Water PLC
South Wales Electricity PLC
Electric, Gas and Water Distribution
Dec-95
$1,333
VEBA AG
Vebacom GmbH
Telecommunications
Feb-97
$1,319
AES Corp
Gener SA
Electric, Gas and Water Distribution
Nov-00
$1,296
Entergy Corp
Citipower Ltd (Entergy Corp)
Electric, Gas and Water Distribution
Nov-95
$1,268
Lyonnaise des Eaux SA
Northumbrian Water Group PLC
Electric, Gas and Water Distribution
Nov-95
$1,242
Union Electric Co
CIPSCO Inc
Electric, Gas and Water Distribution
Aug-95

$1,231
Energy East Corp
CMP Group Inc
Electric, Gas and Water Distribution
Jun-99
$1,224
Public Service Co of Colorado
Southwestern Public Service Co
Electric, Gas and Water Distribution
Aug-95
$1,214
Indiana Energy Inc
SIGCORP Inc
Electric, Gas and Water Distribution
Jun-99
$1,121
WPL Holdings Inc
IES Industries Inc
Electric, Gas and Water Distribution
Nov-95
$1,099
Kansas Power & Light Co
Kansas Gas & Electric Co
Electric, Gas and Water Distribution
Sep-90
$1,096
Calpine Corp
Encal Energy Ltd
Oil and Gas; Petroleum Refining
Feb-01
$1,077
Thames Water PLC
E'town Corp
Electric, Gas and Water Distribution
Nov-99

$999
VIAG AG
Continental Can Europe
Metal and Metal Products
Apr-91
$951
Delmarva Power & Light
Atlantic Energy (Conoco)
Electric, Gas and Water Distribution
Aug-96
$941
SCANA Corp
PSNC
Electric, Gas and Water Distribution
Feb-99
$938
California Energy Co Inc
Magma Power Co
Electric, Gas and Water Distribution
Sep-94
$933
British Gas PLC
Consumers Gas Co Ltd
Electric, Gas and Water Distribution
Mar-90
$913
White Martins SA (Praxair Inc)
Liquid Carbonic Ind-South Amer
Chemicals and Related Products
May-96
$900
Western Resources Inc
Protection One Inc
Business Services
Jul-97
$890

Tejas Gas Corp
Transok Inc
Electric, Gas and Water Distribution
May-96
$868
Interprovincial Pipe Line
Consumers Gas Co Ltd
Electric, Gas and Water Distribution
Nov-93
$781
AES Corp
Southern CA Edison-Plants (12)
Electric, Gas and Water Distribution
Nov-97
$702
Westcoast Energy Inc
Inter-City Gas-Utils, Propane
Electric, Gas and Water Distribution
Dec-89
$690
Electricity Generating PLC
Khanom Electricity Generating
Electric, Gas and Water Distribution
Jun-95
$682
Northeast Utilities
Yankee Energy System Inc
Electric, Gas and Water Distribution
Jun-99
$657
Sithe Energies (Cie Generale)
Boston Edison-Power Plants (12)
Electric, Gas and Water Distribution
Dec-97
$642

Midwest Resources Inc
Iowa-Illinois Gas & Electric
Electric, Gas and Water Distribution
Jul-94
$642
New England Electric System
Eastern Utilities Associates
Electric, Gas and Water Distribution
Jan-99
$622
Energy East Corp
Connecticut Energy
Electric, Gas and Water Distribution
Apr-99
$596
Enbridge Inc
Midcoast Energy Resources Inc
Electric, Gas and Water Distribution
Mar-01
$591
ONEOK Inc
Western Res-Ok & KS Natural
Electric, Gas and Water Distribution
Dec-96
$575
Energy East Corp
CTG Resources Inc
Electric, Gas and Water Distribution
Jun-99
$526
Seagull Energy Corp
Global Natural Resources Inc
Oil and Gas; Petroleum Refining
Jul-96
$520
Cia Forca e Luz Cataguazes

Empresa Energetica de Sergipe
Electric, Gas and Water Distribution
Dec-97
$516
Midwest Energy Co
Iowa Resources
Electric, Gas and Water Distribution
Mar-90
$501
Duke Energy Corp
PG&E-CA Generating Plants (3)
Electric, Gas and Water Distribution
Nov-97

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Electronic and Electrical Equipment

$41,144
JDS Uniphase Corp
SDL Inc
Electronics and Electrical Equipment
Jul-00
$15,394
JDS Uniphase Corp
E-Tek Dynamics Inc
Electronics and Electrical Equipment
Jan-00
$7,406
Matsushita Electric Industrial
MCA Inc
Motion Picture Production and Distribution
Sep-90
$6,956
Texas Instruments Inc
Burr-Brown Corp
Electronics and Electrical Equipment
Jun-00
$5,502
Schneider Electric SA
Legrand SA
Electronics and Electrical Equipment
Jan-01
$5,122
Westinghouse Electric Corp
CBS Inc
Radio and Television Broadcasting Stations
Aug-95

$4,738
Westinghouse Electric Corp
Infinity Broadcasting Corp
Radio and Television Broadcasting Stations
Jun-96
$4,465
Applied Micro Circuits Corp
MMC Networks Inc
Electronics and Electrical Equipment
Aug-00
$2,766
JDS Uniphase Corp
Optical Coating Laboratory Inc
Measuring, Medical, Photo Equipment; Clocks
Nov-99
$2,723
Farnell Electronics PLC
Premier Industrial Corp
Wholesale Trade, Durable Goods
Jan-96
$2,700
Smiths Industries PLC
TI Group PLC
Metal and Metal Products
Sep-00
$2,636
Solectron Corp
C-Mac Industries Inc
Business Services
Aug-01
$2,628
Marvell Technology Group Ltd
Galileo Technology Ltd
Electronics and Electrical Equipment
Oct-00
$2,591

Flextronics International Ltd
DII Group
Electronics and Electrical Equipment
Nov-99
$2,406
Solectron Corp
NatSteel Electronics Pte Ltd
Computer and Office Equipment
Oct-00
$2,167
Sony Corp
Sony Music Entertainment (JP)
Electronics and Electrical Equipment
Mar-99
$2,165
Schneider SA
Square D Co
Electronics and Electrical Equipment
Feb-91
$2,017
PMC-Sierra Inc
Quantum Effect Devices Inc
Electronics and Electrical Equipment
Jul-00
$1,780
QLogic Corp
Ancor Communication Inc
Computer and Office Equipment
May-00
$1,666
Matsushita Electric Industrial
Matsushita Electronics Corp
Electronics and Electrical Equipment
Apr-93
$1,621

Maxim Integrated Products Inc
Dallas-Semiconductor Corp
Electronics and Electrical Equipment
Jan-01
$1,561
ASM Lithography Holding NV
Silicon Valley Group Inc
Electronics and Electrical Equipment
Sep-00
$1,550
Westinghouse Electric Corp
Nashville Network, Country
Radio and Television Broadcasting Stations
Feb-97
$1,525
Siemens AG
Westinghouse-Conven Power Gen
Machinery
Nov-97
$1,407
Fujitsu Ltd
International Computers Ltd
Prepackaged Software
Jul-90
$1,320
Sunbeam Corp
Coleman Co Inc
Electronics and Electrical Equipment
Mar-98
$1,312
TriQuint Semiconductor Inc
Sawtek Inc
Communications Equipment
May-01
$1,286
Micron Technology Inc

Texas Instruments-MMP Bus
Electronics and Electrical Equipment
Jun-98
$1,030
Koninklijke Philips Electronic
MedQuist Inc
Business Services
May-00
$985
Siemens AG
Siemens Nixdorf Info AG
Electronics and Electrical Equipment
Oct-91
$962
Acer Display Technology Inc
Unipac Optoelectronics Corp
Computer and Office Equipment
Mar-01
$926
Celestica Inc
Omni Industries Ltd
Electronics and Electrical Equipment
Jun-01
$925
Fujitsu Ltd
Amdahl Corp
Computer and Office Equipment
Jul-97
$890
Vishay Intertechnology Inc
General Semiconductor Inc
Electronics and Electrical Equipment
Apr-01
$866
LSI Logic Corp

C-Cube Microsystems Inc
Electronics and Electrical Equipment
Mar-01
$848
Semi-Tech Microelectronics Ltd
Singer Co NV
Wholesale Trade, Durable Goods
Jun-93
$847
Conexant Systems Inc
Maker Communications Inc
Electronics and Electrical Equipment
Dec-99
$816
Siemens AG
Elektrowatt AG-Industrial
Electric, Gas and Water Distribution
Jan-97
$786
Koninklijke Philips Electronic
ATL Ultrasound Inc
Measuring, Medical, Photo Equipment; Clocks
Jul-98
$760
LSI Logic Corp
Symbios Inc
Computer and Office Equipment
Jun-98
$756
Advanced Micro Devices Inc
NexGen Inc
Electronics and Electrical Equipment
Oct-95
$702
Intel Corp
Xircom Inc

Business Services
Jan-01
$700
ASEA AB
Incentive AB
Measuring, Medical, Photo Equipment; Clocks
Apr-90
$700
Intel Corp
Digital Equip-Semiconductor
Electronics and Electrical Equipment
Oct-97
$683
Electrolux AB
AEG Hausgeraete
Electronics and Electrical Equipment
Dec-93
$661
General Electric Co
Nuovo Pignone
Measuring, Medical, Photo Equipment; Clocks
Dec-93
$632
Flextronics International Ltd
JIT Holdings Ltd
Electronics and Electrical Equipment
Aug-00
$632
Whirlpool Corp
Whirlpool International BV
Electronics and Electrical Equipment
Jan-90
$630
GlobeSpan Inc
Virata Corp

Electronics and Electrical Equipment
Oct-01
$625
Texas Instruments Inc
Silicon Systems Inc (TDK USA)
Electronics and Electrical Equipment
Jun-96
$570
Thomas & Betts Corp
Augat Inc
Electronics and Electrical Equipment
Oct-96
$566
National Semiconductor Corp
Cyrix Corp
Electronics and Electrical Equipment
Jul-97
$563
Kyocera Corp
AVX Corp (Kyocera)
Electronics and Electrical Equipment
Sep-89
$557
Allegheny Teledyne Inc
Oregon Metallurgical Corp
Metal and Metal Products
Nov-97
$550
Exide Corp
CEAC (Magneti Marelli/Fiat SpA)
Electronics and Electrical Equipment
Oct-94
$537
Schneider SA
Merlin Gerlin SA (Schneider)
Electronics and Electrical Equipment

Apr-92
$527
Sansui Electric Co (Polly Peck)
Capetronics, Imperial
Electronics and Electrical Equipment
May-90
$519
General Electric Co
Greenwich Air Services Inc
Aerospace and Aircraft
Mar-97

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Food and Related Products

$25,065
Unilever PLC
Bestfoods
Food and Related Products
May-00
$15,968
Grand Metropolitan PLC
Guinness PLC
Food and Related Products
May-97
$14,392
PepsiCo Inc
Quaker Oats Co
Food and Related Products
Dec-00
$5,704
Seagram Co Ltd
MCA Inc (Matsushita Electric)
Motion Picture Production and Distribution
Apr-95
$4,652
Kellogg Co
Keebler Foods Co
Food and Related Products
Oct-00
$4,233
Tyson Foods Inc
IBP Inc
Food and Related Products
Dec-00

$3,300
PepsiCo Inc
Tropicana Products Inc
Food and Related Products
Jul-98
$3,294
ConAgra Inc
Beatrice Co
Machinery
Jun-90
$3,036
ConAgra Inc
International Home Foods Inc
Food and Related Products
Jun-00
$2,950
Bass PLC
Saison Holdings BV
Hotels and Casinos
Feb-98
$2,906
Sara Lee Corp
Earthgrains Co
Food and Related Products
Jul-01
$2,893
Hellenic Bottling Co SA
Coca-Cola Beverages PLC
Food and Related Products
Aug-99
$2,739
Coca-Cola Amatil Ltd
Coca-Cola Bottlers Philippines
Food and Related Products
Apr-97
$2,440

Procordia AB
Pharmacia AB (Pharmacia SpA)
Drugs
Dec-89
$2,367
Cadbury Schweppes PLC
Dr Pepper/Seven-Up Cos Inc
Food and Related Products
Mar-94
$2,225
Bass PLC
Holiday Inns Inc (Holiday Corp)
Hotels and Casinos
Aug-89
$1,999
Hellenic Bottling Co SA
Molino Beverages Holding SA
Food and Related Products
Sep-97
$1,935
Bacardi Corp
Diageo PLC
Wholesale Trade, Nondurable Goods
Mar-98
$1,768
Koninklijke Numico NV
Rexall Sundown Inc
Drugs
May-00
$1,703
Quaker Oats Co
Snapple Beverage Corp
Food and Related Products
Nov-94
$1,700

Seagram Co Ltd
USA Network (Viacom, Seagram)
Radio and Television Broadcasting Stations
Sep-97
$1,500
Bacardi Corp
Martini & Rossi SpA
Food and Related Products
Sep-92
$1,493
Jacobs Suchard AG
Freia Marabou AS
Food and Related Products
Sep-92
$1,372
Coca-Cola Enterprises Inc
Johnston Coca-Cola Btlg Group
Food and Related Products
Aug-91
$1,356
Procordia AB
Provendor AB (Volvo AB)
Agriculture, Forestry and Fishing
Dec-89
$1,349
PepsiCo Inc
Walkers Crisps, Smith Crisps
Food and Related Products
Jul-89
$1,310
Beghin-Say SA
Eridania Zuccherifici
Food and Related Products
Nov-91
$1,298
Loblaw Cos (George Weston Ltd)

Provigo Inc
Retail Trade, Food Stores
Oct-98
$1,185
Nestle SA
Spillers Petfoods (Dalgety PLC)
Food and Related Products
Feb-98
$1,120
Coca-Cola Enterprises Inc
Coca-Cola Bottling, Texas Bottl
Food and Related Products
Apr-98
$1,115
Campbell Soup Co
Pace Foods
Food and Related Products
Nov-94
$1,112
Panamerican Beverages Inc
Coca-Cola Hitt de Venezuela
Food and Related Products
May-97
$1,072
Scottish & Newcastle Breweries
Grand Met-Chef, Brewer Chains
Retail, Restaurants
Sep-93
$995
Suedzucker AG
Raffinerie Tirlemontoise SA
Food and Related Products
Nov-89
$991
Scottish & Newcastle Breweries

Courage Ltd
Food and Related Products
Mar-95
$972
Suiza Foods Corp
Morningstar Group Inc
Food and Related Products
Sep-97
$971
Coca-Cola Amatil Ltd
Coca-Cola Co-Italian Assets
Food and Related Products
Feb-98
$961
Coca-Cola Enterprises Inc
Coca-Cola & Schweppes Beverage
Food and Related Products
Jun-96
$955
Coca-Cola Enterprises Inc
Coca-Cola & Schweppes Beverage
Food and Related Products
Jun-96
$941
Whitbread PLC
Swallow Group PLC
Food and Related Products
Nov-99
$915
Coca-Cola Enterprises Inc
Coca-Cola Beverages SA, Coca-Co
Food and Related Products
May-96
$906
Coca-Cola Enterprises Inc
Coca-Cola Beverages Ltd

Food and Related Products
May-97
$885
Allied-Lyons PLC
Whitbread & Co-Spirits Div
Food and Related Products
Dec-89
$865
CPC International Inc
Kraft General Foods-Baking Div
Food and Related Products
Aug-95
$813
Koninklijke Wessanen NV
Koninklijke Distilleerderijen
Food and Related Products
Jan-93
$755
Nestle SA
Nestle Philippines Inc
Food and Related Products
Aug-98
$749
Saint Louis SA
Arjomari-Prioux SA
Paper and Related Products
Nov-91
$737
Unilever NV
Helene Curtis Industries Inc
Soaps, Cosmetics and Personal-Care Products
Feb-96
$725
HJ Heinz Co
Quaker Oats-US & CA Pet Food

Food and Related Products
Feb-95
$680
Molson Companies Ltd
Molson Breweries of CA (Molson)
Food and Related Products
Jun-98
$657
IBP Inc
Foodbrands America Inc
Food and Related Products
Mar-97
$648
Tyson Foods Inc
Hudson Foods Inc
Food and Related Products
Sep-97
$645
Northern Foods PLC
Express Dairy Ltd, Eden Vale
Wholesale Trade, Nondurable Goods
Nov-91
$583
Imperial Sugar Co
Savannah Foods & Industries
Food and Related Products
Aug-97
$570
Unilever NV
Diversey Corp (Molson Cos Ltd)
Soaps, Cosmetics and Personal-Care Products
Jan-96
$557
Verenigde Bedrijven Nutricia
Milupa AG
Food and Related Products

Aug-95
$554
Danone Group
Panzalim
Food and Related Products
Jun-94
$549
Eridania Beghin-Say
Cie Francaise de Sucrerie
Food and Related Products
Jun-96
$524
Cervecerias Backus y Johnston
Cia Nacional de Cerveza
Food and Related Products
Oct-96
$511
Coca-Cola Amatil Ltd
Coca-Cola Korea Bottling Co
Food and Related Products
Feb-98
$507
General Mills Inc
Ralcorp Hldgs-Branded Cereal
Food and Related Products
Aug-96
$507
Azucarera Ebro Agricolas SA
Puleva
Food and Related Products
Oct-00
$500
HJ Heinz Co
JL Foods Inc (John Labatt Ltd)
Food and Related Products

Jul-91

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Health Services

$5,605
Columbia Healthcare Corp
HCA-Hospital Corp of America
Health Services
Oct-93
$5,219
Columbia/HCA Healthcare Corp
HealthTrust Inc-The Hospital
Health Services
Oct-94
$4,188
Columbia Hospital Corp
Galen Health Care Inc
Health Services
Jun-93
$3,300
National Medical Enterprises
American Medical Holdings Inc
Health Services
Sep-94
$3,123
Tenet Healthcare Corp
OrNda HealthCorp
Health Services
Oct-96
$2,708
MedPartners/Mullikin Inc
Caremark International Inc
Health Services
May-96

$2,474
Health Care and Retirement
Manor Care Inc
Health Services
Jun-98
$2,290
United HealthCare Corp
MetraHealth Cos (Travelers, Met)
Health Services
Jun-95
$2,000
PacifiCare Health Systems Inc
FHP International Corp
Health Services
Aug-96
$1,896
Vencor Inc
Hillhaven Corp
Health Services
Jan-95
$1,651
HealthSouth Corp
Horizon/CMS Healthcare Corp
Health Services
Feb-97
$1,459
HealthSouth Corp
Surgical Care Affiliates Inc
Health Services
Oct-95
$1,363
Total Renal Care Holdings Inc
Renal Treatment Centers Inc
Health Services
Nov-97
$1,250

Integrated Health Services Inc
HealthSouth-Long Term Care
Health Services
Nov-97
$1,218
Mayne Nickless Ltd
FH Faulding & Co Ltd
Drugs
May-01
$1,132
Columbia/HCA Healthcare Corp
Value Health Inc
Insurance
Jan-97
$1,033
FHP International Corp
TakeCare Inc
Health Services
Jan-94
$1,004
HealthTrust Inc-The Hospital
EPIC Healthcare Group Inc
Health Services
Jan-94
$919
Integrated Health Services Inc
RoTech Medical Corp
Health Services
Jul-97
$876
Columbia Healthcare Corp
Medical Care America Inc
Health Services
May-94
$846

Medical Care International Inc
Critical Care America Inc
Health Services
Jun-92
$703
HealthSouth Corp
National Surgery Centers Inc
Health Services
May-98
$684
Qual-Med Inc
Health Net Inc
Health Services
Aug-93
$678
Genesis Health Ventures Inc
Vitalink Pharmacy Services Inc
Health Services
Apr-98
$628
Vencor Inc
Transitional Hospitals Corp
Health Services
May-97
$622
Paragon Health Network Inc
Mariner Health Group Inc
Health Services
Apr-98
$594
Horizon Healthcare Corp
Continental Medical Systems
Health Services
Mar-95
$588
Sun Healthcare Group Inc

Regency Health Services Inc
Health Services
Jul-97
$565
United HealthCare Corp
Ramsay-HMO
Health Services
Feb-94
$549
T2 Medical Inc
Medisys, HealthInfusion, 1 Other
Health Services
Feb-94
$512
United HealthCare Corp
Gencare Health Systems
Insurance
Sep-94
$500
HealthSouth Corp
Columbia/HCA Healthcare-34 Amb
Health Services
Apr-98

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Holding Companies, Except Banks

$48,174
British Petroleum Co PLC
Amoco Corp
Oil and Gas; Petroleum Refining
Aug-98
$11,858
CGU PLC
Norwich Union PLC
Insurance
Feb-00
$7,445
Lyonnaise des Eaux-Dumez SA
Cie de Suez SA
Electric, Gas and Water Distribution
Mar-97
$2,373
Repola Oy
Kymmene Oy (UPM-Kymmene)
Paper and Related Products
Sep-95
$1,797
GFC Financial Corp
TriCon Capita (Bell Atlantic)
Credit Institutions
Mar-94
$1,650
Knight-Ridder Inc
Walt Disney-Kansas City Star,
Printing, Publishing and Related Services
Apr-97

$1,572
Societe Generale de Belgique
TRACTEBEL SA
Holding Companies, Except Banks
Sep-96
$1,074
Internationale Nederlanden
Barings PLC-Assets
Commercial Banks, Bank Holding Companies
Mar-95
$962
Havas SA
Generale Occidentale-Publishin
Printing, Publishing and Related Services
Oct-95
$875
Jefferson-Pilot Corp
Chubb Life Ins Co of America
Insurance
Feb-97
$670
American Brands Inc
Cobra Golf Inc
Miscellaneous Manufacturing
Dec-95
$636
Financiere Agache SA
Au Bon Marche (Financiere)
Retail, General Merchandise and Apparel
Oct-94
$583
Yorkshire Water PLC
Aquarion Co
Electric, Gas and Water Distribution
Jun-99
$575

Jefferson-Pilot Corp
Alexander Hamilton Life Ins
Insurance
Aug-95

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announc

Hotels and Casinos

$3,138
Hilton Hotels Corp
Bally Entertainment Corp
Hotels and Casinos
Jun-96
$2,300
Accor SA
Motel 6 LP
Hotels and Casinos
Jul-90
$1,810
HFS Inc
PHH Corp
Business Services
Nov-96
$1,704
Promus Hotel Corp
Doubletree Corp
Hotels and Casinos
Sep-97
$1,696
ITT Corp
Caesars World Inc
Hotels and Casinos
Dec-94
$1,212
CapStar Hotel Co
American General Hospitality
Investment & Commodity Firms, Dealers and Exchanges
Mar-98

$1,174
Doubletree Corp
Red Lions Hotels (Red Lion Inn)
Hotels and Casinos
Aug-96
$908
Marriott International Inc
Renaissance Hotel Group NV
Hotels and Casinos
Feb-97
$903
Rank Organisation PLC
Mecca Leisure Group PLC
Retail, Restaurants
Jun-90
$832
Hilton Hotels Corp
Grand Casinos Inc
Hotels and Casinos
Jun-98
$825
HFS Inc
Resort Condominiums Intl Inc
Hotels and Casinos
Oct-96
$800
HFS Inc
Avis Inc
Repair Services
Jun-96
$750
Sterling Worldwide Corp
LY Transportation Construction
Real Estate; Mortgage Bankers and Brokers
Aug-97
$659

Bristol Hotel Co
Bass PLC-N Amer Holiday Inn
Hotels and Casinos
Dec-96
$622
Marriott International Inc
Forum Group Inc
Health Services
Feb-96
$609
Mandalay Resort Group
Gold Strike Resorts
Hotels and Casinos
Mar-95
$540
Host Marriott Corp
Forum Group Inc
Health Services
Mar-97
$532
Stakis PLC
Metropole Hotels (Holdings) Ltd
Hotels and Casinos
Oct-96
$513
Trump Hotels & Casino Resorts
Trump's Castle Casino (Trump's)
Hotels and Casinos
May-96
$502
Trusthouse Forte PLC
Bass PLC-40 Crest Hotels
Hotels and Casinos
May-90

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Team LiB

PREVIOUS NEXT

Insurance

$72,558
Travelers Group Inc
Citicorp
Commercial Banks, Bank Holding Companies
Apr-98
$30,957
Citigroup Inc
Associates First Capital Corp
Credit Institutions
Sep-00
$23,398
American International Group
American General Corp
Insurance
Apr-01
$22,338
Berkshire Hathaway Inc
General Re Corp
Insurance
Jun-98
$19,656
Allianz AG
Dresdner Bank AG
Commercial Banks, Bank Holding Companies
Apr-01
$19,399
Zurich Allied AG
Allied Zurich PLC
Insurance
Apr-00

$18,355
Zurich Versicherungs GmbH
BAT Industries PLC-Financial
Insurance
Oct-97
$12,821
Citigroup Inc
Banacci
Commercial Banks, Bank Holding Companies
May-01
$12,470
Fortis (B)
Fortis (NL) NV
Insurance
Sep-01
$12,299
Fortis AG
Generale de Banque SA
Commercial Banks, Bank Holding Companies
May-98
$11,153
Commercial Union PLC
General Accident PLC
Insurance
Feb-98
$10,605
Axa SA
UAP
Insurance
Nov-96
$10,180
Assicurazioni Generali SpA
INA
Insurance
Sep-99
$8,852

Travelers Group Inc
Salomon Inc
Investment & Commodity Firms, Dealers and Exchanges
Sep-97
$7,458
Nationale-Nederlanden NV
NMB Postbank Groep NV
Commercial Banks, Bank Holding Companies
Nov-90
$7,359
Conseco Inc
Green Tree Financial Corp
Credit Institutions
Apr-98
$5,974
ING Groep NV
ReliaStar Financial Corp
Insurance
Apr-00
$5,118
Allianz AG
AGF
Insurance
Nov-97
$5,075
Assicurazioni Generali SpA
Aachener und Muenchener
Insurance
Dec-97
$4,516
ING Groep NV
Banque Bruxelles Lambert SA
Commercial Banks, Bank Holding Companies
Nov-97
$4,326

Mitsui Marine & Fire Insurance
Sumitomo Marine & Fire Ins
Insurance
Mar-00
$4,000
Travelers Group Inc
Aetna Life & Casualty-Ppty
Insurance
Nov-95
$3,968
Muenchener Rueckversicherungs
American Re Corp
Insurance
Aug-96
$3,956
Primerica Corp
Travelers Corp
Insurance
Sep-93
$3,919
Prudential PLC
Scottish Amicable Life
Insurance
Mar-97
$3,807
Sun Alliance Group PLC
Royal Insurance Holdings PLC
Insurance
May-96
$3,782
St Paul Cos Inc
USF&G Corp
Insurance
Jan-98
$3,689
Fortis (NL) NV

ASR Verzekeringsgroep
Insurance
Oct-00
$3,504
Aegon NV
Providian Corp-Insurance
Insurance
Dec-96
$3,393
Muenchener Rueckversicherungs
Ergo Versicherungsgruppe AG
Insurance
Apr-01
$3,138
AXA-UAP
Royale Belge SA
Insurance
May-98
$3,127
SAFECO Corp
American States Financial Corp
Insurance
Jun-97
$3,100
Allianz AG Holding
Fireman's Fund Insurance Co
Insurance
Aug-90
$2,721
Swiss Reinsurance Co
Mercantile and General Reinsur
Insurance
Aug-96
$2,626
ING Groep NV

Equitable of Iowa Cos
Insurance
Jul-97
$2,449
Citigroup Inc
Travelers Property Casualty
Insurance
Mar-00
$2,374
American General Corp
USLIFE Corp
Insurance
Feb-97
$2,349
Berkshire Hathaway Inc
GEICO Corp (Berkshire Hathaway)
Insurance
Aug-95
$2,187
Allianz AG
Allianz Lebensversicherungs AG
Insurance
Apr-01
$2,130
Marsh & McLennan Cos Inc
Sedgwick Group PLC
Insurance
Aug-98
$2,122
EXEL Ltd
Mid Ocean Ltd
Insurance
Mar-98
$2,111
Great-West Lifeco (Power Finl)
London Insurance Group Inc

Insurance
Aug-97
$2,101
AGF
Athena Assurances
Insurance
Nov-97
$2,098
Commercial Union PLC
Cie Financiere Groupe Victoire
Insurance
Jun-94
$1,930
Allianz AG
PIMCO Advisors Holdings LP
Investment & Commodity Firms, Dealers and Exchanges
Oct-99
$1,800
Marsh & McLennan Cos Inc
Johnson & Higgins
Insurance
Mar-97
$1,795
Swiss Reinsurance Co
Life Re Corp
Insurance
Jul-98
$1,687
American Premier Underwriters
American Financial Corp
Insurance
Dec-94
$1,667
Zurich Versicherungs GmbH
Scudder Stevens & Clark Inc

Investment & Commodity Firms, Dealers and Exchanges
Jun-97
$1,653
CIGNA Corp
Healthsource Inc
Health Services
Feb-97
$1,629
Fortis (NL) NV
Banque Generale du Luxembourg
Commercial Banks, Bank Holding Companies
Jan-00
$1,518
Berkshire Hathaway Inc
FlightSafety International
Electronics and Electrical Equipment
Oct-96
$1,457
Old Mutual PLC
United Asset Management Corp
Investment & Commodity Firms, Dealers and Exchanges
Jun-00
$1,436
Fortis AG
MeesPierson NV (ABN-AMRO Hldg)
Commercial Banks, Bank Holding Companies
Oct-96
$1,431
American International Group
HSB Group Inc
Insurance
Aug-00
$1,400
Lincoln National Corp
CIGNA-Indiv Life Ins & Annuity
Insurance

Jul-97
$1,400
Triad Hospitals Inc
Quorum Health Group Inc
Health Services
Oct-00
$1,325
Hartford Fin Svcs Group Inc
Hartford Life (ITT Hartford)
Insurance
Mar-00
$1,323
Sanlam Ltd
Gensec
Investment & Commodity Firms, Dealers and Exchanges
May-98
$1,290
Assicurazioni Generali SpA
Banca della Svizzera Italiana
Commercial Banks, Bank Holding Companies
Jun-98
$1,290
Fidelity National Financial
Chicago Title Corp
Insurance
Aug-99
$1,277
Foundation Health Corp
Health Systems International
Health Services
Oct-96
$1,227
Aon Corp
Alexander & Alexander Services
Insurance

Dec-96
$1,215
American General Corp
Western National Corp
Insurance
Sep-97
$1,208
Refuge Group PLC
United Friendly Group PLC
Insurance
Aug-96
$1,171
Provident Cos
Paul Revere Corp (Textron Inc)
Insurance
Apr-96
$1,170
American General Corp
Franklin Life Insurance Co
Insurance
Nov-94
$1,169
Dai-Tokyo Fire & Marine Ins Co
Chiyoda Fire & Marine Ins Co
Insurance
Mar-00
$1,164
Riunione Adriatica di Securita
Elvia Schweizerische
Insurance
Sep-94
$1,156
Sun Life and Provincial
Axa Equity and Law Life, Axa
Insurance
Jul-97

$1,150
Primerica Corp
Shearson Lehman Brothers Inc
Investment & Commodity Firms, Dealers and Exchanges
Mar-93
$1,122
American International Group
International Lease Finance
Business Services
Jun-90
$1,110
CNA Financial Corp (Loews Corp)
Continental Corp
Insurance
Dec-94
$1,073
TransAmerica Corp
Tiphook PLC-Core Container Bus
Business Services
Nov-93
$1,050
Aetna Inc
NYLCare Health Plans Inc
Health Services
Mar-98
$1,029
PartnerRe Ltd
Societe Anonyme Francaise de
Insurance
Feb-97
$1,027
Fubon Insurance Co Ltd
Fubon Securities Co Ltd
Investment & Commodity Firms, Dealers and Exchanges
Sep-01

$1,016
Berkshire Hathaway Inc
Benjamin-Moore and Co
Chemicals and Related Products
Nov-00
$1,012
Tryg Forsikring A/S
Baltica Forsikring A/S
Insurance
May-95
$1,000
Lincoln National Corp
Aetna Inc-Domestic Individual
Insurance
May-98
$976
ACE Ltd
Tempest Reinsurance Co Ltd
Insurance
Feb-96
$967
Fubon Insurance Co Ltd
Fubon Comercial Bank Co Ltd
Commercial Banks, Bank Holding Companies
Sep-01
$935
Magellan Health Services Inc
Merit Behavioral Care Corp
Health Services
Oct-97
$923
Nippon Fire & Marine Insurance
Koa Fire & Marine Insurance
Insurance
Mar-00
$905

General Re Corp
National Re Corp
Insurance
Jun-96
$868
Conseco Inc
American Travellers Corp
Insurance
Aug-96
$856
Old Mutual PLC
Gerrard Group PLC
Commercial Banks, Bank Holding Companies
Jan-00
$840
UAP
Sun Life Hldgs (TransAtlantic)
Insurance
Jul-95
$839
Conseco Inc
Life Partners Group Inc
Holding Companies, Except Banks
Mar-96
$837
Willis Faber PLC
Corroon & Black Corp
Insurance
Jun-90
$831
ACE Ltd
Tarquin Ltd
Insurance
Jun-98
$817

Axa SA
National Mutual Life Assn AU
Insurance
Jan-95
$817
Allmerica Financial Corp
Allmerica Property & Casualty
Insurance
Dec-96
$808
Foersaekringsbolaget SPP
London & Edinburgh Trust PLC
Real Estate; Mortgage Bankers and Brokers
Apr-90
$780
PartnerRe Ltd
Winterthur-Active Reinsurance
Insurance
Aug-98
$778
Markel Corp
Terra Nova (Bermuda) Holdings
Insurance
Aug-99
$777
CIGNA Corp
Equicor (Equitable Life, HCA)
Health Services
Nov-89
$775
Guardian Royal Exchange PLC
Netherlands Insurance Co
Insurance
May-98
$758
AGF (Allianz AG)

Royal Nederland Verzekeringsgr
Insurance
Dec-97
$749
UAP
Vinci BV (UAP)
Insurance
Oct-93
$737
Assicurazioni Generali SpA
GPA Vie (Athena Assurances)
Insurance
Dec-97
$732
Fortis AG
Generale de Banque SA
Commercial Banks, Bank Holding Companies
Jun-98
$718
Guardian Royal Exchange PLC
PPP Healthcare Group PLC
Health Services
Dec-97
$715
Conseco Inc
Capitol American Financial
Insurance
Aug-96
$711
ACE Ltd
CAT Ltd
Insurance
Mar-98
$701
Berkshire Hathaway Inc

Executive Jet Inc
Air Transportation and Shipping
Jul-98
$700
Gerling Konzern Versicherungs
Constitution Re (Exor America)
Insurance
Jul-98
$680
Fairfax Financial Holdings Ltd
Crum & Forster Hldgs (Talegen)
Insurance
Mar-98
$665
American General Corp
Home Beneficial Corp
Insurance
Dec-96
$649
Lawyers Title Corp
Commonwealth Land, Transnation
Insurance
Aug-97
$643
Humana Inc
Emphesys Financial Group Inc
Insurance
Aug-95
$630
Winterthur Schweizerische
General Casualty Cos
Insurance
Mar-90
$611
Citigroup Inc
Bank Handlowy SA

Commercial Banks, Bank Holding Companies
May-00
$599
MBIA Inc
CapMAC Holdings Inc
Insurance
Oct-97
$597
Berkshire Hathaway Inc
International Dairy Queen Inc
Wholesale Trade, Nondurable Goods
Oct-97
$584
Berkshire Hathaway Inc
Justin Industries Inc
Stone, Clay, Glass and Concrete Products
Jun-00
$584
Berkshire Hathaway Inc
XTRA Corp
Business Services
Jul-01
$577
UNUM Corp
Colonial Cos Inc
Insurance
Dec-92
$564
Conseco Inc
Pioneer Financial Services
Insurance
Dec-96
$551
Torchmark Corp
American Income Holdings

Insurance
Sep-94
$550
Radian Group Inc
Enhance Financial Svcs Grp
Insurance
Nov-00
$548
QBE Insurance Group Ltd
Limit PLC
Insurance
Jun-00
$545
ReliaStar Financial Corp
Security-Connecticut Corp
Insurance
Feb-97
$540
Swiss Reinsurance Co
Societe Anonyme Francaise de
Insurance
Jan-97
$533
General Accident PLC
Canadian General Insurance Grp
Insurance
Oct-97
$532
Lincoln National Corp
Delaware Management Holdings
Investment & Commodity Firms, Dealers and Exchanges
Dec-94
$524
Norwich Union PLC
London & Edinburgh Ins
Insurance

Oct-98
$524
Prudential PLC
Peninsular and Oriental-Arndal
Real Estate; Mortgage Bankers and Brokers
Dec-97
$523
Storebrand ASA
Uni Forsikring
Insurance
Jun-90
$500
SCOR US Corp (SCOR SA)
Allstate Reinsurance (Allstate)
Insurance
Jul-96

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Investment & Commodity Firms, Dealers, Exchanges

$13,748
Starwood Hotels & Resorts
ITT Corp
Hotels and Casinos
Oct-97
$10,573
Dean Witter Discover & Co
Morgan Stanley Group Inc
Investment & Commodity Firms, Dealers and Exchanges
Feb-97
$8,939
Aetna Life & Casualty Co
US Healthcare Inc
Health Services
Apr-96
$7,021
Equity Office Properties Trust
Spieker Properties Inc
Investment & Commodity Firms, Dealers and Exchanges
Feb-01
$5,781
Simon DeBartolo Group Inc
Corporate Property Investors
Investment & Commodity Firms, Dealers and Exchanges
Feb-98
$5,464
United Overseas Bank Ltd
Overseas Union Bank Ltd
Commercial Banks, Bank Holding Companies

Jun-01
$5,256
Merrill Lynch & Co Inc
Mercury Asset Management Group
Investment & Commodity Firms, Dealers and Exchanges
Nov-97
$4,550
Equity Office Properties Trust
Cornerstone Properties Inc
Investment & Commodity Firms, Dealers and Exchanges
Feb-00
$4,039
Equity Office Properties Trust
Beacon Properties Corp
Investment & Commodity Firms, Dealers and Exchanges
Sep-97
$3,358
Rodamco North America NV
Urban Shopping Centers Inc
Investment & Commodity Firms, Dealers and Exchanges
Sep-00
$3,215
Archstone Communities Trust
Charles E Smith Residential
Investment & Commodity Firms, Dealers and Exchanges
May-01
$3,187
SG Warburg Group PLC
SG Warburg Group PLC
Investment & Commodity Firms, Dealers and Exchanges
May-95
$3,070
Credit Local de France SA
Credit Communal de Belgique SA
Investment & Commodity Firms, Dealers and Exchanges
Mar-96

$2,962
Simon Property Group Inc
DeBartolo Realty Corp
Investment & Commodity Firms, Dealers and Exchanges
Mar-96
$2,907
Meditrust Acquisition Co
La Quinta Inns Inc
Hotels and Casinos
Jan-98
$2,858
PC Holdings SA
Perez Companc SA
Wood Products, Furniture and Fixtures
Nov-99
$2,660
ORIX Corp
Crown Leasing Corp-Domestic
Investment & Commodity Firms, Dealers and Exchanges
Jun-97
$2,613
Charles Schwab Corp
US Trust Corp, New York, NY
Commercial Banks, Bank Holding Companies
Jan-00
$2,100
Softbank Corp
Ziff Davis Media Inc
Printing, Publishing and Related Services
Oct-95
$2,056
Patriot Amer Hosp/Wyndham Intl
Interstate Hotels Co
Hotels and Casinos
Dec-97

$1,986
Equity Residential Pptys Trust
Merry Land & Investment Co Inc
Investment & Commodity Firms, Dealers and Exchanges
Jul-98
$1,940
E*Trade Group Inc
TeleBanc Financial Corp, VA
Savings and Loans, Mutual Savings Banks
Jun-99
$1,850
General Growth Properties Inc
Homart Development Co
Real Estate; Mortgage Bankers and Brokers
Jun-95
$1,847
Bay Apartment Communites Inc
Avalon Properties Inc
Investment & Commodity Firms, Dealers and Exchanges
Mar-98
$1,810
Cornerstone Properties Inc
William Wilson & Associates
Investment & Commodity Firms, Dealers and Exchanges
May-98
$1,793
Felcor Lodging Trust Inc
Bristol Hotel Co
Hotels and Casinos
Mar-98
$1,751
Amvescap PLC
Trimark Financial Corp
Investment & Commodity Firms, Dealers and Exchanges
May-00
$1,729

Pulte Homes Inc
Del Webb Corp
Construction Firms
May-01
$1,715
Excel Realty Trust Inc
New Plan Realty Trust
Investment & Commodity Firms, Dealers and Exchanges
May-98
$1,681
Security Capital Pacific Trust
Security Capital Atlantic Inc
Investment & Commodity Firms, Dealers and Exchanges
Apr-98
$1,599
Invesco PLC
AIM Management Group Inc
Investment & Commodity Firms, Dealers and Exchanges
Nov-96
$1,513
Amvescap PLC
Perpetual PLC
Investment & Commodity Firms, Dealers and Exchanges
Oct-00
$1,500
Investcorp
BATUS Inc-Saks Fifth Avenue
Retail, General Merchandise and Apparel
Apr-90
$1,436
Bell Resources Ltd (Bond Corp)
Bond Australian Brewing Hldgs
Food and Related Products
Sep-89
$1,300

Amvescap PLC
Chancellor LGT Asset Mgmt
Investment & Commodity Firms, Dealers and Exchanges
Jan-98
$1,217
Edper Group Ltd
Brascan Limited
Mining
Apr-97
$1,175
Cali Realty Corporation
Mack Co, Patriot American
Investment & Commodity Firms, Dealers and Exchanges
Aug-97
$1,175
Morgan Stanley Group Inc
Van Kampen/American Capital
Investment & Commodity Firms, Dealers and Exchanges
Jun-96
$1,101
CS Holding AG
Swiss Volksbank
Commercial Banks, Bank Holding Companies
Jan-93
$1,100
Westfield America Inc
TrizecHahn-Shopping Centers (7)
Real Estate; Mortgage Bankers and Brokers
Apr-98
$1,091
Cornerstone Properties Inc
Dutch Institutional Hldg-Ppty
Real Estate; Mortgage Bankers and Brokers
Aug-97
$1,071
Softbank Corp

Kingston Technology Corp
Computer and Office Equipment
Aug-96
$1,051
Westfield America Trust
Westfield America Inc
Investment & Commodity Firms, Dealers and Exchanges
Feb-01
$995
Equity Residential Pptys Trust
Wellsford Residential Ppty
Investment & Commodity Firms, Dealers and Exchanges
Jan-97
$971
Healthcare Realty Trust Inc
Capstone Capital Corp
Investment & Commodity Firms, Dealers and Exchanges
Jun-98
$951
Grupo Financiero Galicia SA
Banco de Galicia, Buenos Aires
Commercial Banks, Bank Holding Companies
May-00
$932
Equity Residential Pptys Trust
Evans Withycombe Residential
Investment & Commodity Firms, Dealers and Exchanges
Aug-97
$931
New Africa Investments Ltd
Theta Group Ltd
Investment & Commodity Firms, Dealers and Exchanges
May-98
$913
Franklin Resources Inc

Templeton Galbraith & Hanberge
Investment & Commodity Firms, Dealers and Exchanges
Jul-92
$900
Bear Stearns Cos Inc
HF Ahmanson & Co-Single-Family
Investment & Commodity Firms, Dealers and Exchanges
Jul-93
$900
Standard Chartered PLC
First Interstate Bank-Corp
Investment & Commodity Firms, Dealers and Exchanges
Feb-92
$872
Thomson Advisory Group LP
Cadence Capital Mgmt, 3 others
Investment & Commodity Firms, Dealers and Exchanges
Feb-94
$871
General Growth Properties Inc
MEPC PLC-US Shopping Malls (8)
Real Estate; Mortgage Bankers and Brokers
Apr-98
$871
Kimco Realty Corp
Price REIT Inc
Investment & Commodity Firms, Dealers and Exchanges
Jan-98
$867
Prime Retail Inc
Horizon Group Inc
Investment & Commodity Firms, Dealers and Exchanges
Nov-97
$854
Rashid Hussain Bhd
Kwong Yik Bank Bhd

Commercial Banks, Bank Holding Companies
Oct-96
$850
PIMCO Advisors LP
Oppenheimer Capital LP
Investment & Commodity Firms, Dealers and Exchanges
Nov-97
$849
Brierley Investments Ltd
Mount Charlotte Investments
Hotels and Casinos
Sep-90
$821
Merrill Lynch & Co Inc
Smith New Court PLC
Investment & Commodity Firms, Dealers and Exchanges
Jul-95
$816
Franklin Resources Inc
Fiduciary Trust Co Intl
Investment & Commodity Firms, Dealers and Exchanges
Oct-00
$810
Apartment Investment & Mgmt Co
Insignia Properties Trust
Investment & Commodity Firms, Dealers and Exchanges
Mar-98
$806
Merrill Lynch & Co Inc
Midland Walwyn Inc
Investment & Commodity Firms, Dealers and Exchanges
Jun-98
$806
Franklin Resources Inc
Heine Securities Corp

Investment & Commodity Firms, Dealers and Exchanges
Jun-96
$805
Grupo Sanborns (Grupo Carso)
CompUSA Inc
Retail Trade-Home Furnishings
Jan-00
$787
United Dominion Realty Tr Inc
American Apartment Communities
Investment & Commodity Firms, Dealers and Exchanges
Sep-98
$773
Patriot Amer Hosp/Wyndham Intl
Wyndham Hotel Corp
Hotels and Casinos
Apr-97
$765
Investcorp
Granada Group-Welcome Break
Retail, Restaurants
Feb-97
$725
Spieker Properties Inc
Goldman Sachs-Office, Ind Ppty
Real Estate; Mortgage Bankers and Brokers
Sep-97
$715
Investec Holdings Ltd
Hambros PLC
Commercial Banks, Bank Holding Companies
Apr-98
$711
Baltica Holding A/S
Statsanstalten
Insurance

Dec-91
$700
Simon Property Group Inc
Retail Property Trust
Investment & Commodity Firms, Dealers and Exchanges
Aug-97
$676
Walden Residential Properties
Drever Partners Inc
Real Estate; Mortgage Bankers and Brokers
May-97
$670
PaineWebber Group Inc
Kidder Peabody & Co
Investment & Commodity Firms, Dealers and Exchanges
Oct-94
$663
Apartment Investment & Mgmt Co
Ambassador Apartments Inc
Investment & Commodity Firms, Dealers and Exchanges
Dec-97
$656
Vornado Realty Trust
Mendik Company Inc
Investment & Commodity Firms, Dealers and Exchanges
Mar-97
$637
Storage Equities Inc
Public Storage Inc (OLD)
Construction Firms
Mar-95
$630
Vornado Realty Trust
Merchandise Mart, Apparel Ctr, 3
Real Estate; Mortgage Bankers and Brokers

Jan-98
$625
Equity Office Properties Trust
Wright Runstad Hldgs-Of (10)
Real Estate; Mortgage Bankers and Brokers
Dec-97
$625
Camden Property Trust
Paragon Group Inc
Investment & Commodity Firms, Dealers and Exchanges
Dec-96
$623
Direkt Anlage Bank AG
Self Trade
Investment & Commodity Firms, Dealers and Exchanges
Sep-00
$622
Highwoods Properties Inc
Associated Capital Properties
Real Estate; Mortgage Bankers and Brokers
Sep-97
$615
Arden Realty Inc
AEW/LBA Acquisition Co-Office
Real Estate; Mortgage Bankers and Brokers
Jan-98
$612
Brandywine Realty Trust
Lazard FrÈres-Properteis (68)
Real Estate; Mortgage Bankers and Brokers
Aug-98
$606
New Japan Securities Co Ltd
Wako Securities Co Ltd
Investment & Commodity Firms, Dealers and Exchanges
Mar-99

$600
Post Properties Inc
Columbus Realty Trust
Investment & Commodity Firms, Dealers and Exchanges
Aug-97
$597
CS Holding AG
Bank Leu Ltd (CS Holding AG)
Commercial Banks, Bank Holding Companies
Nov-93
$584
Investcorp
Falcon Building Products Inc
Stone, Clay, Glass and Concrete Products
Mar-97
$583
Grupo Financiero Mexival
Aseguradora Mexicana (Mexico)
Insurance
Sep-93
$575
Robeco NV
Weiss Peck & Greer
Investment & Commodity Firms, Dealers and Exchanges
May-98
$569
Baltica Holding A/S
Statsanstalten Livsforsikring
Credit Institutions
Sep-90
$558
Highwoods Properties Inc
JC Nichols Co
Real Estate; Mortgage Bankers and Brokers
Dec-97

$556
VastNed Offices/Industrial NV
Stichting Pensioen-Coml Ppty
Real Estate; Mortgage Bankers and Brokers
Jul-98
$548
CS Holding AG
New Bank of Argovie
Commercial Banks, Bank Holding Companies
Sep-94
$548
United Dominion Realty Tr Inc
South West Property Trust Inc
Investment & Commodity Firms, Dealers and Exchanges
Oct-96
$538
Highwoods Properties Inc
Crocker Realty Trust Inc
Investment & Commodity Firms, Dealers and Exchanges
Apr-96
$524
Westshore Terminals Income
Westshore Terminals Ltd
Transportation and Shipping (except air)
Jan-97
$502
Developers Diversified Realty
Homart Dvlp-Cmnty Ctrs Div
Real Estate; Mortgage Bankers and Brokers
Oct-95

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announc

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Leather and Leather Products

$3,895
Hanson PLC
Eastern Group (Hanson Trust)
Electric, Gas and Water Distribution
Jul-95
$3,220
Hanson PLC
Quantum Chemical Corp
Chemicals and Related Products
Jun-93
$2,930
Hanson PLC
Beazer PLC (Hanson PLC)
Construction Firms
Sep-91
$1,111
Hanson PLC
General Oriental Securities Co
Business Services
Oct-90
$726
Hanson PLC
Peabody Holding Co
Mining
Feb-90
$706
Orkla A/S
Pripps Ringnes (Orkla, Volvo)
Food and Related Products
Feb-97

$693
Reebok International Ltd
Pentland Holdings
Investment & Commodity Firms, Dealers and Exchanges
Feb-91
$583
Orkla Borregaard A/S
Nora Industrier A/S
Food and Related Products
Jun-91
$577
Orkla Borregaard A/S
BCP Branded Cons Prods-2 Units
Food and Related Products
Apr-95
$576
Magnant SA
Cie des Entrepots et Magasins
Transportation and Shipping (except air)
May-90

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Machinery

$9,341
Tyco International Ltd
CIT Group Inc
Credit Institutions
Mar-01
$5,269
Tyco International Ltd
ADT Ltd
Business Services
Mar-97
$4,564
Baker Hughes Inc
Western Atlas Inc
Oil and Gas; Petroleum Refining
May-98
$4,393
Tyco International Ltd
Mallinckrodt Inc
Drugs
Jun-00
$4,083
Linde AG
AGA AB
Chemicals and Related Products
Aug-99
$3,394
Tyco International Ltd
US Surgical Corp
Wholesale Trade, Durable Goods
May-98

$2,671
EVI Inc
EVI Weatherford Inc
Business Services
Mar-98
$2,560
Ingersoll-Rand Co
Thermo King Corp
Machinery
Sep-97
$2,203
Tyco International Ltd
Sensormatic Electronics Corp
Business Services
Aug-01
$1,846
Applied Materials Inc
Etec Systems Inc
Machinery
Jan-00
$1,837
Ingersoll-Rand Co
Hussmann International Inc
Machinery
May-00
$1,770
Tyco International Ltd
Sherwood-Davis & Geck
Measuring, Medical, Photo Equipment; Clocks
Dec-97
$1,599
Friedrich Krupp GmbH
Hoesch AG
Metal and Metal Products
Nov-91
$1,474

United States Filter Corp
Culligan Water Technologies
Machinery
Feb-98
$1,467
Ingersoll-Rand Co
Clark Equipment Co
Wholesale Trade, Durable Goods
Mar-95
$1,362
Tyco International Ltd
Keystone International Inc
Metal and Metal Products
May-97
$1,325
Caterpillar Inc
Perkins Engines Group Ltd
Machinery
Dec-97
$1,270
Tenneco Inc
Mobil Corp-Plastics Division
Rubber and Miscellaneous Plastic Products
Oct-95
$957
Kennametal Inc
Greenfield Industries Inc
Machinery
Oct-97
$856
Tyco International Ltd
TyCom Ltd (Tyco Intl Ltd)
Communications Equipment
Oct-01
$850

Tyco International Ltd
AT&T Submarine Systems Inc
Communications Equipment
Apr-97
$842
Dresser Industries Inc
Baroid Corp
Machinery
Sep-93
$724
Saurer AG
BB Industrie Holding (Bank am)
Investment & Commodity Firms, Dealers and Exchanges
Apr-97
$711
Baker Hughes Inc
Petrolite Corp
Chemicals and Related Products
Feb-97
$610
Camco International Inc
Production Operators Corp
Machinery
Feb-97
$591
Charter PLC
Howden Group PLC
Business Services
Mar-97
$558
Baker Hughes Inc
Eastman Christensen Co (Norton)
Machinery
Dec-89
$555
Oce-van der Grinten NV

Hochleistungsdrucke HLD
Computer and Office Equipment
Feb-96
$550
Atlas Copco AB
Milwaukee Electric Tool (Amsta)
Machinery
Jun-95
$541
Weatherford International Inc
Enterra Corp
Business Services
Jun-95
$531
Durco International Inc
BW/IP Inc
Machinery
May-97
$525
Rolls-Royce PLC
Allison Engine Co
Aerospace and Aircraft
Nov-94
$501
Persetel Holdings Ltd
Q Data Ltd
Prepackaged Software
Aug-97

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Measuring, Medical, Photo Equipment; Clock

$9,500
Raytheon Co
Hughes Aircraft (Hughes Electn)
Measuring, Medical, Photo Equipment; Clocks
Jan-97
$3,304
Medtronic Inc
MiniMed Inc
Measuring, Medical, Photo Equipment; Clocks
May-01
$2,950
Raytheon Co
Texas Instruments-Electronics
Measuring, Medical, Photo Equipment; Clocks
Jan-97
$2,255
Raytheon Co
E-Systems Inc
Measuring, Medical, Photo Equipment; Clocks
Apr-95
$2,100
Boston Scientific Corp
Schneider Worldwide
Measuring, Medical, Photo Equipment; Clocks
Jun-98
$1,661
Incentive AB
Vivra Inc
Health Services
May-97

$1,650
Stryker Corp
Howmedica (Pfizer Inc)
Measuring, Medical, Photo Equipment; Clocks
Jul-98
$1,575
Loral Corp
IBM Federal Systems Co (IBM)
Computer and Office Equipment
Dec-93
$1,569
Incentive AB
Gambro AB (Incentive AB)
Measuring, Medical, Photo Equipment; Clocks
Jan-96
$1,350
Johnson Controls Inc
Prince Automotive
Transportation Equipment
Jul-96
$1,344
KLA Instruments Corp
Tencor Instruments Inc
Electronics and Electrical Equipment
Jan-97
$1,326
Luxottica Group SpA
US Shoe Corp
Retail, General Merchandise and Apparel
Mar-95
$1,275
Emerson Electric Co
Fisher Controls International
Measuring, Medical, Photo Equipment; Clocks
Aug-92
$1,218

Boston Scientific Corp
Target Therapeutics Inc
Measuring, Medical, Photo Equipment; Clocks
Jan-97
$1,150
Beckman Instruments Inc
Coulter Corp
Measuring, Medical, Photo Equipment; Clocks
Sep-97
$1,088
Incentive AB
Investment AB Cardo (Incentive)
Transportation Equipment
Apr-94
$925
Johnson Controls Inc
Becker Group Inc
Rubber and Miscellaneous Plastic Products
Apr-98
$897
Boston Scientific Corp
SciMed Life Systems Inc
Measuring, Medical, Photo Equipment; Clocks
Nov-94
$862
Loral Corp
Unisys Corp-Defense Electn Bus
Electronics and Electrical Equipment
Mar-95
$832
Thermo Electron Corp
Thermo Instrument Systems Inc
Measuring, Medical, Photo Equipment; Clocks
Feb-00
$736

American Cyanamid Co
Immunex Corp
Drugs
Dec-92
$733
Agilent Technologies Inc
Objective Systems Integrators
Prepackaged Software
Nov-00
$732
Siebe PLC
Unitech PLC
Electronics and Electrical Equipment
Apr-96
$715
Luxottica Group SpA
Sunglass Hut International Inc
Miscellaneous Retail Trade
Feb-01
$702
Siebe PLC
Eurotherm PLC
Measuring, Medical, Photo Equipment; Clocks
Apr-98
$700
Thoratec Cardiosystems Inc
Thermo Cardiosystems Inc
Measuring, Medical, Photo Equipment; Clocks
Oct-00
$673
Steris Corp
AMSCO International
Measuring, Medical, Photo Equipment; Clocks
Dec-95
$621
SulzerMedica (Sulzer AG)

Spine-Tech Inc
Measuring, Medical, Photo Equipment; Clocks
Dec-97
$597
Honeywell Inc
Measurex Corp
Measuring, Medical, Photo Equipment; Clocks
Jan-97
$577
GENDEX Corp
Dentsply International Inc
Measuring, Medical, Photo Equipment; Clocks
Dec-92
$567
Seton Healthcare Group PLC
Scholl PLC
Wholesale Trade, Nondurable Goods
May-98
$550
Arterial Vascular Engineering
CR Bard Inc-Coronary Catheter
Measuring, Medical, Photo Equipment; Clocks
Jul-98
$532
Eastman Kodak Co Inc
Imation-Medical Imaging Bus
Measuring, Medical, Photo Equipment; Clocks
Aug-98
$529
Medtronic Inc
Physio-Control International
Measuring, Medical, Photo Equipment; Clocks
Jun-98
$525
St Jude Medical Inc

Siemens-Pace, Siemens-Elema
Electronics and Electrical Equipment
Jun-94
$515
Invensys PLC
BAAN Co NV
Prepackaged Software
May-00
$509
Siebe PLC
APV PLC
Holding Companies, Except Banks
May-97

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Metal and Metal Products

$11,511
BHP Ltd
Billiton PLC
Mining
Mar-01
$7,232
Gillette Co
Duracell International Inc
Electronics and Electrical Equipment
Sep-96
$6,077
Alcoa Inc
Reynolds Metals Co
Metal and Metal Products
Aug-99
$4,981
Crown Cork & Seal Co
CarnaudMetalbox
Metal and Metal Products
May-95
$4,789
Alcan Aluminum Ltd
Alusuisse Lonza Group Ltd
Paper and Related Products
Aug-99
$3,348
Inco Ltd
Diamond Fields Resources Inc
Mining
Mar-96

$2,778
Alcoa Inc
Cordant Technologies Inc
Aerospace and Aircraft
Mar-00
$2,432
BHP
Magma Copper Co
Mining
Nov-95
$2,097
Allegheny Ludlum Corp
Teledyne Inc
Measuring, Medical, Photo Equipment; Clocks
Apr-96
$1,960
Mitsubishi Metal Corp
Mitsubishi Mining & Cement Co
Stone, Clay, Glass and Concrete Products
Apr-90
$1,884
Usinor SA
Aceralia
Metal and Metal Products
Feb-01
$1,518
Preussag AG
Hapag-Lloyd AG (Preussag AG)
Transportation and Shipping (except air)
Jun-97
$1,427
Ispat International
Inland Steel Co
Metal and Metal Products
Mar-98
$1,250

Usinor SA
Arbed SA
Metal and Metal Products
Feb-01
$1,076
Tostem Corp
INAX Corp
Stone, Clay, Glass and Concrete Products
Apr-01
$930
Sumitomo Metal Industries Ltd
Sumitomo Sitix Corp
Metal and Metal Products
Dec-97
$918
Alcatel Cable SA
STC Submarine Systems
Telecommunications
Jul-93
$829
Precision Castparts Corp
Wyman-Gordon Co
Metal and Metal Products
May-99
$795
Inland Steel Industries Inc
Inland Steel Industries Inc
Metal and Metal Products
Jul-98
$791
US Industries Inc
Zurn Industries Inc
Measuring, Medical, Photo Equipment; Clocks
Feb-98
$747

Pechiney SA
Pechiney International SA
Paper and Related Products
Nov-95
$746
Ball Corp
Reynolds Metals-Aluminum Can
Metal and Metal Products
Dec-97
$725
Tower Automotive (Hidden Creek)
Automotive Products (AO Smith)
Transportation Equipment
Jan-97
$721
Usinor-Sacilor SA
Ugine SA (Usinor-Sacilor)
Metal and Metal Products
Sep-95
$710
Sanwa Shutter Corp
Overhead Door Corp
Wood Products, Furniture and Fixtures
Jun-96
$703
Thyssen AG
Giddings & Lewis Inc
Machinery
Jun-97
$700
Bethlehem Steel Corp
Lukens Inc
Metal and Metal Products
Dec-97
$699
Danaher Corp

Fluke Corp
Measuring, Medical, Photo Equipment; Clocks
Apr-98
$650
Schmalbach-Lubeca AG (E.ON AG)
Johnson Controls-Plastic Div
Rubber and Miscellaneous Plastic Products
Dec-96
$630
GKN PLC
Westland Group PLC
Aerospace and Aircraft
Feb-94
$625
WHX Corp
Handy & Harman
Metal and Metal Products
Jan-98
$590
Gillette Co
Parker Pen Holdings Ltd
Miscellaneous Manufacturing
Sep-92
$578
NCI Building Systems Inc
Metal Building Components Inc
Metal and Metal Products
Mar-98
$551
Onex Corp
Celestica Inc (IBM Canada Ltd)
Electronics and Electrical Equipment
Oct-96
$529
Crown Cork & Seal Co

CONSTAR International Inc
Rubber and Miscellaneous Plastic Products
Sep-92
$500
Kaba Holding AG
Unican Security Systems Ltd
Metal and Metal Products
Dec-00

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Mining

$2,822
Newmont Mining Corp
Franco-Nevada Mining Corp Ltd
Mining
Nov-01
$2,657
Cyprus Minerals Co
AMAX Inc
Metal and Metal Products
May-93
$2,506
Newmont Mining Corp
Santa Fe Pacific Gold Corp
Mining
Dec-96
$2,295
Barrick Gold Corp
Homestake Mining Co
Mining
Jun-01
$2,091
Rio Tinto Ltd
North Ltd
Mining
Jun-00
$1,973
Anglo American PLC
Tarmac PLC
Stone, Clay, Glass and Concrete Products
Nov-99

$1,615
American Barrick Resources
Lac Minerals Ltd
Mining
Jul-94
$1,535
Battle Mountain Gold Co
Hemlo Gold Mines Inc
Mining
Mar-96
$1,428
Minorco SA
Anglo American-Selected Mining
Mining
Sep-93
$1,278
Imetal SA (Parfinance)
Parfinance SA
Commercial Banks, Bank Holding Companies
Mar-98
$1,272
RJB Mining PLC
English Coal
Mining
Dec-94
$1,200
Gencor
Cerro Matoso SA (Royal Dutch/1)
Mining
Apr-94
$1,143
Gencor
Billiton Intl-Certain Assets
Mining
May-93
$1,103

Billiton PLC
Rio Algom Ltd
Mining
Aug-00
$902
Rio Tinto Ltd
Comalco Ltd (Rio Tinto Ltd)
Metal and Metal Products
Feb-00
$819
QNI Ltd (Billiton PLC)
Gencor-Nickel Division
Mining
Jun-97
$803
Barrick Gold Corp
Arequipa Resources Ltd
Oil and Gas; Petroleum Refining
Jul-96
$794
Newmont Mining Corp
Battle Mountain Gold Co
Mining
Jun-00
$705
Minorco SA
Freeport McMoRan Gold Co
Mining
Feb-90
$660
Minmet PLC
Connary Minerals PLC
Mining
Jun-98
$650

Homestake Mining Co
Plutonic Resources Ltd
Mining
Dec-97
$644
Normandy Mining Ltd
Gold Mines of Kalgoorlie
Mining
Nov-95
$630
Normandy Mining Ltd
PosGold (Normandy Mining Ltd)
Mining
Nov-95
$610
Vaal Reefs Expl & Mining Co
Western Areas Gold Mining Co
Mining
Nov-97
$560
Vaal Reefs Expl & Mining Co
Free State Consolidated Gold
Mining
Nov-97
$560
Homestake Mining Co
International Corona Corp
Mining
Mar-92
$512
Minorco SA
Tilcon Holdings Ltd (Young)
Mining
Nov-95
$504
Western Areas Gold Mining Co

South Deep Exploration Co Ltd
Mining
Jan-94

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announc

Team LiB
PREVIOUS NEXT

Miscellaneous Manufacturing

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announc
$3,633	Lafarge SA	Perlmooser Zementwerke AG	Stone, Clay, Glass and Concrete Products	Aug-97
$3,012	Lafarge SA	Redland PLC	Stone, Clay, Glass and Concrete Products	Oct-97
$1,435	Tyco International Ltd	Kendall International Inc	Measuring, Medical, Photo Equipment; Clocks	Jul-94
$1,327	International Game Technology	Anchor Gaming Inc	Amusement and Recreation Services	Jul-01
$540	Hasbro Inc	Tonka Corp	Miscellaneous Manufacturing	Jan-91

Miscellaneous Retail Trade

$3,912
CVS Corp
Revco DS Inc
Drugs
Jan-97
$3,082
Office Depot Inc
Viking Office Products Inc
Miscellaneous Retail Trade
May-98
$3,077
Great Universal Stores PLC
Argos PLC
Retail, General Merchandise and Apparel
Feb-98
$2,394
Rite Aid Corp
Thrifty Payless Holdings Inc
Miscellaneous Retail Trade
Oct-96
$1,844
YPF SA
Maxus Energy Corp
Oil and Gas; Petroleum Refining
Feb-95
$1,700
Great Universal Stores PLC
Experian Corp
Business Services
Nov-96

$1,475
CVS Corp
Arbor Drugs Inc
Miscellaneous Retail Trade
Feb-98
$1,007
Pinault SA
Au Printemps SA (Pinault SA)
Retail, General Merchandise and Apparel
Nov-91
$988
Pinault-Printemps SA
La Redoute (Pinault-Printemps)
Miscellaneous Retail Trade
Feb-94
$863
Capstone Pharmacy Services Inc
Pharmacy Corp of America Inc
Miscellaneous Retail Trade
Apr-97
$838
Great Universal Stores PLC
Metromail Corp
Business Services
Mar-98
$778
Pinault SA
CFAO
Transportation and Shipping (except air)
Sep-90
$759
Pinault SA
Conforama SA
Retail Trade-Home Furnishings
May-91
$666

Staples Inc
Quill Corp
Business Services
Apr-98
$533
Ratners Group PLC
Kay Jewelers Inc
Miscellaneous Retail Trade
Jul-90

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Team LiB
PREVIOUS NEXT

Miscellaneous Services

$11,343
CUC International Inc
HFS Inc
Hotels and Casinos
May-97
$1,145
CUC International Inc
Davidson & Associates Inc
Prepackaged Software
Feb-96
$911
CUC International Inc
Sierra On-Line Inc
Prepackaged Software
Feb-96

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Motion Picture Production and Distribution

$6,881
Time Warner
Turner Broadcasting System Inc
Radio and Television Broadcasting Stations
Aug-95
$2,412
Time Warner
KBLCOM Inc (Houston Industries)
Radio and Television Broadcasting Stations
Jan-95
$2,272
Vivendi Universal SA
Houghton Mifflin Co
Printing, Publishing and Related Services
Jun-01
$2,094
Time Warner
Cablevision Industries Corp
Radio and Television Broadcasting Stations
Nov-94
$1,700
Time Warner
American Television & Commun
Radio and Television Broadcasting Stations
Oct-91
$1,509
CNET Networks Inc
Ziff-Davis Inc (Softbank Corp)
Printing, Publishing and Related Services
Jul-00

$1,500
General Cinema Corp
Harcourt Brace Jovanovich Inc
Printing, Publishing and Related Services
Jan-91
$564
MCA Inc
Geffen Records
Electronics and Electrical Equipment
Mar-90
$553
Paramount Communications
Macmillan Inc
Printing, Publishing and Related Services
Nov-93

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Oil and Gas; Petroleum Refining

$50,070
Total Fina SA
Elf Aquitaine
Oil and Gas; Petroleum Refining
Jul-99
$42,872
Chevron Corp
Texaco Inc
Oil and Gas; Petroleum Refining
Oct-00
$27,224
BP Amoco PLC
ARCO
Oil and Gas; Petroleum Refining
Apr-99
$10,947
Texas Utilities Co
Energy Group PLC
Electric, Gas and Water Distribution
Mar-98
$9,388
Phillips Petroleum Co Inc
Tosco Corp
Oil and Gas; Petroleum Refining
Feb-01
$9,091
Transocean Sedco Forex Inc
R&B Falcon Corp
Oil and Gas; Petroleum Refining
Aug-00

$7,250
Anadarko Petroleum Corp
Union Pacific Resources Group
Oil and Gas; Petroleum Refining
Apr-00
$6,759
Electrafina SA
Groupe Bruxelles Lambert SA
Radio and Television Broadcasting Stations
Mar-01
$6,215
Valero Energy Corp
Ultramar Diamond Shamrock Corp
Oil and Gas; Petroleum Refining
May-01
$5,646
Lyondell Petrochemical(ARCO)
ARCO Chemical Co (ARCO)
Chemicals and Related Products
Jun-98
$4,705
BP Amoco PLC
Burmah Castrol PLC
Oil and Gas; Petroleum Refining
Mar-00
$4,562
Devon Energy Corp
Anderson Exploration Ltd
Oil and Gas; Petroleum Refining
Sep-01
$3,990
KN Energy Inc
MidCon Corp (Occidental Petro)
Electric, Gas and Water Distribution
Dec-97
$3,976

ENI SpA
LASMO PLC
Oil and Gas; Petroleum Refining
Dec-00
$3,650
Occidental Petroleum Corp
US of America-Elk Hills Petrol
Oil and Gas; Petroleum Refining
Oct-97
$3,487
Devon Energy Corp
Mitchell Energy & Development
Oil and Gas; Petroleum Refining
Aug-01
$3,448
Union Pacific Resources Group
Norcen Energy Resources Ltd
Oil and Gas; Petroleum Refining
Jan-98
$3,426
Devon Energy Corp
Sante Fe Synder Corp
Oil and Gas; Petroleum Refining
May-00
$3,229
Amerada Hess Corp
Triton Energy Ltd
Oil and Gas; Petroleum Refining
Jul-01
$2,954
Burlington Resources Inc
Louisiana Land & Exploration
Oil and Gas; Petroleum Refining
Jul-97
$2,741

ARCO
Union Texas Petroleum Holdings
Oil and Gas; Petroleum Refining
May-98
$2,587
Falcon Drilling Co
Reading & Bates Corp
Oil and Gas; Petroleum Refining
Jul-97
$2,556
General Sekiyu(Esso Eastern)
Tonen Corp (Exxon Mobil)
Oil and Gas; Petroleum Refining
Feb-00
$2,080
LASMO PLC
Ultramar PLC
Oil and Gas; Petroleum Refining
Oct-91
$2,050
Tosco Corp
76 Products Co (Unocal Corp)
Miscellaneous Retail Trade
Nov-96
$2,047
Total Fina Elf SA
Elf Aquitaine (Total Fina SA)
Oil and Gas; Petroleum Refining
May-00
$2,025
Burlington Resources Inc
Canadian Hunter Exploration
Oil and Gas; Petroleum Refining
Oct-01
$1,970
Pride International Inc

Marine Drilling Cos
Oil and Gas; Petroleum Refining
May-01
$1,722
Kerr-McGee Corp
HS Resources Inc
Oil and Gas; Petroleum Refining
May-01
$1,634
Epic Energy Inc
Australia-Dampier to Bunbury
Oil and Gas; Petroleum Refining
Mar-98
$1,576
BP Amoco PLC
Vastar Resources Inc
Oil and Gas; Petroleum Refining
Mar-00
$1,464
Gulf Canada Resources Ltd
Crestar Energy Inc
Oil and Gas; Petroleum Refining
Sep-00
$1,435
Texaco Inc
Monterey Resources Inc
Oil and Gas; Petroleum Refining
Aug-97
$1,408
Patterson Energy Inc
UTI Energy Corp
Oil and Gas; Petroleum Refining
Feb-01
$1,345
Sonat Offshore Drilling

Transocean Drilling A/S
Oil and Gas; Petroleum Refining
Apr-96
$1,257
ENI SpA
British Borneo Oil & Gas PLC
Oil and Gas; Petroleum Refining
Mar-00
$1,229
Saga Petroleum AS
Santa Fe Exploration
Oil and Gas; Petroleum Refining
Dec-96
$1,222
NGC Corp
Destec Energy Inc
Electric, Gas and Water Distribution
Feb-97
$1,200
Pioneer Natural Resources Co
Chauvco Resources Ltd
Oil and Gas; Petroleum Refining
Sep-97
$1,191
Caltex Australia (Caltex Petro)
Ampol Ltd (Pioneer Intl Ltd)
Miscellaneous Retail Trade
Nov-94
$1,170
Pennzoil Co
Chevron PBC Inc (Chevron Corp)
Oil and Gas; Petroleum Refining
Sep-92
$1,125
Schlumberger Ltd
Dowell Schlumberger

Chemicals and Related Products
Dec-92
$1,120
Oryx Energy Co
British Petro-North Sea Hldgs
Oil and Gas; Petroleum Refining
Sep-89
$1,076
Canadian Natural Resources Ltd
Ranger Oil Ltd
Oil and Gas; Petroleum Refining
Jun-00
$1,049
Teck Corp
Cominco Ltd
Mining
May-01
$1,048
Westport Resources Corp
Belco Oil & Gas Corp
Oil and Gas; Petroleum Refining
Jun-01
$1,044
USX-Marathon Group
Tarragon Oil and Gas Ltd
Oil and Gas; Petroleum Refining
May-98
$1,043
Talisman Energy Inc
Bow Valley Energy Inc
Oil and Gas; Petroleum Refining
May-94
$1,032
Ocean Energy Inc
United Meridian Corp

Oil and Gas; Petroleum Refining
Dec-97
$1,014
Anadarko Petroleum Corp
Berkley Petroleum Corp
Oil and Gas; Petroleum Refining
Feb-01
$1,013
NGC Corp
Chevron-Gas Gathering, Process
Electric, Gas and Water Distribution
Jan-96
$983
Tosco Corp
Circle K Corp
Retail Trade, Food Stores
Feb-96
$939
Parker & Parsley Petroleum Co
Mesa Inc
Oil and Gas; Petroleum Refining
Apr-97
$924
Anderson Exploration Ltd
Home Oil Co Ltd
Oil and Gas; Petroleum Refining
Aug-95
$896
Devon Energy Corp
Northstar Energy Corp
Oil and Gas; Petroleum Refining
Jun-98
$886
Petroleum Geo-Services A/S
Awilco-Floating Prodn, Storage
Transportation and Shipping (except air)

Oct-97
$861
Ultramar Corp
Diamond Shamrock Inc
Oil and Gas; Petroleum Refining
Sep-96
$849
TrizecHahn Corp
Sears Tower, Chicago, Illinois
Real Estate; Mortgage Bankers and Brokers
Dec-97
$828
Panhandle Eastern Corp
Associated Natural Gas Corp
Electric, Gas and Water Distribution
Oct-94
$828
Enerplus Resources Fund
EnerMark Income Fund
Oil and Gas; Petroleum Refining
May-01
$824
Ultramar Diamond Shamrock Corp
Total Petroleum (North Amer) Ltd
Oil and Gas; Petroleum Refining
Apr-97
$775
Alberta Energy Co Ltd
Conwest Exploration Co Ltd
Mining
Dec-95
$747
Gulf Canada Resources Ltd
Stampeder Exploration Ltd
Oil and Gas; Petroleum Refining

Jul-97
$724
Renaissance Energy Ltd
Pinnacle Resources Ltd
Oil and Gas; Petroleum Refining
Jun-98
$685
Valero Energy Corp
Basis Petroleum (Salomon Inc)
Oil and Gas; Petroleum Refining
Mar-97
$672
Canadian Oil Sands Trust
Athabasca Oil Sands Trust
Oil and Gas; Petroleum Refining
Mar-01
$670
CSR Ltd
ARC America Corp
Stone, Clay, Glass and Concrete Products
Nov-89
$646
Forest Oil Corp
Forcenergy Inc
Oil and Gas; Petroleum Refining
Jul-00
$642
ARCO
Oryx Energy-Midway-Sunset
Oil and Gas; Petroleum Refining
Nov-90
$616
Pennzoil Co
Proven Properties Inc
Oil and Gas; Petroleum Refining
Aug-89

$592
Anderson Exploration Ltd
Numac Energy Inc
Oil and Gas; Petroleum Refining
Jan-01
$581
BJ Services Co
Nowsco Well Service Ltd
Oil and Gas; Petroleum Refining
Apr-96
$571
Apache Corp
Texaco-Domestic Oil and Gas
Oil and Gas; Petroleum Refining
Nov-94
$570
Arkla Inc
Diversified Energies Inc
Electric, Gas and Water Distribution
Jul-90
$568
British-Borneo Petroleum Syndi
Hardy Oil & Gas PLC
Oil and Gas; Petroleum Refining
Sep-98
$560
TrizecHahn Corp
JBG Cos-Cert Real Estate Asts
Investment & Commodity Firms, Dealers and Exchanges
Sep-97
$543
TrizecHahn Corp
Bell Canada-Commercial RE Asts
Real Estate; Mortgage Bankers and Brokers
Jan-98

$543
Vintage Petroleum
Genesis Exploration Ltd
Oil and Gas; Petroleum Refining
Mar-01
$540
Apache Corp
MW Petroleum Corp
Oil and Gas; Petroleum Refining
May-91
$538
Petro-Canada
Amerada Hess Canada Ltd
Oil and Gas; Petroleum Refining
Apr-96
$534
Nuevo Energy Co
Unocal Corp-California Crude
Oil and Gas; Petroleum Refining
Feb-96
$518
Ranger Oil Ltd
Elan Energy Inc
Oil and Gas; Petroleum Refining
Sep-97
$517
Diamond Offshore Drilling Inc
Arethusa Offshore Ltd
Oil and Gas; Petroleum Refining
Dec-95
$516
PrimeWest Energy Trust
Cypress Energy Inc
Oil and Gas; Petroleum Refining
Feb-01
$514

Caltex Australia (Caltex Petro)
Ampol Ltd (Caltex, Pioneer)
Holding Companies, Except Banks
Oct-97
$505
Canadian Natural Resources Ltd
Sceptre Resources Ltd
Oil and Gas; Petroleum Refining
Jun-96
$502
Northstar Energy Corp
Morrison Petroleums Ltd
Oil and Gas; Petroleum Refining
Feb-97

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

PREVIOUS NEXT

Other Financial

$671
Credit National
BFCE
Commercial Banks, Bank Holding Companies
Dec-95

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Paper and Allied Products

$9,640
International Paper Co
Champion International Corp
Paper and Related Products
Apr-00
$6,823
Kimberly-Clark Corp
Scott Paper Co
Paper and Related Products
Jul-95
$5,683
James River Corp of Virginia
Fort Howard Corp
Paper and Related Products
May-97
$4,940
Stora Enso Oyj
Consolidated Papers Inc
Paper and Related Products
Feb-00
$4,913
Enso Oy
Stora Kopparbergs Bergslags AB
Agriculture, Forestry and Fishing
Jun-98
$4,851
Sealed Air Corp
Grace Packaging (WR Grace & Co)
Chemicals and Related Products
Aug-97

$4,818
Abitibi-Consolidated Inc
Donohue Inc
Paper and Related Products
Feb-00
$3,737
International Paper Co
Federal Paper Board Co
Paper and Related Products
Nov-95
$2,961
Mead Corp
Westvaco Corp
Paper and Related Products
Aug-01
$2,601
New Oji Paper Co
Honshu Paper Co Ltd
Paper and Related Products
Mar-96
$2,331
Bowater Inc
Avenor Inc
Paper and Related Products
Mar-98
$1,978
Rexam PLC
American National Can Group
Metal and Metal Products
Apr-00
$1,935
Svenska Cellulosa AB (SCA)
PWA Papierwerke Waldhof
Holding Companies, Except Banks
Jan-95
$1,808

Svenska Cellulosa AB (SCA)
Reedpack Ltd
Investment & Commodity Firms, Dealers and Exchanges
Jun-90
$1,399
Smurfit-Stone Container Corp
St Laurent Paperboard Inc
Paper and Related Products
Feb-00
$1,313
Sappi Ltd
KNP Leykam (KNP BT)
Paper and Related Products
Sep-97
$1,040
Jefferson Smurfit Group PLC
Cellulose du Pin-Paper & Pkg
Paper and Related Products
Aug-94
$1,011
Wiggins Teape Appleton PLC
Arjomari-Prioux SA-Assets
Paper and Related Products
Nov-90
$941
Nippon Paper Industries Co Ltd
Daishowa Paper Mfg Co Ltd
Paper and Related Products
Mar-00
$882
Kimberly-Clark Corp
Safeskin Corp
Rubber and Miscellaneous Plastic Products
Nov-99
$878

International Paper Co
Shorewood Packaging Corp
Paper and Related Products
Feb-00
$764
Bowater Inc
Alliance Forest Products Inc
Paper and Related Products
Apr-01
$761
Donohue Inc
QUNO Corp (Tribune Co)
Paper and Related Products
Dec-95
$708
Kimberly Clark de Mexico SA
Crisoba
Paper and Related Products
Oct-95
$704
Fletcher Challenge Canada Ltd
Crown Forest Inds-Forest Prod
Wood Products, Furniture and Fixtures
Dec-92
$660
Consolidated Papers Inc
Repap USA (Repap Enterprises)
Paper and Related Products
Jul-97
$641
Norske Skog Canada Ltd
Pacifica Papers Inc
Paper and Related Products
Mar-01
$640
Mead Corp

Boise Cascade Group-Coated
Paper and Related Products
Sep-96
$613
Enso-Gutzeit Oy
Tampella Forest Oy, 1 Other
Paper and Related Products
Apr-92
$603
Alliance Forest Products Inc
Kimberly-Clark-Coosa Pines
Paper and Related Products
Dec-96
$575
James River Corp of Virginia
Jamont Holding NV
Printing, Publishing and Related Services
Apr-94
$546
Domtar Inc
EB Eddy Forest Products Ltd
Paper and Related Products
Jun-98
$539
Koninklijke Nederlandse Papier
Buhrmann-Tetterode NV
Paper and Related Products
Nov-92
$530
Enso-Gutzeit Oy
Veitsiluoto Oy (Finland)
Paper and Related Products
May-95
$522
Trinity International Holdings

Thomson Reg Newspapers
Printing, Publishing and Related Services
Jul-95
$508
St Laurent Paperboard Inc
Chesapeake Corp-Kraft-Products
Paper and Related Products
Apr-97
$504
Avery International Corp
Dennison Manufacturing Co
Paper and Related Products
May-90

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Personal Services

$3,373
Cendant Corp
Galileo International Inc
Transportation and Shipping (except air)
Jun-01
$1,485
Cendant Corp
Avis Group Holdings Inc
Repair Services
Aug-00
$1,345
Cendant Corp
National Parking Corp Ltd
Holding Companies, Except Banks
Mar-98
$805
Cendant Corp
Fairfield Communities Inc
Construction Firms
Nov-00

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Prepackaged Software

$164,746
America Online Inc
Time Warner
Motion Picture Production and Distribution
Jan-00
$18,515
Veritas Software Corp
Seagate Technology Inc
Computer and Office Equipment
Mar-00
$7,974
i2 Technologies Inc
Aspect Development Inc
Prepackaged Software
Mar-00
$6,511
3Com Corp
US Robotics Corp
Communications Equipment
Feb-97
$4,207
Kana Communications Inc
Silknet Software Inc
Business Services
Feb-00
$3,720
Computer Associates Intl Inc
Sterling Software Inc
Prepackaged Software
Feb-00

$2,466
Vignette Corp
Ondisplay Inc
Prepackaged Software
May-00
$1,924
Healtheon/WebMD Inc
Medical Manager Corp
Rubber and Miscellaneous Plastic Products
Feb-00
$1,907
Peregrine Systems Inc
Harbinger Corp
Prepackaged Software
Apr-00
$1,884
Healtheon/WebMD Inc
CareInsite Inc (Medical Mgr)
Business Services
Feb-00
$1,799
Computer Associates Intl Inc
Legent Corp
Prepackaged Software
May-95
$1,416
Novell Inc
WordPerfect Corp
Prepackaged Software
Mar-94
$1,413
NetIQ Corp
Mission Critical Software Inc
Prepackaged Software
Feb-00
$1,375

Microsoft Corp
Visio Corp
Prepackaged Software
Sep-99
$1,248
Computer Associates Intl Inc
Cheyenne Software Inc
Prepackaged Software
Oct-96
$1,218
Peregrine Systems Inc
Remedy Corp
Prepackaged Software
Jun-01
$1,142
McAfee Associates Inc
Network General Corp
Business Services
Oct-97
$1,094
FI Group PLC
Druid Group PLC
Business Services
Jan-00
$1,031
NetIQ Corp
WebTrends Corp
Prepackaged Software
Jan-01
$988
Symantec Corp
AXENT Technologies Inc
Prepackaged Software
Jul-00
$958

Rational Software Corp
Pure Atria Corp
Business Services
Apr-97
$940
Microsoft Corp
Great Plains Software Inc
Prepackaged Software
Dec-00
$916
Misys PLC
Medic Computer Systems Inc
Business Services
Sep-97
$909
Informix Corp
Ardent Software Inc
Prepackaged Software
Dec-99
$901
America Online Inc
MapQuest.com Inc
Business Services
Dec-99
$873
VA Linux Systems Inc
Andover.net Inc
Business Services
Feb-00
$858
Siebel Systems Inc
Janna Systems Inc
Business Services
Sep-00
$817
Sybase Inc

Powersoft Corp
Prepackaged Software
Nov-94
$777
BroadVision Inc
Interleaf Inc
Prepackaged Software
Jan-00
$773
Axime
Sligos (Credit Lyonnais/France)
Business Services
Oct-96

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Printing, Publishing and Related Services

$1,346
McClatchy Newspapers Inc
Cowles Media Co Inc
Printing, Publishing and Related Services
Nov-97
$1,331
Bertelsmann AG
RTL Group (Bertelsmann AG)
Radio and Television Broadcasting Stations
Dec-01
$1,300
Bertelsmann AG
Random House Inc
Printing, Publishing and Related Services
Mar-98
$1,132
Times Mirror Co
Chandis Securities (Chandler)
Investment & Commodity Firms, Dealers and Exchanges
Aug-97
$1,094
Tribune Co
Renaissance Commun Corp
Radio and Television Broadcasting Stations
Jul-96
$1,093
New York Times Co
Affiliated Publications Inc
Printing, Publishing and Related Services
Jun-93

$1,081
Thomson Corp
Primark Corp
Business Services
Jun-00
$1,064
De La Rue PLC
Portals Group PLC
Paper and Related Products
Dec-94
$991
Lagardere Group
Hachette Filipacchi Medias
Printing, Publishing and Related Services
Apr-00
$901
Hachette SA (Marlis SA)
Matra SA (Matra-Hachette)
Aerospace and Aircraft
Jan-92
$888
News Corp Ltd
BHC Communications Inc
Radio and Television Broadcasting Stations
Aug-00
$858
United News & Media PLC
Blenheim Group PLC
Amusement and Recreation Services
Oct-96
$790
News Corp Ltd
United Television Inc
Radio and Television Broadcasting Stations
Aug-00
$781

Elsevier NV (Reed Internat PLC)
Pergamon Press PLC
Printing, Publishing and Related Services
Mar-91
$776
Harcourt General Inc
National Education Corp
Educational Services
Apr-97
$726
Seat Pagine Gialle SPA
Buffetti
Wholesale Trade, Nondurable Goods
Dec-99
$710
Media General Inc
Park Acquisitions Inc
Printing, Publishing and Related Services
Jul-96
$700
PRIMEDIA Inc
About.com Inc
Business Services
Oct-00
$682
Dow Jones & Co Inc
Telerate Inc (Dow Jones & Co)
Business Services
Sep-89
$650
PRIMEDIA Inc
Murdoch Magazines (News Corp)
Printing, Publishing and Related Services
Apr-91
$580

Pearson PLC
HarperCollins Educational
Printing, Publishing and Related Services
Feb-96
$568
RR Donnelley & Sons Co
Meredith-Burda Cos
Printing, Publishing and Related Services
Dec-89
$560
Bonnier Group
Tidnings Marieberg AB
Printing, Publishing and Related Services
Mar-98
$525
News Corp Ltd
HutchVision Ltd
Radio and Television Broadcasting Stations
Jul-93
$510
Quebecor Inc
Maxwell Graphics Inc
Printing, Publishing and Related Services
Oct-89
$500
Pearson PLC
All American Communications
Motion Picture Production and Distribution
Sep-97

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Radio and Television Broadcasting Stations

$23,112
Clear Channel Communications
AMFM Inc
Radio and Television Broadcasting Stations
Oct-99
$11,398
US WEST Media Group
Continental Cablevision Inc
Radio and Television Broadcasting Stations
Feb-96
$5,275
HSN Inc
Universal Studios-TV assets
Motion Picture Production and Distribution
Oct-97
$4,171
Clear Channel Communications
SFX Entertainment Inc
Amusement and Recreation Services
Feb-00
$3,700
Telewest Communications PLC
Flextech PLC
Motion Picture Production and Distribution
Jan-00
$3,411
Tele-Communications Inc
Liberty Media Corp
Radio and Television Broadcasting Stations
Oct-93

$2,985
Liberty Media Group (AT&T Corp)
Associated Group Inc
Telecommunications
Jun-99
$2,536
Liberty Media Group (AT&T Corp)
UnitedGlobalCom Inc
Radio and Television Broadcasting Stations
Feb-01
$2,441
CBS Corp
American Radio Systems Corp
Radio and Television Broadcasting Stations
Sep-97
$2,050
Tele-Communications Inc
TCI Pacific Communications Inc
Radio and Television Broadcasting Stations
Jul-95
$1,998
TCI Satellite Entertainment
Primestar Inc
Radio and Television Broadcasting Stations
Jun-97
$1,628
Clear Channel Communications
Universal Outdoor Holdings Inc
Advertising Services
Oct-97
$1,574
Comcast Corp
EW Scripps Co-Cable TV Systems
Radio and Television Broadcasting Stations
Oct-95
$1,441

Canal Plus SA
NetHold BV
Radio and Television Broadcasting Stations
Sep-96
$1,411
Continental Cablevision Inc
Providence Journal-Cable Sys
Radio and Television Broadcasting Stations
Nov-94
$1,313
USA Networks Inc
Expedia Inc
Transportation and Shipping (except air)
Jul-01
$1,270
Comcast Corp
Maclean Hunter Ltd-US Cable
Radio and Television Broadcasting Stations
Jun-94
$1,261
Tele-Communications Inc
TeleCable Corp
Radio and Television Broadcasting Stations
Aug-94
$1,217
Silver King Communications Inc
Home Shopping Network (Liberty)
Miscellaneous Retail Trade
Aug-96
$1,200
Sinclair Broadcast Group Inc
River City Broadcasting LP
Radio and Television Broadcasting Stations
Apr-96
$1,189

Tele-Communications Inc
United Artists Entertainment
Motion Picture Production and Distribution
May-91
$1,150
Clear Channel Communications
Eller Media Corp
Advertising Services
Feb-97
$1,118
Telewest Communications PLC
General Cable PLC
Radio and Television Broadcasting Stations
Mar-98
$1,091
Cablevision Systems Corp
Tele-Commun-New York Area
Radio and Television Broadcasting Stations
Jun-97
$1,000
Sinclair Broadcast Group Inc
Sullivan Broadcast Holdings
Radio and Television Broadcasting Stations
Feb-98
$997
NTL Inc
Comcast UK Cable Partners Ltd
Radio and Television Broadcasting Stations
Feb-98
$930
Chancellor Media Corp
Whiteco Outdoor Advertising
Advertising Services
Aug-98
$908
NTL Inc

ComTel Ltd
Radio and Television Broadcasting Stations
Jun-98
$870
Price Communications Corp
Palmer Wireless Inc
Telecommunications
May-97
$843
Tele-Communications Inc
TKR Cable Co
Radio and Television Broadcasting Stations
Mar-96
$802
Tele-Communications Inc
Kearns-Tribune LLC
Printing, Publishing and Related Services
Apr-97
$775
Clear Channel Communications
More Group PLC
Advertising Services
Mar-98
$768
Jacor Communications Inc
Citicasters Inc
Radio and Television Broadcasting Stations
Feb-96
$759
Shaw Communications Inc
Moffat Communications Ltd
Radio and Television Broadcasting Stations
Dec-00
$749
Liberty Media Group (AT&T Corp)

Ascent Entertainment Group Inc
Motion Picture Production and Distribution
Feb-00
$688
USA Networks Inc
Precision Response Corp
Business Services
Jan-00
$687
American Radio Systems Corp
EZ Communications Inc
Radio and Television Broadcasting Stations
Aug-96
$669
Evergreen Media Corp
Chancellor Broadcasting Co
Radio and Television Broadcasting Stations
Feb-97
$638
Chancellor Media Corp
Capstar Bdcstg-Radio Statn (11)
Radio and Television Broadcasting Stations
Feb-98
$630
Sinclair Broadcast Group Inc
Heritage Media-Radio & TV
Radio and Television Broadcasting Stations
Jul-97
$629
Clear Channel Communications
Paxson Communications-Entire
Radio and Television Broadcasting Stations
Jun-97
$620
Jacor Communications Inc
Nationwide Commun-Radio (17)

Radio and Television Broadcasting Stations
Oct-97
$615
Cablevision Systems Corp
Madison Square Garden Corp
Amusement and Recreation Services
Feb-97
$610
Chancellor Media Corp
Martin Media LP
Advertising Services
Jun-98
$607
Bell Cablemedia PLC
Cable Road (UK) Ltd
Radio and Television Broadcasting Stations
Oct-96
$565
Tele-Communications Inc
Chronicle Publishing Co-Cable
Radio and Television Broadcasting Stations
Jun-95
$500
Comcast Corp
Philadelphia 76ers Basketball
Amusement and Recreation Services
Mar-96

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Real Estate; Mortgage Bankers and Brokers

$14,904
Halifax Group PLC
Bank of Scotland PLC
Commercial Banks, Bank Holding Companies
May-01
$2,200
Fund American Cos Inc
Fireman's Fund Ins-Assets
Insurance
Aug-90
$1,401
GFC
Union Immobiliere de France
Real Estate; Mortgage Bankers and Brokers
May-98
$984
Cambridge Shopping Centres Ltd
Markborough Properties Inc
Real Estate; Mortgage Bankers and Brokers
Apr-97
$978
United Industrial Corp Ltd
Singapore Land Ltd
Real Estate; Mortgage Bankers and Brokers
Apr-90
$952
Security Capital Group Inc
Security Capital US Realty
Investment & Commodity Firms, Dealers and Exchanges
Sep-00

$846
Mitsubishi Estate Co
Rockefeller Group Inc
Real Estate; Mortgage Bankers and Brokers
Oct-89
$790
Persimmon PLC
Beazer Homes PLC
Construction Firms
Jan-01
$762
Daiei Agora Corp (Daiei Inc)
Jujiya Co
Retail Trade, Food Stores
Apr-95
$736
Sefimeg (Fimalac)
Fourmi Immobiliere
Real Estate; Mortgage Bankers and Brokers
Jul-96
$714
Liberty International PLC
Capital Shopping Centres PLC
Real Estate; Mortgage Bankers and Brokers
Sep-00
$679
Wihlborgs Fastigheter AB
Klovern Foervaltnings AB
Real Estate; Mortgage Bankers and Brokers
Sep-97
$620
Ladbroke Group PLC (Hilton Grp)
Coral Group (Bass PLC)
Amusement and Recreation Services
Jan-98
$604

Brookfield Properties Corp
World Financial Properties Inc
Real Estate; Mortgage Bankers and Brokers
Apr-98
$596
WCM Beteiligungs
Kloeckner-Werke AG
Rubber and Miscellaneous Plastic Products
Nov-00
$565
Jacobs Holdings PLC
B&C Breakdown Services
Business Services
Oct-97
$555
Unibail
Cie Fonciere-Ppty Portfolio
Real Estate; Mortgage Bankers and Brokers
May-94
$527
Mitsubishi Estate Co
Rockefeller Group Inc
Real Estate; Mortgage Bankers and Brokers
Oct-89
$522
Pillar Property PLC
Wates City of London Props PLC
Real Estate; Mortgage Bankers and Brokers
Nov-00
$521
Capital Shopping Centres PLC
Church of England-MetroCentre
Construction Firms
Jun-95
$519

Boston Properties Inc
Prudential Ins-Prudential Ctr
Real Estate; Mortgage Bankers and Brokers
Jan-98

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Repair Services

$1,681
Team Rental Group Inc
Budget Rent-A-Car Corp
Repair Services
Jan-97
$699
Budget Group Inc
Ryder TRS Inc
Repair Services
Mar-98

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Retail Trade - Eating and Drinking Places

$911
Compass Group PLC
Eurest (Intl des Wagon-Lits)
Retail, Restaurants
Jun-95
$813
Greenalls Group PLC
Boddington Group PLC
Food and Related Products
Oct-95
$743
Luminar PLC
Northern Leisure PLC
Retail, Restaurants
May-00
$573
Compass Group PLC
Morrison Management Specialist
Retail, Restaurants
Feb-01
$545
Compass Group PLC
Selecta Group
Miscellaneous Retail Trade
Feb-01

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Retail Trade - Food Stores

$15,837
Carrefour SA
Promodes
Retail Trade, Food Stores
Aug-99
$3,713
Food Lion Inc
Hannaford Bros Co
Retail Trade, Food Stores
Aug-99
$3,619
Koninklijke Ahold NV
US Foodservice Inc
Wholesale Trade, Nondurable Goods
Mar-00
$2,871
Koninklijke Ahold NV
Stop & Shop Cos
Retail Trade, Food Stores
Mar-96
$2,865
Carrefour SA
Comptoirs Modernes SA
Retail Trade, Food Stores
Aug-98
$2,634
Koninklijke Ahold NV
Giant Food Inc
Retail Trade, Food Stores
May-98

$2,252
Safeway Inc
Vons Cos Inc
Retail Trade, Food Stores
Oct-96
$2,018
Fred Meyer Inc
Smith's Food & Drug Centers
Retail Trade, Food Stores
May-97
$1,854
Safeway Inc
Dominick's Supermarkets Inc
Retail Trade, Food Stores
Oct-98
$1,088
Koninklijke Ahold NV
Superdiplo SA
Retail Trade, Food Stores
Sep-00
$1,003
Tesco PLC
Associated British Foods-Irish
Retail Trade, Food Stores
Mar-97
$955
Iceland Group PLC
Booker PLC
Wholesale Trade, Nondurable Goods
May-00
$794
Circle K Japan Co Ltd
Sunkus & Associates Inc
Retail Trade, Food Stores
Sep-00
$780

Somerfield PLC
Kwik Save Group PLC
Retail Trade, Food Stores
Feb-98
$577
Casino Groupe
Etablissements Baud SA
Retail Trade, Food Stores
Sep-97
$572
Casino Groupe
TLC Beatrice Intl-Food Distn
Wholesale Trade, Nondurable Goods
Sep-97
$544
ASDA Group PLC
Burwood House (ASDA, British)
Real Estate; Mortgage Bankers and Brokers
Aug-95

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Retail Trade - General Merchandise and Apparel

$3,449
Federated Department Stores
RH Macy & Co Inc
Retail, General Merchandise and Apparel
Dec-93
$3,299
JC Penney Co
Eckerd Corp
Miscellaneous Retail Trade
Nov-96
$3,282
Proffitt's Inc
Saks Holdings
Retail, General Merchandise and Apparel
Jul-98
$3,096
Fred Meyer Inc
Food 4 Less Holdings Inc
Retail Trade, Food Stores
Nov-97
$2,943
Dillard's Inc
Mercantile Stores Co Inc
Retail, General Merchandise and Apparel
May-98
$2,732
CIFRA SA de CV
JV-Wal-Mart Stores Inc, CIFRA
Retail Trade, Food Stores

Jun-97
$1,825
Etablissements Delhaize FrÈres
Delhaize America Inc
Retail Trade, Food Stores
Sep-00
$1,703
Fred Meyer Inc
Quality Food Centers Inc
Retail Trade, Food Stores
Nov-97
$1,666
Costco Wholesale Corp
Price Co
Retail, General Merchandise and Apparel
Jun-93
$1,614
Federated Department Stores
Broadway Stores (Federated Dep)
Retail, General Merchandise and Apparel
Aug-95
$1,506
Kingfisher PLC
Financiere Darty SA
Retail Trade-Home Furnishings
Feb-93
$1,104
Vendex International NV
Koninklijke Bijenkorf Beheer
Retail, General Merchandise and Apparel
Feb-98
$1,050
Dayton Hudson Corp
Marshall Field & Co (BATUS Inc)
Retail, General Merchandise and Apparel
Apr-90

$994
Consolidated Stores Corp
Mac Frugal's Bargains
Wholesale Trade, Nondurable Goods
Nov-97
$931
Karstadt AG
Hertie Waren und Kaufhaus GmbH
Retail, General Merchandise and Apparel
Nov-93
$868
Proffitt's Inc
Carson Pirie Scott & Co
Miscellaneous Retail Trade
Oct-97
$867
Pinault-Printemps Redoute
Gucci Group NV
Leather and Leather Products
Sep-01
$823
Centros Comerciales Pryca SA
Centros Comerciales Continente
Miscellaneous Retail Trade
Sep-99
$704
Pinault-Printemps Redoute
Guilbert SA
Wholesale Trade, Nondurable Goods
Jan-98
$550
TJX Co Inc
Marshall's Inc (Melville Corp)
Retail, General Merchandise and Apparel
Oct-95

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Team LiB

PREVIOUS NEXT

Retail Trade - Home Furnishings

$715
Dixons Group PLC
Elkjop ASA
Retail Trade-Home Furnishings
Nov-99
$580
Amalgamated Retail Ltd
Beares Group (McCarthy Retail)
Retail Trade-Home Furnishings
Jun-98

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Rubber and Miscellaneous Plastic Products

$3,294
BTR PLC
BTR Nylex Ltd (BTR PLC)
Rubber and Miscellaneous Plastic Products
Jul-95
$2,731
BTR PLC
Hawker Siddeley Group PLC
Electronics and Electrical Equipment
Sep-91
$1,930
Continental AG
ITT Industries Inc-Automotive
Transportation Equipment
Jul-98
$1,500
Michelin et Cie
Uniroyal Goodrich Tire Co
Rubber and Miscellaneous Plastic Products
Sep-89
$1,124
Armstrong World Industries Inc
Triangle Pacific Corp
Wood Products, Furniture and Fixtures
Jun-98
$621
BTR Nylex Ltd (BTR PLC)
FM Holdings Inc
Paper and Related Products
Dec-94

$583
BTR PLC
Exide Electronics Group Inc
Electronics and Electrical Equipment
Oct-97

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announc

Sanitary Services

$2,350
Republic Industries Inc
National Car Rental System Inc
Repair Services
Jan-97
$1,804
Laidlaw Environmental Services
Safety-Kleen Corp
Business Services
Nov-97
$1,682
USA Waste Services Inc
United Waste Systems Inc
Sanitary Services
Apr-97
$1,651
Allied Waste Industries Inc
Laidlaw Waste Systems Inc
Sanitary Services
Sep-96
$1,450
SITA (Suez Lyonnaise des Eaux)
Browning-Ferris-Non Amer Asts
Sanitary Services
Nov-97
$1,276
Waste Management Inc
Eastern Environmental Services
Sanitary Services
Aug-98

$1,237
USA Waste Services Inc
Sanifill Inc
Sanitary Services
Jun-96
$1,067
Allied Waste Industries Inc
American Disposal Services Inc
Sanitary Services
Aug-98
$990
Rollins Environmental Services
Laidlaw Environmental Services
Sanitary Services
Jan-97
$870
Waste Management Inc
Wheelabrator Technologies Inc
Measuring, Medical, Photo Equipment; Clocks
Jun-97
$815
Republic Industries Inc
Alamo Rent-A-Car Inc
Repair Services
Nov-96
$810
USA Waste Services Inc
City Management Holdings Trust
Sanitary Services
Dec-97
$725
USA Waste Services Inc
Chambers Development Co Inc
Sanitary Services
Nov-94
$646

Republic Industries Inc
AutoNation USA
Miscellaneous Retail Trade
Mar-96
$528
Browning-Ferris Industries Inc
Attwoods PLC (Browning Ferris)
Sanitary Services
Sep-94
$518
USA Waste Services Inc
Allied Waste Inds-Canadian
Sanitary Services
Jan-97
$507
Philip Environmental Inc
Allwaste Inc
Sanitary Services
Mar-97
$500
Waste Management Inc
Wheelabrator Technologies Inc
Measuring, Medical, Photo Equipment; Clocks
Apr-90

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Savings and Loans, Mutual Savings Banks

$14,725
Washington Mutual, Seattle, WA
HF Ahmanson & Co, Irwindale, CA
Savings and Loans, Mutual Savings Banks
Mar-98
$6,848
Washington Mutual, Seattle, WA
Great Western Finl Corp, CA
Savings and Loans, Mutual Savings Banks
Mar-97
$5,204
Washington Mutual, Seattle, WA
Dime Bancorp Inc, New York, NY
Savings and Loans, Mutual Savings Banks
Jun-01
$1,891
Washington Mutual, Seattle, WA
American Svgs Bk FA, Irvine, CA
Savings and Loans, Mutual Savings Banks
Jun-96
$1,732
Astoria Finl,Lake Success, NY
Long Island Bancorp, NY
Savings and Loans, Mutual Savings Banks
Apr-98
$1,419
Washington Mutual, Seattle, WA
Bank United Corp, Houston, TX
Savings and Loans, Mutual Savings Banks
Aug-00

$903
HF Ahmanson & Co, Irwindale, CA
Coast Savings Financial Inc, CA
Savings and Loans, Mutual Savings Banks
Oct-97
$828
Charter One Finl, Cleveland, OH
ALBANK Financial Corp, NY
Savings and Loans, Mutual Savings Banks
Jun-98
$663
Washington Mutual, Seattle, WA
Pacific First Bank FSB, Seattle, WA
Savings and Loans, Mutual Savings Banks
Oct-92
$634
Charter One Finl, Cleveland, OH
RCSB Finl Inc, Rochester, NY
Commercial Banks, Bank Holding Companies
May-97
$570
Charter One Finl, Cleveland, OH
FirstFed Michigan Corp
Savings and Loans, Mutual Savings Banks
May-95
$533
Dime Bancorp Inc
Anchor Bancorp Inc, New York, NY
Savings and Loans, Mutual Savings Banks
Jul-94

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announc

Soaps, Cosmetics, and Personal-Care Produ

$2,470
LVMH Moet-Hennessy L Vuitton
DFS Group Ltd
Miscellaneous Retail Trade
Oct-96
$2,004
Procter & Gamble Co
Tambrands Inc
Paper and Related Products
Apr-97
$1,540
Tomkins PLC
Ranks Hovis McDougall PLC
Holding Companies, Except Banks
Oct-92
$1,400
Tomkins PLC
Gates Corp
Rubber and Miscellaneous Plastic Products
Dec-95
$1,289
Henkel KGaA
Loctite Corp
Chemicals and Related Products
Oct-96
$1,196
Hindustan Lever Ltd
Brooke Bond Lipton India Ltd
Agriculture, Forestry and Fishing
Apr-96

$1,060
Procter & Gamble Co
Revlon Inc-Max Factor, Betrix
Soaps, Cosmetics and Personal-Care Products
Apr-91
$1,040
Colgate-Palmolive Co
American Home Prod-Kolynos Bus
Soaps, Cosmetics and Personal-Care Products
Jan-95
$786
L'Oreal SA (Gesparal)
Maybelline Inc
Soaps, Cosmetics and Personal-Care Products
Dec-95
$670
Colgate-Palmolive Co
Mennen Co
Soaps, Cosmetics and Personal-Care Products
Nov-91
$620
LVMH Moet-Hennessy L Vuitton
BSN-Lanson, Pommery Champagne
Food and Related Products
Dec-90
$574
Tomkins PLC
Stant Corp (Bessemer Capital Partners)
Transportation Equipment
Apr-97
$552
Henkel KGaA
Barnangen (Nobel Industrier)
Soaps, Cosmetics and Personal-Care Products
Jan-92
$532

LVMH Moet-Hennessy L Vuitton
Celine(Au Bon Agache)
Wholesale Trade, Nondurable Goods
Mar-95
$529
Tomkins PLC
Phillips Industries Inc
Electronics and Electrical Equipment
Jun-90

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Stone, Clay, Glass and Concrete Products

$3,738
Lafarge SA
Blue Circle Industries PLC
Stone, Clay, Glass and Concrete Products
Jan-01
$3,600
Owens-Illinois Inc
BTR PLC-Global Packaging
Stone, Clay, Glass and Concrete Products
Mar-98
$2,846
Cemex
Southdown Inc
Stone, Clay, Glass and Concrete Products
Sep-00
$2,549
Hanson PLC
Pioneer International Ltd
Stone, Clay, Glass and Concrete Products
Nov-99
$2,043
Cie de Saint-Gobain SA
Meyer International PLC
Wholesale Trade, Durable Goods
Feb-00
$1,840
Cie de Saint-Gobain SA
Norton Co (Cie De Saint-Gobain)
Stone, Clay, Glass and Concrete Products
Apr-90

$1,452
RMC Group PLC
Rugby Group PLC
Stone, Clay, Glass and Concrete Products
Nov-99
$1,222
Heidelberger Zement AG
Cimenteries CBR(Heidelberger)
Stone, Clay, Glass and Concrete Products
Oct-99
$1,184
MB-Caradon PLC
RTZ Corp PLC-Pillar,Elec Divs
Metal and Metal Products
Aug-93
$1,100
Asahi Glass Co
AFG Industries Inc
Stone, Clay, Glass and Concrete Products
Jun-92
$1,087
Redland PLC
Steetley PLC
Wood Products, Furniture and Fixtures
Dec-91
$1,058
Chichibu Onoda Cement Co
Nihon Cement Co Ltd
Stone, Clay, Glass and Concrete Products
Oct-97
$1,053
Southdown Inc
Medusa Corp
Stone, Clay, Glass and Concrete Products
Mar-98
$690

Lafarge Corp (Lafarge Coppee)
Lafarge-N Amer Cnstrn Mtrl Bus
Stone, Clay, Glass and Concrete Products
Mar-98
$680
Sumitomo Cement Co Ltd
Osaka Cement
Stone, Clay, Glass and Concrete Products
Mar-94
$650
Holcim Ltd
Semen Cibinong PT
Stone, Clay, Glass and Concrete Products
Nov-01
$635
Holderbank Financiere Glarus
Cedest
Chemicals and Related Products
May-94
$631
Owens Corning
Fibreboard Corp
Wood Products, Furniture and Fixtures
May-97
$575
Newell Rubbermaid Inc
Sanford Corp
Miscellaneous Manufacturing
Nov-91
$552
RMC Group PLC
Readymix AG fuer Beteiligungen
Stone, Clay, Glass and Concrete Products
Sep-95
$548

Boral Ltd
Sagasco Holdings Ltd
Oil and Gas; Petroleum Refining
Sep-93

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Telecommunications

$202,785
Vodafone AirTouch PLC
Mannesmann AG
Telecommunications
Nov-99
$56,307
Qwest Commun Int Inc
US WEST Inc
Telecommunications
Jun-99
$53,415
Bell Atlantic Corp
GTE Corp
Telecommunications
Jul-98
$49,279
AT&T Corp
MediaOne Group Inc
Radio and Television Broadcasting Stations
Apr-99
$41,907
WorldCom Inc
MCI Communications Corp
Telecommunications
Oct-97
$29,404
Deutsche Telekom AG
VoiceStream Wireless Corp
Telecommunications
Jul-00

$21,345
Bell Atlantic Corp
NYNEX Corp
Telecommunications
Apr-96
$16,490
SBC Communications Inc
Pacific Telesis Group
Telecommunications
Apr-96
$15,822
DDI Corp
KDD Corp
Telecommunications
Dec-99
$15,652
American Telephone & Telegraph
McCaw Cellular Commun Inc
Telecommunications
Aug-93
$13,596
WorldCom Inc
MFS Communications Co Inc
Telecommunications
Aug-96
$11,188
AT&T Corp
Teleport Communications Group
Telecommunications
Jan-98
$10,213
Telefonica SA
Telecommunicacoes de Sao Paulo
Telecommunications
Jan-00
$7,893

American Telephone & Telegraph
NCR Corp
Computer and Office Equipment
Dec-90
$6,407
Teleglobe Inc
Excel Communications Inc
Telecommunications
Jun-98
$6,321
Telecom Italia SpA
Telecom Italia SpA
Telecommunications
Nov-96
$6,243
GTE Corp
Contel Corp
Telecommunications
Jul-90
$6,153
VoiceStream Wireless Corp
Powertel Inc
Telecommunications
Aug-00
$5,949
ALLTEL Corp
360 Communications Co
Telecommunications
Mar-98
$5,828
SBC Communications Inc
Southern New England Telecomm
Telecommunications
Jan-98
$5,676

AirTouch Communications Inc
MediaOne Grp-Wireless & Cable
Telecommunications
Jan-98
$5,066
Bell Canada Enterprises Inc
Teleglobe Inc
Telecommunications
Feb-00
$4,931
Tiscali SpA
World Online International NV
Business Services
Sep-00
$4,884
TeleCorp PCS Inc
Tritel Inc
Telecommunications
Feb-00
$4,816
VoiceStream Wireless Corp
Omnipoint Corp
Telecommunications
Jun-99
$4,785
AT&T Wireless Services Inc
TeleCorp PCS Inc
Telecommunications
Oct-01
$4,750
US WEST Communications Inc
US WEST Media Grp-US WEST Dex
Printing, Publishing and Related Services
May-97
$4,612
Telefonica SA

Endemol Entertainment NV
Motion Picture Production and Distribution
Mar-00
$4,532
Telus Corp
Clearnet Communications Inc
Telecommunications
Aug-00
$4,154
WorldCom Inc
Intermedia Communications Inc
Telecommunications
Sep-00
$3,967
Sprint Corp
Centel Corp
Telecommunications
May-92
$3,880
Telecom Italia (Ing C Olivetti)
Telecom Italia Mobile SpA
Telecommunications
Jul-00
$3,841
SBC Communications Inc
Sterling Commerce Inc
Prepackaged Software
Feb-00
$3,718
Telefonica SA
Telefonica de Argentina SA
Telecommunications
Jan-00
$2,793
Global Crossing Ltd

IPC Communications (Citicorp)
Business Services
Feb-00
$2,684
Vodafone Group PLC
Japan Telecom Co Ltd
Telecommunications
Sep-01
$2,647
Hutchison Whampoa Ltd
Cheung Kong Infrastructure
Construction Firms
Jan-97
$2,533
WorldCom Inc
Brooks Fiber Properties Inc
Telecommunications
Oct-97
$2,500
LDDS Communications Inc
Williams Telecomm Group Inc
Telecommunications
May-94
$2,478
VoiceStream Wireless Corp
Aerial Communications Inc
Telecommunications
Sep-99
$2,464
Bell Atlantic Corp
Metro Mobile CTS Inc
Telecommunications
Sep-91
$2,432
Telefonica SA
Telesudeste Celular

Telecommunications
Jan-00
$2,230
Cable & Wireless PLC
Nynex CableComms (NYNEX)
Radio and Television Broadcasting Stations
Oct-96
$2,225
Century Telephone Enterprises
Pacific Telecom (PacifiCorp)
Telecommunications
Jun-97
$2,095
Rogers Communications Inc
Maclean Hunter(Rogers Commun)
Radio and Television Broadcasting Stations
Feb-94
$2,063
NextLink Communications Inc
Concentric Network Corp
Telecommunications
Jan-00
$2,061
MFS Communications Co Inc
UUNet Technologies Inc
Business Services
Apr-96
$1,961
Resurgens Communications Group
LDDS Communications Inc
Telecommunications
May-93
$1,906
Telefonica SA
Telefonica del Peru SA

Telecommunications
Jan-00
$1,818
Telefonica de Argentina SA
Paginas Doradas (Meller SAICIC)
Printing, Publishing and Related Services
Jun-92
$1,758
McLeodUSA Inc
SplitRock Services Inc
Telecommunications
Jan-00
$1,750
Cable & Wireless PLC
MCI Communications Corp-Whl
Business Services
May-98
$1,661
Frontier Corp
ALC Communications Corp
Telecommunications
Apr-95
$1,657
AirTouch Communications Inc
Cellular Communications Inc
Telecommunications
Apr-96
$1,611
Cable & Wireless Communicati
Bell Cablemedia PLC
Radio and Television Broadcasting Stations
Oct-96
$1,524
BCE Inc
CTV Inc
Radio and Television Broadcasting Stations

Feb-00
$1,300
Contel Cellular Inc (Contel)
McCaw Cellular Commun-AL,KY, TN
Telecommunications
Oct-89
$1,283
MCI Communications Corp
SHL Systemhouse Inc
Business Services
Sep-95
$1,250
MCI Communications Corp
Telecom USA Inc
Telecommunications
Apr-90
$1,208
Call-Net Enterprises Inc
Fonorola Inc
Telecommunications
Apr-98
$1,200
US WEST Inc
Wometco Cable Co, Georgia Cable
Radio and Television Broadcasting Stations
Jul-94
$1,186
WorldCom Inc
CompuServe Inc (H&R Block)
Business Services
Sep-97
$1,100
Citizens Communications Co
GTE Tele Op-500,000 Lines
Telecommunications

May-93
$1,084
TeleWest PLC
SBC CableComms (SBC, Cox)
Radio and Television Broadcasting Stations
Jun-95
$1,046
Excel Communications Inc
Telco Communications Group Inc
Telecommunications
Jun-97
$1,000
British Telecommunications PLC
Concert Commun (British, MCI)
Business Services
Aug-98
$922
Nextel Communications Inc
Motorola-Mobile Radio Licenses
Telecommunications
Nov-93
$907
Teleport Communications Group
ACC Corp
Telecommunications
Nov-97
$882
Telefonica de Espana SA
Telefonica Internacional SA
Telecommunications
Nov-97
$880
LDDS Communications Inc
IDB Communications Group Inc
Telecommunications
Jul-94

$877
Global Crossing Ltd
IXnet Inc (IPC Information)
Other Financial
Feb-00
$825
Telefonica de Espana SA
Telefonica Internacional SA
Telecommunications
Aug-97
$761
Hutchison Whampoa Ltd
Cavendish International Hldgs
Real Estate; Mortgage Bankers and Brokers
Feb-91
$737
Helsingin Puhelinyhdistys
Helsingin Puhelin (Helsingin)
Telecommunications
Mar-98
$726
Energis PLC
Ision Internet AG
Business Services
Dec-00
$722
AT&T Corp
Firstcom Corp
Telecommunications
Nov-99
$719
Tiscali SpA
Liberty Surf Groupe SA
Business Services
Jan-01

$718
MetroNet Communications Corp
Rogers Telecommunications Inc
Telecommunications
May-98
$718
Nextel Communications Inc
Dial Page Inc
Telecommunications
Aug-94
$714
GTE Corp
BBN Corp
Business Services
May-97
$693
Resurgens Communications Group
Metromedia Communications
Telecommunications
Oct-92
$690
Time Warner Telecom Inc
GST Telecommunications Inc
Telecommunications
Aug-00
$680
Southwestern Bell Corp
Associated Communications Corp
Telecommunications
Feb-94
$674
Nextel Communications Inc
OneComm Corp
Telecommunications
Jul-94
$650

Southwestern Bell Corp
Montgomery Cablevision,1 Other
Radio and Television Broadcasting Stations
Feb-93
$610
Ameritech Corp
Republic Security Co Holdings
Business Services
Sep-97
$586
LDDS Communications Inc
Advanced Telecommunications
Telecommunications
Jun-92
$559
Telecom Italia SpA
Finsiel SpA (IRI/Italy)
Prepackaged Software
Oct-92
$550
CoreComm Inc
OCOM Inc (NTL Inc)
Telecommunications
Jun-98
$532
McLeodUSA Inc
CapRock Communications Corp
Construction Firms
Oct-00
$530
United Telecommunications Inc
US Sprint Communications Co
Telecommunications
Jul-88
$517

360 Communications Co
Independent Cellular Network
Telecommunications
Apr-96
$512
Ameritech Corp
CyberTel Finl, CyberTel RSA
Telecommunications
May-91
$504
Intermedia Communications Inc
Shared Technologies Fairchild
Communications Equipment
Nov-97

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Textile and Apparel Products

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce
$768	Pillowtex Corp	Fieldcrest Cannon Inc	Textile and Apparel Products	Sep-97
$690	Shaw Industries Inc	Queen Carpet Corp	Textile and Apparel Products	Aug-98
$565	Jones Apparel Group Inc	McNaughton Apparel Group Inc	Textile and Apparel Products	Apr-01
$546	Tarkett Pegulan-Werke AG	Sommer Allibert SA-Floor	Textile and Apparel Products	May-97

Tobacco Products

$19,275
Philip Morris Cos Inc
Nabisco Holdings Corp (Nabisco)
Food and Related Products
Jun-00
$11,065
RJ Reynolds Tobacco Holdings
Nabisco Group Holdings Corp
Food and Related Products
Jun-00
$2,607
Cie Financiere Richemont AG
Rothmans International PLC
Tobacco Products
Apr-95
$2,238
Philip Morris Cos Inc
Colima Holding AG
Investment & Commodity Firms, Dealers and Exchanges
Jun-90
$1,729
Cie Financiere Richemont AG
Vendome Luxury Group PLC
Miscellaneous Manufacturing
Nov-97
$1,086
Imperial Tobacco Group PLC
Douwe Egbert Van Nelle Tobacco
Tobacco Products
Apr-98

$1,000
BAT Industries PLC
American Tobacco (Amer Brands)
Tobacco Products
Apr-94
$941
Gallaher Group PLC
Austria Tabakwerke AG
Tobacco Products
Jun-01
$761
DIMON Inc
Intabex Holding, Tabex Private
Investment & Commodity Firms, Dealers and Exchanges
Jan-97
$602
British American Tobacco PLC
British American Australasia
Tobacco Products
Jan-01

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announc

Transportation and Shipping, Except Air

$4,036
Union Pacific Corp
Southern Pacific Rail Corp
Transportation and Shipping (except air)
Aug-95
$3,748
Burlington Northern Inc
Santa Fe Pacific Corp
Transportation and Shipping (except air)
Jun-94
$2,931
Canadian National Railway Co
Illinois Central Corp
Transportation and Shipping (except air)
Feb-98
$2,731
Preussag AG
Thomson Travel Group PLC
Transportation and Shipping (except air)
May-00
$2,256
Union Pacific Corp
Chicago and North Western Tran
Transportation and Shipping (except air)
Mar-95
$2,185
Ocean Group PLC
NFC PLC
Transportation and Shipping (except air)
Feb-00

$1,386
Wesfarmers Ltd
Franked Income Fund
Investment & Commodity Firms, Dealers and Exchanges
Feb-01
$1,355
Wesfarmers Ltd
Howard Smith Ltd
Miscellaneous Retail Trade
Jun-01
$1,342
Kvaerner ASA
Trafalgar House PLC
Construction Firms
Mar-96
$1,315
Royal Caribbean International
Celebrity Cruise Lines Inc
Transportation and Shipping (except air)
Jun-97
$1,199
Canadian National Railway Co
Wisconsin Central Transport
Transportation and Shipping (except air)
Jan-01
$1,174
Iron Mountain Inc
Pierce Leahy Corp
Transportation and Shipping (except air)
Oct-99
$900
Galileo International Inc
Apollo Travel Services
Transportation and Shipping (except air)
May-97
$878

Neptune Orient Lines Ltd
APL Ltd
Real Estate; Mortgage Bankers and Brokers
Apr-97
$784
Delmas
SCAC (Bollore Technologies)
Miscellaneous Retail Trade
Jan-92
$759
Stagecoach Holdings PLC
Porterbrook Leasing Co MEBO
Transportation and Shipping (except air)
Jul-96
$750
Osprey Maritime Ltd
Gotaas-Larsen Shipping Corp
Transportation and Shipping (except air)
May-97
$693
Inchcape PLC
IEP (Automotive) Ltd
Investment & Commodity Firms, Dealers and Exchanges
Dec-91
$691
Inchcape PLC
Tozer Kemsley & Millbourn Hldg
Wholesale Trade, Durable Goods
Dec-91
$665
Inchcape PLC
TKM
Amusement and Recreation Services
Mar-92
$661

TeeKay Shipping
Ugland Nordic Shipping A/S
Transportation and Shipping (except air)
Mar-01
$591
Bergesen DY A/S
Havtor
Oil and Gas; Petroleum Refining
Nov-95
$559
EGL Inc
Circle International Group Inc
Transportation and Shipping (except air)
Jul-00
$554
Roadway Express Inc
Arnold Industries Inc
Transportation and Shipping (except air)
Aug-01
$523
Tidewater Inc
OIL Ltd (Ocean Group PLC)
Oil and Gas; Petroleum Refining
Mar-97

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Team LiB
PREVIOUS NEXT

Transportation Equipment

$40,466
Daimler-Benz AG
Chrysler Corp
Transportation Equipment
May-98
$4,125
Dana Corp
Echlin Inc
Transportation Equipment
May-98
$2,575
Autoliv Sverige AB
Morton Automotive Safety Prods
Repair Services
Sep-96
$2,563
Bayerische Motoren Werke AG
Rover Group Holdings Ltd
Transportation Equipment
Nov-93
$2,319
SPX Corp
General Signal Corp
Electronics and Electrical Equipment
Jul-98
$2,250
Federal-Mogul Corp
T&N PLC
Transportation Equipment
Oct-97

$2,199
Honeywell International Inc
Pittway Corp
Miscellaneous Manufacturing
Dec-99
$1,900
Federal-Mogul Corp
Cooper Automotive
Transportation Equipment
Aug-98
$1,839
SPX Corp
United Dominion Industries Ltd
Machinery
Mar-01
$1,700
Valeo SA
ITT Inds-Automotive Electrical
Transportation Equipment
Jun-98
$1,100
Eaton Corp
Westinghouse Elec-Distn, Crtl
Electronics and Electrical Equipment
Aug-93
$922
ITT Industries Inc
Goulds Pumps Inc
Machinery
Apr-97
$912
MascoTech Inc
TriMas Corp
Metal and Metal Products
Dec-97
$891

Toyoda Automatic Loom Works
BT Industries AB
Machinery
Apr-00
$880
Volvo AB
BCP Branded Consumer Products
Food and Related Products
Jun-93
$790
Volkswagen AG
Rolls-Royce Motor Cars Ltd
Transportation Equipment
Apr-98
$734
Ford Motor Co
Hertz Corp (Ford Motor Co)
Repair Services
Sep-00
$720
Federal-Mogul Corp
Fel-Pro Inc (Felt Products)
Rubber and Miscellaneous Plastic Products
Jan-98
$613
Lear Seating Corp
Automotive Industries Holding
Transportation Equipment
Jul-95
$600
General Dynamics Corp
Computing Devices Intl
Measuring, Medical, Photo Equipment; Clocks
Nov-97
$581

DaimlerChrysler AG
Detroit Diesel
Machinery
Jul-00
$573
Volvo AB
VME Group NV
Machinery
Mar-95
$555
Wassall PLC
TLG PLC
Electronics and Electrical Equipment
Sep-98
$543
PACCAR Inc
DAF Trucks NV
Transportation Equipment
Oct-96
$533
Volvo AB
Procordia AB-Branded Consumer
Food and Related Products
Jun-93

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Wholesale Trade - Durable Goods

$13,314
USA Waste Services Inc
Waste Management Inc
Sanitary Services
Mar-98
$9,269
Northern Telecom Ltd (BCE Inc)
Bay Networks Inc
Computer and Office Equipment
Jun-98
$3,944
Aluminum Co of America (Alcoa)
Alumax Inc
Metal and Metal Products
Mar-98
$3,014
Hughes Electronics Corp
PanAmSat Corp
Telecommunications
Sep-96
$2,636
Northern Telecom Ltd (BCE Inc)
STC PLC
Wholesale Trade, Durable Goods
Nov-90
$1,145
Mattel Inc
Fisher-Price Inc
Miscellaneous Manufacturing
Aug-93

$804
Tuboscope Inc
Varco International Inc
Machinery
Mar-00
$800
Softbank Corp
Interface Grp-Exhibition Unit
Business Services
Feb-95
$737
Mattel Inc
Tyco Toys Inc
Miscellaneous Manufacturing
Nov-96
$700
Mattel Inc
Pleasant Co
Miscellaneous Retail Trade
Jun-98
$695
Resource Group International
Aker A/S
Holding Companies, Except Banks
Sep-96
$689
Avnet Inc
Kent Electronics Corp
Wholesale Trade, Durable Goods
Mar-01
$688
Danka Business Systems PLC
Eastman Kodak-Sales Marketing
Wholesale Trade, Durable Goods
Sep-96
$679

Physician Sales & Service Inc
Gulf South Medical Supply Inc
Wholesale Trade, Durable Goods
Dec-97
$673
Rexel SA (Pinault-Printemps)
Westburne Inc
Wholesale Trade, Durable Goods
Jul-00
$610
Aluminum Co of America (Alcoa)
Inespal
Metal and Metal Products
Feb-97
$589
Meritor Automotive Inc
Arvin Industries Inc
Transportation Equipment
Apr-00
$551
Posim Bhd
Sabah Forest Industries Sdn
Paper and Related Products
Jan-96
$520
Meyer International PLC
Harcros Timber & Building
Wholesale Trade, Durable Goods
Oct-97

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Wholesale Trade - Nondurable Goods

$4,479
AmeriSource Health Corp
Bergen Brunswig Corp
Wholesale Trade, Nondurable Goods
Mar-01
$3,312
Ferruzzi Agricola Finanziaria
Montedison SpA
Chemicals and Related Products
Jul-90
$2,902
Enron Corp
Portland General Corp
Electric, Gas and Water Distribution
Jul-96
$2,834
Metro AG (Metro GmbH/Metro AG)
Metro Holding-Wrldwd Whl
Wholesale Trade, Nondurable Goods
Sep-98
$2,631
Metro AG (Metro GmbH/Metro AG)
Makro Holdings-European
Retail Trade, Food Stores
Jul-97
$2,542
Cardinal Health Inc
RP Scherer Corp
Drugs
May-98

$2,455
Suiza Foods Corp
Dean Foods Co
Food and Related Products
Apr-01
$2,227
Enron Corp
Wessex Water PLC
Electric, Gas and Water Distribution
Jul-98
$1,973
Nippon Oil Co Ltd
Nippon Petroleum Refining Co
Oil and Gas; Petroleum Refining
Dec-95
$1,751
Cardinal Health Inc
Bindley Western Industries Inc
Wholesale Trade, Nondurable Goods
Dec-00
$1,722
Abitibi-Price Inc
Stone-Consolidated Corp
Paper and Related Products
Feb-97
$1,436
JP Foodservice Inc
Rykoff-Sexton Inc
Wholesale Trade, Nondurable Goods
Jun-97
$1,146
Gehe Invest PLC (Gehe AG)
Lloyds Chemists PLC
Miscellaneous Retail Trade
Jan-96
$1,085

Fleming Cos Inc
Scrivner Inc (Franz Haniel)
Retail Trade, Food Stores
Jun-94
$1,084
Super Valu Stores Inc
Wetterau Inc
Wholesale Trade, Nondurable Goods
Jun-92
$907
Cardinal Health Inc
Pyxis Corp
Business Services
Feb-96
$775
McKesson Corp
General Medical Corp
Wholesale Trade, Durable Goods
Jan-97
$660
Dalgety PLC
Quaker Oats-European Petfood
Food and Related Products
Feb-95
$633
Gehe AG (Franz Haniel & Cie)
AAH PLC
Wholesale Trade, Nondurable Goods
Feb-95
$598
McKesson Corp
FoxMeyer Drug Co
Wholesale Trade, Nondurable Goods
Sep-96
$561

Booker PLC
Fitch Lovell PLC
Food and Related Products
Jul-90
$560
Nine West Group Inc
US Shoe Corp-Footwear Division
Leather and Leather Products
Mar-95
$544
Cardinal Health Inc
Owen Healthcare Inc
Wholesale Trade, Nondurable Goods
Nov-96
$509
UniChem PLC
Alliance Sante SA
Wholesale Trade, Nondurable Goods
Nov-97

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announce

Wood Products, Furniture, and Fixtures

$11,198
Georgia-Pacific Corp
Fort James Corp
Paper and Related Products
Jul-00
$3,596
Georgia-Pacific Corp
Great Northern Nekoosa Corp
Paper and Related Products
Oct-89
$690
Weyerhaeuser Co Ltd
TJ International Inc
Wood Products, Furniture and Fixtures
Nov-99
$650
UPM-Kymmene
Blandin Paper Co
Paper and Related Products
Sep-97
$600
Weyerhaeuser Co Ltd
Procter&Gamble-Pulp Mills, Saw
Paper and Related Products
Jun-92
$520
Weyerhaeuser Co Ltd
Bowater Inc-Pulp & Paper Mill
Paper and Related Products
Aug-98

$519
John Mansfield Group PLC
Waddington PLC
Paper and Related Products
Dec-99

Value of Transaction (US$°millions)	Acquirer	Target Company	Target Industry	Date Announc

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Chapter 6: The Balance and Alliance Stage

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