Professional paper

A STRATEGIC APPROACH TO MERGING LARGE CORPORATIONS THROUGH THE EFFICIENCY AND EFFECTIVENESS OF THEIR BUSINESS IN WORLD PRACTICE

Sara Fuchs[1]
Dino Baricevic
Marija Vukoja

Abstract

Developing a wide network of cooperative relationships is an important part of the strategic management process of successful companies. If a company wants to have excellent business results, it should create strategic alliances and thus use the potentials, resources, skills and strength of other companies in building its own business strategies.

All sorts of changes in world business are creating a whole new context for the strategic behaviour of companies. There is an intensive trend of mergers and strategic connections of the world's largest companies. Integrations, strategic cooperation and connections have affected almost all world activities.

Strategic alliances are one of the instruments for implementing development strategies. However, other available development versions must not be forgotten either. Cooperation makes sense with others only if it is designed as a means in which the company will create added value. It should not be forgotten that strategic alliances are a long-term investment that involves a risk: a lot of effort is required before satisfactory results are achieved. This must not discourage businesses, especially those wishing to keep up with global and regional competition.

Keywords: strategic management, integration, alliance, risk

JEL Classification: F01, Z32

INTRODUCTION

As more and more managers are interested in ways of strategic networking and the role of strategic alliances in raising the competitiveness of companies, the purpose and goal of the seminar paper is to improve knowledge of strategic alliances by studying and analysing numerous examples and business cases.

The way in which scientific work is structured, in four chapters, is the result of covering the most important areas of recent theory and practice of strategic alliances.

[1] **Sara Fuchs,** Ph.D. student, Postgraduate University Doctoral Studies, Business Economics in Tourism and Hospitality Industry; **Dino Baricevic** Ph.D. student, Postgraduate University Doctoral Studies, Management of Sustainable Development; **Marija Vukoja,** Ph.D. student, Postgraduate University Doctoral Studies, Business Economics in Tourism and Hospitality Industry, Faculty of Tourism and Hospitality Management Opatija, University of Rijeka, Crotaia.

Namely, in the first chapter, the very notion of merger is analysed, as well as the motives and goals of creating strategic alliances. The second chapter deals with the financing problem in connecting companies and the methods of payment and the analysis of earnings per stock. Relevant topics of strategic alliance management are discussed in the third chapter. Particular attention is paid to the management of strategic alliances in their development and performance measurement. Last but not least, fourth chapter deals with the topic of the phenomenon of global mergers, i.e. alliances, where business cases and examples from the practice of strategic integration are presented.

1. FUSION, CONSOLIDATION AND ACQUISITION

Fusion can be defined as any merger of two business entities, two companies into one business unit based on the full association of ownership interests of two or more merging companies.[2] It is, therefore, a matter of one hundred percent association of ownership interests of two or more companies. By merging companies, a completely new company can be formed or one or more companies can be merged with one company that participates in the association of ownership interests.[3] In the case of a merger into a completely new business unit, it is consolidation, while in the case of a merger of companies with another company, it is a fusion. The acquiring company completely absorbs another company through fusion (the result of the fusion is A + B = A 'or B'). As a result, one or more companies that joined the company that continues to operate, i.e. that survives the merger, ceases to operate. The acquiring company retains its company and its identity and acquires all assets and liabilities of the companies that have been acquired and cease to exist as separate business entities through the process of their stocks for the stocks of the acquiring company under the terms of the fusion agreement.[4]

Consolidation achieves identical business and financial effects as in case of a fusion - combining or merging all assets and all liabilities of acquiring and acquired companies in one business unit.[5] The difference is that all companies participating in the association of ownership interests cease to exist as separate business entities and transfer all their assets and liabilities to the newly formed company in the consolidation process (the result of consolidation is A + B = C).[6] Therefore, none of the companies survives such a business combination, so that after the consolidation, all companies are completely and formally liquidated.

Fusion is most often carried out by combining the ownership interests of two or more companies of significantly different sizes so that a larger, dominant company can absorb or swallow "less important companies".[7] All the characteristics of the dominant company are retained as well as the name itself. Consolidation is therefore most often

[2] Orsag, S., Gulin, D.,:"Poslovne kombinacije" (Business Combinations) (*Business Combinations*), Zagreb,1996., p. 27.
[3] Orsag, S., Gulin, D., „Poslovne kobinacije" (*Business Combinations*), Zagreb, 1996., p. 27.
[4] Orsag, S., Gulin, D., „Poslovne kobinacije" (*Business Combinations*), Zagreb, p. 27.
[5] Orsag, S., Gulin, D.,: "Poslovne kombinacije" (Business Combinations) (*Business Combinations*), Zagreb,1996., p. 28.
[6] Orsag, S., Gulin,D., "Poslovne kombinacije" (Business Combinations) (*Business Combinations*), Zagreb, p. 28.
[7] Orsag, S., Gulin, D., „Poslovne kobinacije" (*Business Combinations*), Zagreb, p. 26.

carried out for companies of the same size or when there is a need for a statutory change of the acquiring company due to some unfavourable conditions such as, for example, unfavourable terms of the incorporation contract.[8]

The term acquisition is defined as any merger of two or more business entities into one business entity.[9][10] Acquisition is realized by merging the ownership interests of two or more companies or by taking over one or more companies by the acquiring company by purchasing their majority ownership interest or by purchasing their property. Thus, the term acquiring company refers to the company that seeks to acquire another company or merge (perform fusion of) another company, and the acquired company is the one acquired or merged by the acquiring company.

It is important to distinguish all three of these terms due to their similarities, but of course some differences that appear in the meaning of each of these terms. The following refers exclusively to the fusion itself.

1.1. Defining the concept of merger and the decision to merge a company

Mergers and acquisitions occur when operating companies merge (merger) or take control (acquisitions) of all or part of the operations of other companies.[11] International mergers and acquisitions are mergers and acquisitions created between companies of different national origins or host countries. A merger is the combination of two or more plants in creating common goals. Once the plants are connected, the purchased company may cease to exist, so that the company which is the integration buyer acquires the assets and liabilities of the purchased company (legal merger) or the purchased company becomes a 100% subsidiary of the parent company (regional merger). Likewise, two or more companies can merge to form a completely new company. In this case, all the companies participating in the merger cease to exist, and their stockholders become stockholders of the new company (consolidation). Otherwise, the buying company can buy part of the stocks or assets of the target company and link it to its plants. Mergers and acquisitions allow companies to quickly enter special markets by taking control of production facilities and intangible assets.

When merging, entire companies connect and create a new, joint company, and the former independent companies cease to exist. The name of the newly created business entity usually takes over the names of previously independent companies. Mergers most often occur between the then existing competitors in the market, i.e. companies in the same branch of industry merge.[12]

Experience to date has shown that a large number of mergers and acquisitions end in failure. It is extremely important that companies adhere to these rules when implementing them:[13]

---

[8] J.J. Hampton, Financial Decision Marketing, quoted, p. 535.
[9] Orsag, S., Gulin, D., „Poslovne kobiancije“, Zagreb, p. 26.
[10] Martin, Petty, Keown, Scott, Basic Financial Management, Prentice - Hall , Inc., Englewood Cliffs, New Jersey 1979., p. 646.
[11] Tipurić, D., Markulin, G., „Strateški savezi: Suradnjom poduzeća do konkurentske prednosti“,(*Strategic alliances: Cooperation of companies to competitive advantage "*), Sinergija, Zagreb, 2000., p.16.
[12] Tipurić, D., Markulin, G.:“Strateški savezi: Suradnjom poduzeća do konkurentske prednosti“ , (*Strategic alliances: Cooperation of companies to competitive advantage "*), Sinergija, Zagreb 2000., p. 16
[13] Sirower, M.L.: "The sinergy trap: How companies lose the acquisition game". Free Press, New York, 1997.

a) Selection of a suitable target partner. In the case of international mergers and acquisitions, finding the right partner is somewhat easier, but involves a number of other elements that need to be considered.

b) Detailed research of the market position of the potential partner.

c) An attempt to determine the compatibility of company culture and their management.

d) Determining the new structure of the organisation after the merger or acquisition.

e) Protection of key resources of the target company. The resources on which the target company has built its market position must not be allowed to become inaccessible after a merger or acquisition.

f) Valuation of stocks. The organisation initiating the merger or acquisition must be certain that its assessment of the value of the target company will ensure an appropriate return on investment. This is the most important step that precedes mergers and acquisitions.

g) Integration planning. Since the integration process has indeed been carried out, it is necessary to carefully plan the new way of doing business of the merged companies.

The three most important events decisively influenced the expansion of international mergers and acquisitions. These were: the creation of the "European Single Market" (ESM), which was preceded by the introduction of the Euro, the "Asian Crisis" of 1997 and the use of the "corporate governance stockholder model". The Euro and ESM have created the preconditions for the consolidation of European companies. The Asian crisis opened up opportunities for Western companies to buy Asian companies cheaply, and eventually the stock value model forced companies to de-diversify and concentrate on core activities.[14] Concentration on core activities implies the sale of those parts of the company that are engaged in the core business and the connection with related companies.

There are three main reasons why international mergers and acquisitions occur:[15]

a) consolidation: the search for economies of scale and economies of scope.

b) global reach: expanding to foreign markets.

c) acquisitions due to competencies or new technology.

The benefits of merging the two companies are in gaining added value and strengthening competitiveness. The new company must be worth more than the combined value of past companies, e.g., Sony and Ericsson produced average mobile phones separately and failed to impose themselves as strong players in the mobile phone industry. By merging into Sony Ericsson, they have established themselves as one of the leaders in this industry.

Strategic alliances differ from other types of cooperative agreements because they are created to achieve long-term goals and plans of the company, and because they are

[14] Lassere, P.: "Global Strategic Management", Palgrave Macmillan, New York, 2003.

[15] Lassere, P., op.cit. under 6.

aimed at improving the competitive position.[16] The company enters into strategic alliances with others to use their skills and strength in building its own competitive strategies. By participating in the alliance, the company ensures, maintains and expands the basis of its own competitive advantage.[17]

Interstate mergers and acquisitions are created in a wide range of sectors, in high and developed industries and in service industries. Automotive, oil, chemical and pharmaceutical products, telecommunications and financial and business services are typical examples of industries characterized by large-scale international mergers and acquisitions. International mergers and acquisitions are increasingly appearing in service industries, which make more than half of mergers and acquisitions in terms of contract value and number of transactions. As the global economy is increasingly service-based (services now account for 60% -70% of GDP and employment in OECD countries), international mergers and acquisitions play a very important role, especially in the global restructuring of the services sector. Unlike international mergers and acquisitions in the 1980s, which were often made between different business and industrial areas, modern international mergers and acquisitions often contain the same or related industries. A large number of international mergers and acquisitions of very large scale took place between companies in the same sector (e.g. telecommunications, oil, cars, pharmaceuticals, finance, electricity) from 1998 to 2000. This may reflect the efforts of multinational companies to increase global competitiveness in their central facilities or the desire to reduce competition in increasingly globalized markets. Many multinational companies choose to focus on their own central facilities, counting on cost-effectiveness in the long run. Therefore, they are willing to leave peripheral plants in order to raise money and invest it in sectors where they can impose themselves as leaders or challengers in world markets.[18]

2.1. Merger motives and merger goals

The main motive for combining companies is the synergistic effect of such a business combination that will result in an increase in the value of the combined company above the sum of the individual values of the companies that are combined.[19] Mathematically, the synergistic effect of combining companies thus defined can be represented in the following way, i.e. by the following relation:

$$VAB > VA + VB$$

VAB => the value of the combined company
VA + VB => the individual value of the enterprise before combining

[16] Clarke- Hill, C.M., Robinson,T. M. I.J.Bailey: Skills and Competence Transfers in European Retail Alliances: Comparison Between Alliances and Joint Ventures, European Business Review,Vol.98, No.6 1998., p. 300-310

[17] Tipurić, D., Markulin, G.:“Strateški savezi: Suradnjom poduzeća do konkurentske prednosti“ (*Strategic alliances: Cooperation of companies to competitive advantage "*), Sinergija, Zagreb 2000., p. 12.

[18] Mergers and Acquisitions: Background Document, DAFFE/MC/STAT/, internal working paper OECD, 2000., p. 134.

[19] Orsag, S., Gulin, D.,:”Poslovne kombinacije“ (Business Combinations) (*Business Combinations*), Zagreb,1996., p. 57.

The synergy effect results through business and financial economics, through different management efficiencies, and through an increase in the market power of the company, while in its absence there will be some losses for stockholders of the company that encouraged its external growth.

Also, a motive for mergers is the internal or external growth of companies that differ in the way of increasing or expanding business activities. The internal growth of a company is achieved by increasing the volume or expanding the form of its own business activities. This increase may relate to the expansion of existing business activities or the acquisition of new business activities. Such activities take place exclusively within a company, i.e. internally. External growth is achieved when a company takes over the activities of other companies. Such takeovers of other companies' operations can be achieved by purchasing assets or purchasing stocks.[20] External growth can also be achieved by combining the ownership interests of one company with the ownership interests of other companies, thus creating a completely new company. Such procedures are most often called a fusion of companies.

More companies have more resources, knowledge and skills than an individual company and when these resources are properly organised, they can create more value for each partner in the alliance. Every company has goals that it wants to achieve by participating in an alliance. The partner's goals are a prerequisite for shaping the initial goals in the cooperation of the company. Horton (1998) lists eight groups of motives that guide the company to interconnect, and the motives are related to product or service, technology, marketing, protectionism, production (operations), monetary resources, natural resources and competitiveness. The results of her research show that the most common motives in world business are related to marketing, technology or competitiveness.[21] Other authors include a group of motives related to reducing business risk.

Ellarm (1991) classifies the incentives to create alliances into three categories:

a) *Financial* - focusing on motives related to reducing costs and increasing profits (joint ventures, stable prices),

b) *Technological* - focusing on motives that facilitate the production process (mutual sharing of technology, joint development of a new product) and

c) *Managerial* - focusing on motives that simplify the production process (loyalty, reliability, interdependence).[22]

Sometimes the incentives for interconnecting companies are defensive and sometimes offensive. Defensive motives exist when a company, due to the acquisition of external factors and other pressures, is forced to create or enter into alliances. Thus, for example, companies can use alliances as a temporary solution until they develop their own capabilities in a particular area. Alliances can be used as options in the face of uncertain future industry development. Defensive incentives can also include

[20] Orsag, S., Gulin, D.,:"Poslovne kombinacije" (Business Combinations) (*Business Combinations*), Zagreb,1996., p. 54.

[21] Horton, V.: An exploration of strategic collaboration in the Triad, European Business Review, Vol. 98, No. 1, 1999., p. 9

[22] Tipurić, D., Markulin, G.:"Strateški savezi: Suradnjom poduzeća do konkurentske prednosti" (*Strategic alliances: Cooperation of companies to competitive advantage "*), Sinergija Zagreb 2000.,p.: 46.

financial motives if they are a greater incentive to create mutual associations of companies. The offensive incentives were well portrayed by Hamel.

Hamel (1998) classifies them into two groups:

a) Motives for conquering the global market arising from the "race for the world"

b) Motives for participation in the creation of new technologies, projects and products that have the potential to change entire industries and even create new ones; hence the motives from the “race for the future “.[23]

3.1. Financial motives

When merging, companies may have motives that directly lead to reducing costs and raising profitability. Such financial incentives for mergers are related to various ways of achieving economic efficiency and financial stability, primarily by reducing and sharing costs, reducing input prices and sharing business risk with partners.

Using the resources of their partners, companies directly improve their financial position to which the most researched financial motive is probably the cost reduction. The goal of networking may be to access production in countries with low labour costs to minimize overall costs.

An important financial motive is the sharing of risks in the business process. By merging, companies can significantly reduce the individual risk of competition, e.g. through joint ventures and joint product development. In addition, achieving better financial effects can be guided by joint planning and the availability and sharing of information between companies in a collaborative relationship. There are also possible improvements in the quality of assortments and services that provide additional financial benefits to partners. The financial motive is also the desire of smaller companies to access capital in mergers that will enable their growth and development of new products and services.

4.1. Motives for acquiring and exchanging knowledge and technology

If companies do not have adequate own resources when trying to gain a competitive advantage, they can acquire them from partners when merging companies. Mergers are an efficient and economical way to learn other people's knowledge and skills. Acquisition and exchange of knowledge and technologies is an important motive for creating mergers in which partners transform each other, directly or indirectly, various forms of knowledge, especially new technology and technological potentials. Companies strive to have access to partner R&D and information sharing processes to strengthen their own competitiveness. Partners in such alliances encourage each other to create new technological ideas. They can, for example, shape a new technological standard, speed up the process of creating a new product, shorten the time required to launch a product on the market, better organize and manage production and others.

The motive for merging companies may be a fusion of technologies. This type of motive is especially important for those companies that do not have enough of their own technological resources and in situations where it is very important to keep up

[23] Doz, Y. L. i Hamel, G.: Alliance advantage, Harvard Business, school press, Boston, 1998., p.2

with technological innovation. New technology helps small businesses survive. There is an important possibility of access to research and development processes and knowledge of partners, as well as an attempt to accelerate the process of developing completely new products.[24]

5.1. Market and managerial motives

Access to new markets is considered one of the most important motives for involvement in business associations, especially if the alliance is formed globally or internationally. Merger can emerge as a way of overcoming protectionist barriers in one state. On the other hand, mergers can arise as a result of the desire of the management layer of the company to reduce the number of direct competitors in the market or industry. The company reduces the threat from a strong direct rival by connecting with its rivals.

Managerial incentives can create strategic alliances in vertical markets by creating some form of quasi-intelligence. In this way, it is possible to reduce the number of suppliers and customers and establish better control over the value creation process. Instead of business relationships based on the research of bargaining power, the establishment of cooperation in alliances increases the trust of suppliers and customers, thus increasing the realization of greater flexibility and possible reduction of costs.

In addition, a merger may bring access to this distribution channel that would otherwise be difficult to obtain on its own or would be too expensive. The motive for the merger can also be typically marketing. Namely, mergers can better meet the needs of customers if it is possible to achieve the conditions of convergence of needs. By connecting with others, the company can gain access to production capacities and essential expertise in production it requires for achieving its development goals.

Motives for merging can also be personal. Saturation with work and turning to new business challenges, selling the company and capitalizing on many years of work. Companies often outgrow their founders, so it is necessary to introduce capital and foreign experts.

There is also the psychological aspect of overestimating or underestimating one's own company because of a biased view of one's own successes. Whatever the reasons behind the merger, it is in any case a dynamic, risky and daring move by which the entrepreneur moves to a higher level of competition.

[24] Whipple, J. S., Gentry, J. J.: A network comparison of alliance motives and achievements, Journal of Business and Industrial Marketing, Vol. 15, No. 5, 2000; p. 304.

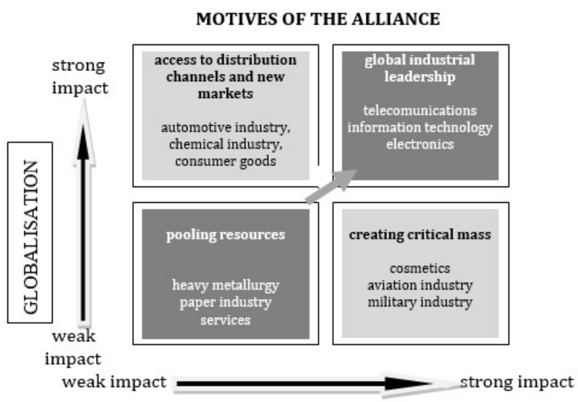

Figure 1. Primary motives for creating strategic alliances, by industry
Source: internet www.smartalliances.com (21/10/09)

A strategic alliance can help a company access new or existing products. Some of the listed motives can lead to the successful functioning of the strategic alliance, thus increasing the competitiveness of the company. Namely, if the alliance is successful, the value created in the alliance is greater than the value that the company would have achieved if it had operated independently, thus increasing its competitiveness in the market.

2. FINANCING WHEN CONNECTING COMPANIES

The financing function is one of the basic functions of every company. The financing function is a special business policy by which the company decides on the management and growth of funds to ensure successful operations.

The financing function of medium and large companies consists of making three basic decisions, namely the investment decision, the financing decision and the dividend decision.

Financing is a dynamic process of obtaining and using capital depending on the conditions of their return. This capital is in most cases in monetary form, but it can also appear in the form of things and rights.

Fusion and acquisition activities require initial investment with the acquisition of a target company. Cash acquisitions and stock exchange acquisitions usually differ in terms of payment methods. Acquisition payments can be classified according to the following instruments:[25]

a) money
b) ordinary stocks
c) other instruments
d) combinations of instruments

[25] Orsag, S., Gulin, D.,:"Poslovne kombinacije" (Business Combinations) (*Business Combinations*), Zagreb,1996., p. 243.

In monetary acquisition, both parties know the value paid so that there is no problem estimating the exchange value. This is probably the fundamental reason for the popularity of money acquisition. A monetary transaction can be executed faster than a non-monetary transaction. Monetary acquisition allows the acquiring company the greatest flexibility in terms of taxes. The paid acquisition price as well as the acquisition premium provide the acquiring company with secure post-acquisition tax companies from taxable profit. These tax exemptions arise through the possibility of changing the depreciation base of acquired assets as well as through the depreciation of goodwill arising from premiums paid above the fair estimated value of a company's assets. In this way, the acquiring company can create more favourable cash flows for its stockholders through tax savings after the acquisition than it could do on its own.

The monetary acquisition is related to the problem of its collection. Money paid for the acquired company is collected in advance from the newly formed long-term sources of financing or the paid money can be substituted by issues of all those securities which can also be acquired immediately after the acquisition.[26]

Acquisition by exchange of stocks represents another form of payment of the acquisition price.[27] Acquisition by exchange of stocks causes a distinction between pre-acquisition and post-acquisition premiums and the necessity of determining fair exchange parity. This acquisition is substantially more complicated than monetary acquisition because it includes in the account a number of factors that are of strategic importance for the future value of both the buyer's and the seller's companies.

The advantage of such an acquisition is that the stocks are a suitable substitute for large sums of money needed to pay the acquisition price and possible fiscal fees to financiers. It also has its weaknesses as it poses wage dilution risks or capital dilution risks. Acquisition can also be performed by handing over to the stockholders of the acquired company securities with a fixed yield, i.e. by means of bonds and preference stocks. This type of acquisition applies only to well-intentioned acquisitions resulting in confirmations of the genera meetings of the companies being the subject of fusion. Therefore, this form of acquisition payment should be modelled to create benefits for the stockholders of both the acquiring and the acquired companies. Pure acquisition of securities is relatively rare. It can be combined with underlying acquisition, cash acquisition and stock exchange acquisition.

2.1. Financing and methods of payment

International mergers and acquisitions are financed in many ways, including cash payments in exchange for purchased stocks; debt financing, i.e. issuing securities on domestic or international markets, loans from financial institutions and loans within the company; by an exchange of stocks, where the stocks in the buying company are exchanged for stocks of the target company. Ever increasing transactions in international mergers and acquisitions may be a barrier to cash or debt financing. The mere size of the merger of large companies makes it almost impossible for buying companies to finance the transaction solely with cash or influence. In fact, modern international mergers and acquisitions tend to finance the transactions by stock swaps.

[26] Ibidem, p.244.
[27] Ibidem, p.244.

For example, in 1999, in terms of transaction value, the share of mergers and acquisitions financed by stock exchanges accounted for 36% of all international mergers and acquisitions and almost half of large international mergers and acquisitions.

Company activities can be financed from internal or external sources of funding. Internal sources of financing are forms of retained earnings of the company, accumulated depreciation of tangible and intangible assets and other so-called non-monetary costs. It is therefore a matter of self-financing of the company. External methods of financing are all other sources of financing of the company, therefore, all other non-own sources of financing as well as the increase of equity by issuing new stocks.[28]

There are several ways to evaluate an acquisition:

a) Value of cash flows

The value of the acquisition estimated on the basis of cash flows is economically based and justified. The effects of the acquisition are estimated based on the present value of future incremental cash flows that will be generated by the acquisition as well as the investment costs to be incurred for the acquisition of the acquisition candidate. [29]

b) Market value of stocks

The market value of stocks of the acquiring and target and combined companies can be analysed by applying the model of discounting the stream of future dividends or by applying other models of estimating the value of stocks. The models of present value of future dividends are, in fact, a modification of the method of present value of acquisition cash flows. These models are used to estimate the pre-acquisition values of companies in combination in particular to estimate the value of the target company's stocks as the lower limit of the acquisition price. The analysis of price and earnings per stock of the combined company as well as the analysis of the amount of earnings per stock of the combined company will also result in establishing the value of the acquisition and approximations of the maximum and minimum acquisition prices as limits for acquisition negotiations.[30]

c) "Chop-shop" value

This analysis of the acquisition candidate value concerns the multi-industrial companies. The aim of the analysis is to determine whether a company whose business activities extend across multiple industries may be underestimated and whether it would be more valuable if broken down into its constituent parts. [31]

2.2. Acquisition premium

When merging a company, the acquiring company must pay a certain premium above the fair market value of the stocks of the company being acquired. The merger price, and within that price the acquisition premium, can be paid in cash or through the exchange of the value of stocks of the acquiring company in the amount of the fair

[28] Orsag, S., Gulin, D.,: "Poslovne kombinacije" (*Business Combinations*), Zagreb,1996., p. 54.
[29] Orsag, S., Gulin, D.,:"Poslovne kombinacije" (*Business Combinations*), Zagreb,1996., p. 95.
[30] Orsag, S., Gulin, D.,:"Poslovne kombinacije" (*Business Combinations*), Zagreb,1996., p. 99.
[31] Ibidem, p.100.

market value of stocks of the target company plus premiums. **(106.)** In the case of a cash acquisition, the acquiring company buys the target company by redeeming all of its stocks. In this way, the acquiring company acquires the total value of the acquired company increased by the value of synergy. The present value acquired by the acquiring company through the acquisition of the company being acquired is:[32]

$VB^* = VB + \Delta V$

From the present value of the target company cash acquisition by the acquiring company, it is necessary to deduct the acquisition costs, i.e. the initial cash expenditure for the purchase of the target company. This will provide the net present value of the investment in the acquisition of the target company. The value of the combined company established by the cash acquisition will consist of the value of the acquiring company and the net present value of the cash acquisition.

In the case of an acquisition made through an exchange of stocks, there are no explicit acquisition costs that would reduce the value of the combined company, as was the case with a cash acquisition.[33] In the case of a stock exchange acquisition, the stocks of the selected target company are redeemed by exchanging them for the stocks of the acquiring company. Therefore, the value of the combined company is equal to the sum of the values of the companies before the combination increased by the value of the synergy, i.e.:

$VAB = VA + VB + \Delta V$

Although there is no explicit acquisition premium in the acquisition of stocks, the acquisition premium exists because the exchange, as a rule, is not based on the ratio of fair market values of stocks of companies but with a certain premium on the fair market value of the target company.

2.3. Earnings per stock analysis

In the stock exchange acquisition, it is necessary to perform a "classic" financial analysis of company investment indicators.[34] The first step in such an analysis is the analysis of earnings per stock that will be established after the acquisition, i.e. after the fusion of the company. This analysis is important because in the process of acquisition by exchanging stocks, companies with different price-earnings ratios per stock are combined. There are two typical cases of the relationship between price and earnings per stock of companies undergoing fusion. The first is when an acquiring company intends to acquire a company with a lower price-to-earnings ratio per stock than its own. The second case is when an acquiring company intends to acquire a company with a higher price-to-earnings ratio per stock than its own. In the first case, the expanding acquiring company seeks to merge a company with modest, poor development prospects. In the second case, the expanding company selected a growing company as its acquisition candidate.

[32] Orsag, S., Gulin, D.,:"Poslovne kombinacije“ (*Business Combinations*), Zagreb,1996., p. 107
[33] Ibidem, p.106.
[34] Ibidem, p.109.

It is the difference in the ratio of earnings and prices per share of merging companies that causes the change in earnings per stock for an acquiring company. In this way, there are momentary changes in the size of earnings per stock of the acquiring company as a different perspective movement of earnings per share in the future. When a company is acquired by exchanging stocks with a lower price-earnings ratio than that of the acquiring company, there is an increase in earnings per stock of the company that survives the fusion. For example, the stockholders of a poor company will make a capital gain per stock through the acquisition. On the other hand, they suffer from dilution of earnings per stock. Therefore, since the acquisition was made by exchanging stocks with a premium on the market price of stocks of the selected company, the dilution of earnings per stock of the stockholders of the acquired company is less than it would be if the exchange was made at the parity of the market prices of stocks of combined companies. If the exchange were made according to the earnings parity per stock, a sixty percent premium should be paid on the stocks of the acquired company.

3. MERGER MANAGEMENT AND ITS IMPACT ON BUSINESS

A quality governance process plays an essential role in preparing managers for successful alliance management. Alliance efficiency is lower if there is no communication between partners or in case of a poor communication within one company in a strategic alliance.[35] Experiences from previous alliances are of great importance. Companies that strategically build their alliances achieve the greatest efficiency when applying the experience from previous alliances. Such organisational learning is a key factor for long-term success. Internal capabilities to manage strategic alliances are achieved by it. Such abilities result from a broad knowledge of strategic alliances, as well as from some experience in them. Some companies, such as IBM, have succeeded in developing such internal alliance management capabilities. The nature of strategic alliances itself implies joint management of partners. The way decisions are made will be different depending on the distribution of powers between the partners in the alliance.

Strategic alliances are organisational structures with common, shared management control. Such control is sensitive to internal conflicts because there is no central government authority that can resolve the dispute.[36] One of the biggest challenges in structuring the alliance is to establish a good decision-making process, while preserving the interests of all partners. The alliance should have common governing bodies and standardize the processes and norms according to which decisions are made. In defining the decision-making process, each partner should receive the appropriate share of votes, and decisions should be made in a way to unite the common interests of all partners. In general, the less competition there is between partners, the easier it is to manage an alliance and the less need there is for formal decision-making mechanisms.

In alliances with more than two partners, there is mainly a leading company of the alliance, a so-called company in the leadership position with the most decision-making influence.[37] In the case where one company dominates the alliance and the other

---

[35] Tipurić, D., Markulin, G.:"Strateški savezi: Suradnjom poduzeća do konkurentske prednosti" (*Strategic alliances: By cooperating companies to competitive advantage*) , Sinergija, Zagreb 2000.,p.: 168.
[36] Ibidem, p.170.
[37] Ibidem, p.170.

partners are gathered around it, there is less need for decision-making procedures. No matter what the formal governance structure of the alliance is, there must be a way to make joint decisions and coordinate actions between members. Without proper leadership or a pre-agreed formula for joint decision-making, the alliance cannot be expected to implement the outlined strategy. Instead, internal divisions and differences in understanding between partners are likely to pull the alliance in different directions. Strategic alliance leadership can make rather centralized decisions or delegate its decision-making to lower structures, or implement decentralization. In complex affairs, where integration is more important than specialization, alliances with tighter control or centralized management have an advantage over freer coalitions. Conversely, if integration in the alliance is less significant and the gains from specialization and division of labour are high, it is generally better to decentralize decision-making.

3.1. Measuring alliance management performance

In order to be able to properly manage the alliance, it is necessary to make a system of measuring its results in advance. The measurement system must result from the goals set by the alliance. A successful alliance is one that achieves its strategic goals within the set timeframe.

In order to control the goal achievement, it is necessary to establish control mechanisms by which it will be possible to predict the successful goal achievement in advance. In case of deviation from the set plan, corrective actions will be taken. Measuring performance is closely related to the goals set by the alliance. Given this fact, setting performance measures is a very complex job. In some alliances, goals can be set in great detail, while in other alliances it is a more abstract problem.

The way performance is measured also differs in the manner in which an alliance creates the value. The corporate alliance successfulness should be measured against the specific goals set by the alliance. For example, an alliance whose goal is to establish standards in industry could be measured by reducing the number of competitive standards, accelerating the development of the market for the desired standards, growth and profitability of coalition members compared to companies outside the coalition, etc. measured by improvements in the relationship between supply and demand, the general increase in margins in the industry by strengthening the competitiveness of companies from that industry, etc. The alliance effects should be seen through the value of new opportunities they create compared to what partners could create independently. Revenues and cash flow are most often compared here, the increase of which indicates the alliance success, but there are other measures as well. A defensive alliance can bring about the preservation of the status quo but this is a good effect because without an alliance the situation would get even worse.

3.2. Managing the alliance during its development

For the successful long-term survival of the company, it is necessary to develop the company's own competencies simultaneously with the development of competencies through the alliance. It should always be borne in mind that a company is only worth as long as it maintains its competitiveness. Rather than complete reliance on a portfolio of strategic alliances to maintain or improve a company's competitiveness in the market, it is better to maintain some independence in some segments by developing the company's own competencies and skills, creating a partner-attractive force instead of the company's being constantly attracted to other partners because of its competencies.[38] A good example of dependence on the competencies of other partners is described in the alliances of American and Japanese companies. During its existence, most alliances experience certain critical moments. For example, critical moments for an alliance that wants to set standards are the adoption of standards. It is not necessary to remain in the alliance after it ceases to be beneficial to the company.

The duration of the alliance is a significant factor for the manager. Early expectations as to whether the alliance could last can contribute to useful planning. The planning can even predict the time when new negotiations on the alliance would begin. Alliance instability is a feature particularly pronounced in alliances based on new technologies. They are more likely to fall apart than stay together. To prevent this from happening, it is imperative that managers take immediate care of and respond to changes in the alliance and its environment. The main sources of alliance instability are emerging markets, new technologies, partners themselves and legislation.[39] Emerging markets are often overvalued, causing over-expectations and disappointments in alliances. Emerging markets are markets for important innovations, new industries, etc. Regulatory changes can also be a source of instability. They can completely prevent the formation of an alliance or make its goal completely unattainable.

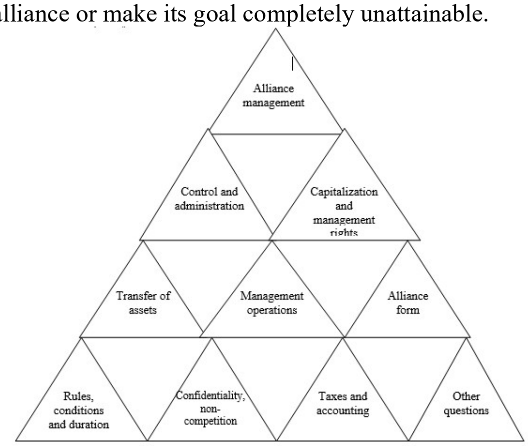

Figure 2. The alliance pyramid
Source: Tipurić, D., Markulin, G., Strateški savezi – Suradnjom poduzeća do konkurentske prednosti (*By cooperating companies to competitive advantage*), SinergijA, Zagreb, 2002., p.183.

4. COMPANY MERGER STATISTICS

Croatian companies are slower to engage in strategic integration trends. The results of the survey in Graph 1 show that more than a quarter of managers from the sample of reputable Croatian companies did not encounter the notion of a strategic alliance. Only 57.5% of them know about some strategic alliance in practice (32.5% do not know

[38] Vasudevan,A.: Successfully Managing Your Alliance Portfolio, Internet, www.amiltd.com, (24/10/09)
[39] Doz, Y. L., Hamel G.: Alliance Advantage, Harvard Business School Press, Boston, 1998; p. 127.

any), and 10% did not answer this question[40]. It is indicative that 73.8% of companies have no experience in strategic alliances, nor in strategic cooperative networking, while 23.8% of companies have such experience.

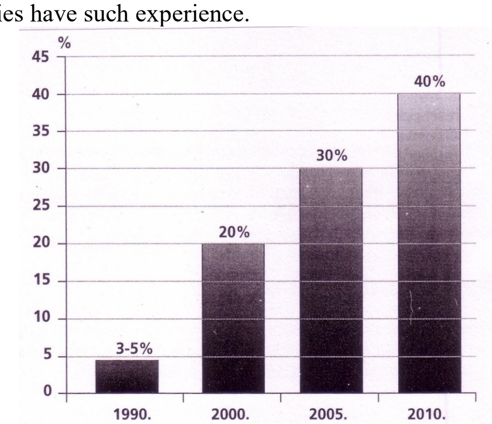

Figure 3. Total business through strategic alliances (share in revenues of global companies)
Source: EIU Global Executive Survey, Andersen Consulting, Warren Company (according to A. S. A. P. Alliance Workbook, Association of Strategic Alliance Professionals, Inc., The Warren Company, 2001., p. 3)

Experience in strategic integration is tied to rather profitable industrial potentials, at least in Croatia. Companies that have experience in strategic alliances mainly perform the activities whose profitability is higher than average, unlike companies that do not have such experience. The link between these two features is statistically significant, at the 2% probability level. The below-average profitability of activities in the Croatian economy is clearly not a stimulus for strategic integration.[41] Strategic alliances in business services include connecting companies in service and information support to business activities.[42] While the share of alliances in traditional areas (R&D) such as manufacturing and marketing has been declining since the early 1990s, the share of strategic alliances related to business services has been growing. Thus, for example, in 1990 the share of production strategic alliances was 21.2%, strategic marketing alliances 28.0%, research and development 14.1%, and strategic alliances in business services only 3.6% of the total strategic alliances globally.

Over the last ten years, the share structure of the alliance by key area of cooperation has changed. In 2000, the share of alliances in business services was as high as 37.6%, while the share of production alliances was 13.4%, strategic marketing 10.2%, and research and development alliances only 5, 8% of the number of all strategic alliances.

[40] Tipurić, D., Markulin, G.:"Strateški savezi: Suradnjom poduzeća do konkurentske prednosti" (*Strategic alliances: By cooperating companies to competitive advantage*), Sinergija, Zagreb 2000., p. 10.
[41] Ibidem, p.10.
[42] Ibidem, p.111.

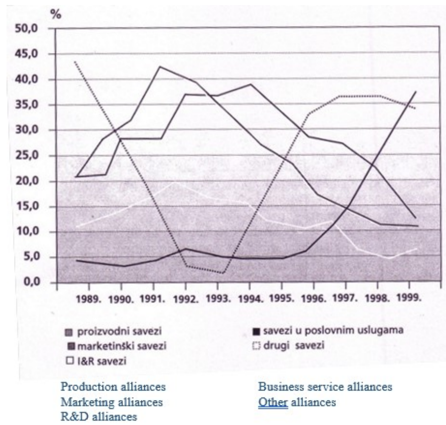

Figure 4. Strategic alliances
Source: Thomson Financial (2000), according to OECD: Science, Technology and Industry Scoreboard (2001.) – Toward a Know Ledge – based Economy, 2001, C.5.2.

A significant number of Croatian managers estimate that their companies, if they do not already use them, should use strategic alliances in their business, while only a small number of managers have the exclusive view that there is no need to use strategic alliances. Of this small number, approximately 2/3 opt for independent growth as a preferred version of the implementation of the development strategy. It is also interesting to consider the profitability of the activities in which companies operate depending on the preference of versions of the implementation of development strategies. The largest number of companies that prefer mergers and acquisitions over independent growth, operate in average profitable industries.

4.1. Global alliance in the air transport industry

In some industries, alliances are the rule rather than the exception. Such is the air transport industry. Since the early 1980s, the number of alliances in the industry has grown rapidly. Strategic alliances aim to provide the possibility of global travel to the passenger based on the transition from one partner's aircraft to another partner's aircraft. The passenger enjoys a simple flight, and such added value of the service should be reflected in better airline results. In the past, airline industries have largely expanded through organic growth (self-growth). But such a way of expanding was extremely slow and required high capital investment. A shorter time of expansion through acquisition and merger followed. But even this way of growing required considerable resources. Today, the way of doing business in the international air transport industry is marked by cooperation strategies of various airlines, former competitors in the market. Strategic alliances between partners have proven to be the most efficient ways to do business in the industry.

These deregulations and market globalizations have led to increasing competition, forcing airlines to create transnational alliance networks. Although joint transport to certain destinations has been the norm before, the strategic alliances being formed today are marked by a higher degree of integration between participants. This way of doing business successfully creates a competitive advantage for alliance members. The first strategic alliance established in the air transport industry was The European Quality Alliance[43]. It was formed by Air France, Scandinavian Airlines Systems Swissair in October 1989. The partners agreed to coordinate their cooperative flights in aircraft procurement and fleet maintenance. The joint procurement of aircraft and spare parts has brought them a significant increase in bargaining power towards suppliers.

4.2. An alliance between Corning and Siemens

Long before strategic alliances became a common way of doing business, Corning and Siemens formed a joint venture: in 1977, the Siecor Joint Venture was established.[44] Corning is a pioneer and one of the most active companies in strategic alliances in general. In addition, it is known for the exceptional success of its strategic alliances. Siemens is one of the world's leading companies in multiple high-tech industries; it is also a strategic partner of Corning in Siecor, one of Corning's most famous alliances. Siecor is a joint venture between Siemens and Corning to manufacture and sell optical cables. It is known for its success, good organisation and strong connection between partners. For years, this joint venture in optical cable technology has been an example of successful strategic collaboration in world literature.

The strategic alliance was created by co-specialization in the production of Corning and Siemens. Siemens has know-how in the cable industry, while Corning has brought its revolutionary fiber-optic invention to the alliance.

Corning has worked with Siemens AG in the past and is familiar with their technology expertise. At Corning, they believed that Siemens' knowledge in the field of cable connections could bring answers to their dilemmas. Interestingly, the idea of a strategic alliance came from one Corning scientist. Based on his research on optical fibers, this scientist saw the possibility and benefits of transmitting telephone signals in the form of light waves via optical fibers. Based on his idea, a key invention for optical fibers was created in Corning. But it quickly turned out that the fibers would have to be networked with cables because otherwise they would have no practical value for customers. In the late 1970s, Corning began looking for practical applications for its new optical fibers that could conduct signals. Then Siemens heard about Corming's invention and Siemens saw the possibility of a radical change in the telecommunications industry. Both companies, realizing the enormous potential of cooperation, launched an initiative to establish Siecor.

4.3. Alliance between Coca-Cola and Nestle

The Coca-Cola brand is the world's most valuable brand considering all the world's industries. The Coca-Cola Company is a global leader in the production of soft drinks. It employs almost 30,000 people. In terms of efficiency, Coca-Cola is by far the most successful food company in the world. Strategic alliances with other companies in the business are an important strategic direction of Coca-Cola[45].

---

[43] Ibidem, p. 22
[44] Ibidem, p.158
[45] Tipurić, D., Markulin, G., op.cit. p. 269.

Nestle is the world's largest food company. This Swiss company is a world leader in a range of products such as coffee, mineral water, culinary products, confectionery, etc. Nescafe is Nestle's most valuable brand.

In 1991, a strategic alliance of Coca-Cola and Nestle was founded. The collaboration was established through a joint venture, Coca-Cola and Nestle Refreshments. Both companies sought to increase their sales in the coffee and tea market through collaboration. Coca-Cola has an excellent distribution system, but its Coca-Cola brand is limited to the carbonated beverage segment. Therefore, Coca-Cola does not have a well-known brand to put on a product like coffee or tea. At the same time, Nestle has such brands at their disposal. Combining their strengths consisting of an efficient distribution system and technological expertise, the companies are jointly able to produce and market instant coffee, tea and chocolate-based beverages[46].

The joint venture has the opportunity to harness the power of well-known brands such as Nescafe and Nestea. For Nestle, the partnership with Coca-Cola is of great importance because of distribution. In Japan, for example, Coca-Cola had access to 800,000 vending machines selling coffee when it set up the joint venture, while Nestle, by contrast, could only access 100,000 of them. The Coca-Cola Nestle Refreshments joint venture has become a source of growth for both companies in this industry segment. Ready-made teas are a segment in which companies have started cooperation. CCNR has developed an entire line of iced teas under the Nestea brand. The Nestea iced teas are the second brand of products on the US market, behind the Lipton brand, a joint product of PepsiCo and Unilever. Every year, CCNR supplements its offer of iced teas with products such as Earl Grey tea, Cool tea, etc.

After the development in the tea segment, the idea of expanding the collaboration to instant coffee arose. The challenge for the companies was to apply the refreshment and practicality for which the companies are known, to a product like coffee. At the same time, PepsiCo is developing similar products with Unilever. The success of the collaboration led to its expansion. In early 2001, Coca-Cola and Nestle decided to expand their cooperation through a new company. The joint venture was renamed Beverage Partners Worldwide. The new company will function as an independent, entrepreneurial unit, dedicated to the development of Coca-Cola and Nestle in growing segments of the soft drinks industry, especially instant coffee and tea, herbal drinks and beverages positioned as beverages beneficial to human health.

The success of the cooperation started in 1991 is confirmed by the fact that the joint venture CCNR has expanded to as many as 24 countries and won a strong position in the segment of ready-made teas. CCNR will serve as a good foundation for the new company Beverage Partners Worldwide (BPW). The main goal of BPW is to expand into new growing segments of the industry. The owners see the advantages of the new company in flexibility and entrepreneurial spirit.

4.4. Merrill Lynch Strategic Alliances

Merrill Lynch is one of the world’s leading companies in financial management and consulting with offices in 44 countries and the its clients’ assets worth around USD 1.800 billion. The company is mainly engaged in investment banking. Merrill Lynch is

---

[46] Ibidem, p. 269.

the world's leading sponsor of debt and equity securities issuance and a leading strategic advisor to corporations, governments, institutions and individuals around the world. Through its Merrill Lynch Investment Managers division, the company is among the largest financial asset managers in the world. [47]

Merrill Lynch conducts a number of its activities through strategic alliances with partners. In doing so, it uses various types and forms of alliance depending on the specific business opportunity.

In 2000 (31 July), Merrill Lynch announced the creation of a strategic alliance with Level 8 Systems. The goal of the strategic alliance is to enable the delivery of e-Business integration solutions to 2,000 global companies. Merrill Lynch will transfer to its partner Level 8 exclusive marketing, sales and development rights to Cicero, a comprehensive integration desktop computing environment developed by Merrill Lynch and used by more than 30,000 Merrill Lynch professionals worldwide. Level 8 will market Cicero as part of its Geneva e-Business integration product line.

According to the strategic alliance agreement, Merrill Lynch will acquire a minority stake in Level 8 of one million stocks, which is approximately 7% of the total equity of Level 8. Merrill Lynch will also receive one seat on the Level 8 Supervisory Board for its representative.

Level 8 Systems is a leading global provider of high-performance eBusiness integration software that enables organisations to integrate new and existing information and processes with the Internet to create new business value. This alliance of Merrill Lynch and Level 8 is an example of a bilateral alliance. Given the degree of integration, this is an ownership alliance, as Merrill Lynch has taken over minority ownership in the partner. According to the key area of cooperation, it is a combination of a research and development and distribution alliance, because the partners together intend to develop new products, and at the same time there is cross-distribution.

Several weeks before signing a strategic alliance with Level 8, Merrill Lynch announced the creation of a partnership with IMG's Investment Advisors International. In this alliance, the partners have created a joint venture, whose task is to develop individualized financial and management services for athletes and other celebrities with high incomes. The joint venture was renamed McCormack Advisors International LLC.

4.5. Joint development of Pliva and Glaxo Wellcome macrolide antibiotics

The pharmaceutical industry is characterised by numerous strategic alliances. The companies are cooperating primarily in the field of research and development, which requires more and more investment in order to achieve commercially viable discoveries of new medicines.[48]

On 1 February 1999, Croatia's largest pharmaceutical company, Pliva, announced the signing of a Memorandum of Understanding to form a strategic alliance with Glaxo Wellcome (later GlaxoSmithCline). The cooperation in the alliance is related to the field of research and development, and is aimed at discovering a new generation of macrolide antibiotics, capable of overcoming the growing problem of antibiotic resistance.

[47] Ibidem, p.115.
[48] Tipurić, D., Markulin, G., op. cit. p. 321.

With a turnover of around USD 565 million in 2000, Pliva is the leading pharmaceutical company in Central and Eastern Europe in terms of total revenue. Pliva's strategic focus is the development and production of new chemical and biological entities, new generic drugs and further internationalisation of the company's activities. Pliva is listed on the London and Zagreb Stock Exchanges and is one of the main leaders in the entire Croatian industry.

Glaxo Wellcome merged with SmithKline in 2000 to create one of the world's leading pharmaceutical groups. In 2000, the newly formed GlaxoSmithKline Corporation had total revenue of approximately USD 27.5 billion and it bases its business on research and development of medicines and cosmetics. GlaxoSmithKline is dedicated to improving the quality of human life, enabling people to do more, feel better and live longer.

According to the signed memorandum of understanding between Pliva and Glaxo Wellcome, scientists from Zagreb, Verona and Stevenage will be involved in the three-year cooperation. The cooperation should bring mutual benefit to partners through the combination of Pliva's long-established macrolide research programme, which has already produced discoveries such as Azithromycin and Glaxo Wellcome's expertise in microbiology and combinatorial chemistry and drug development capability. Both companies have successful results in the field of anti-infectives.

Pliva's entry into such a partnership marks its progress in achieving the set strategy. It further focuses on advancing research and development. At the same time, Pliva recognised strategic alliances as a powerful weapon for accelerating its own strategy.

CONCLUSION

Strategic alliances are the future of those Croatian companies that will survive on the market. Such companies will have to be operationally efficient, innovative and flexible, with competitive and cooperative strategies that will enable them to have above-average profits in the long run. Knowledge will become the key to their competitive advantage, and the ability to learn organisationally is the most important prerequisite for their adaptation to a turbulent, rapidly changing and unpredictable environment.

Cooperation with other companies must be an important component of their strategies. In strategic alliances, the best Croatian companies need to acquire new knowledge, information, technologies, and skills, and build strong leverage by conquering new markets. High productivity will not only be the result of our own efforts but also the quality of creating successful strategic networks. Nowadays, a company can only be competitive if it develops strong strategic ties with competitors, suppliers, customers, distributors and other companies. Networking is not a trend but a necessity: "You have to work together to survive."

There is no need to be afraid that the Croatian company will be a smaller partner in an alliance with large international corporations. What is important is that all partners benefit from the partnership. After all, practice shows that the biggest partners do not have to have the greatest influence in the alliance and receive the greatest benefits. Cooperation should be in the interest of all parties: "The best are those strategic alliances in which all members strengthen their competitiveness."

Strategic alliances need to be developed wisely. Before joining an alliance, companies must be aware of the need for preparatory work in their own organisation.

They need to know how to choose a partner and area of cooperation, design the form of the alliance and agree on how it works, as well as adapt the existing organisation to the cooperative arrangements that strategic networking brings.

Linking key aspects of alliance management is also unavoidable. Managers must know the management mechanisms and techniques by which they can improve the work of their alliances and take advantage of potential advantages and overcome potential disadvantages. But it is difficult to expect our managers to have experience in managing strategic alliances. Experience brings significant benefits in alliance management, but our companies are not the only ones without experience. It is necessary to study well the world experience, especially in industries that are the same or close to the core activities of the company.

In strategic alliances with international companies, it is important to reconcile cultural differences in business. Croatian companies are special in many ways, which foreign partners should respect. Equally, if we expect our cultural specificities to be respected, we must accept the cultural specificities of our partners as well.

The future of the Croatian economy is related to the existence of a reasonable number of quality companies that successfully compete with market rivals in both domestic and regional markets, and constantly increase their own productivity. Their strategies cannot be shaped without considering cooperative arrangements: building effective strategic alliances in which they will strengthen their competitiveness and the level of internationalization of their business. Such companies are beneficial to the entire economy and are important drivers of economic development. They are the builders of a vision of a successful, rich and satisfied Croatia.

REFERENCES

Clarke - Hill, C.M., T.M. Robinson, and I.J. Bailey, *Skills and competence transfers in European retail alliances: Comparison between alliances and joint ventures,* European Business Review, Vol.98, No. 6, 1998

Doz, Y.L., and G. Hamel, *Alliance advantage,* Boston: Harvard Business School Press, 1998

Horton, V. *An exploration of strategic collaboration in the Triad,* European Business Review, Vol. 98, No.1, 1999

Lassere, P. *Global Strategic Management.* New York: Palgrave Macmillan, 2003.

Martin, Petty, and Scott Keown, *Basic Financial Management,* New Jersey: Prentice - Hall, Inc. Englewood Cliffs, 1979

S., Orsag, and D. Gulin, *Poslovne kombinacije (Business Combinations),* Zagreb, 1996

Sirower, M.L. *The sinergy trap: How companies lose the acquisition game.* New York: Free Press, 1997

Tipurić, D., and G. Markulin, *Strateški savezi: Suradnjom poduzeća do konkurentske prednosti (Strategic alliances: By cooperating companies to competitive advantage),* Zagreb: Sinergija, 2000

Vasudevan, A. *Successfully Managing Your Alliance Portfolio.* 24/10/2009

Whipple, J.S., and J.J. Gentry. *A network comparison of alliance motives and achievements,* Journal of Business and Industrial Marketing, Vol.15; No. 5, 2000