

Mergers and Acquisitions and CEO's Mind Mapping

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Abstract: *The purpose of this research is to take a peep into the mind of CEO's with respect to mergers and acquisitions. Mergers happen frequently. Why do these mergers occur? Some CEO's undertake mergers their rational counterparts would not. Merger consequences are dwelled upon much more than the merger motives in the first place. These motives are often less investigated. Although there exist enormous influence of the individual managers involved with M&A process, remarkably little literature exists to study the actions of those managers and CEO's.*

Keywords: mind mapping, mergers, acquisitions, left brain, right brain.

1. Introduction

The seminal work by Sperry (1960) explained that human beings are of two minds, left and right and that the two sides can operate practically independently. A person who is "left-brained" is often said to be more logical, analytical, and objective, while a person who is "right-brained" is said to be more intuitive, thoughtful, creative and subjective. In the present study we try to apply theory presented by Sperry (1960) to understand what goes behind a CEO's mind before going for significant corporate events like Mergers and Acquisitions (M&A).

Let us look into the widely claimed traditional purposes of mergers. Like everywhere, in the corporate world too, bigger and more is often better. Same is the case with mergers and acquisitions. Some mergers are so successful, in fact, that we can't remember a time when the two companies were apart. We could never imagine what Disney would be without Pixar, or J.P. Morgan without Chase? However this is not the case with all mergers. Many mergers fall flat on their faces and fail. The newly created company goes bankrupt, executives are fired, and in some cases, the merged companies go through a sort of corporate divorce.

For whatever the reason, there doesn't seem to be a magic trick to perfect corporate mergers. Mergers are inherently risky, and without the proper strategy, intuition, and knowledge, mergers, can well get ugly. Although companies acquire and merge with others for a variety of reasons, the main reason such mergers and acquisitions take place is said to be the purchasing company seeking improved financial performance. Some of following economic attributes are: Increased revenue and/or market share, Economy of scale, Cross-selling, Geographical, product, or other diversification,

Synergy, Absorption of similar businesses under single management, Tax Consequences.

Though these are stated as the most common reasons for any business combination, these are rather secondary reasons. This study attempts to uncover the psychological motivations of the CEO's when they make acquisition decisions. The CEO is selected as the focus of this study because it is usually he who selects the target company and gives the final approval for merger and acquisition. We will analyze two Indian CEO's who have created success waves in Indian business and Worldwide. We will have a look at the acquisitions undertaken by them and their personal characteristics and brain mapping driving such acquisitions.

RATAN TATA

JRDs choice in the 1980s of Ratan over the then seasoned Tata Steel boss Russi Mody to succeed him caused Mr. Mody's mother to rush to Bombay House to demand that her son should not be overlooked.

At that time, there were many claimants that included Nani Palkhiwala the boss of ACC. They felt that Ratan was not equal to the task while they had achieved feats in their own field. But JRD was firm as he saw shades of himself in Ratan — honesty, humility and simplicity. These were more important than success. So in 1991 when he retired as chairman, Ratan was officially anointed as his successor.

Ratan always had a vision for the group, going back to 1983 which was called the Tata Plan, and for that he needed to carry his team. Internal sources say that he admired the aggressiveness of the Ambanis and the Mittals and he would try and enthrone the heads of the group. And this spurred the group on a merger and acquisition spree abroad that included British household names like Tetley and steel major Corus and

the iconic brands Jaguar and Land Rover (JLR). The M&A achievements are so outstanding that almost 60 per cent of the groups revenue comes from outside India.

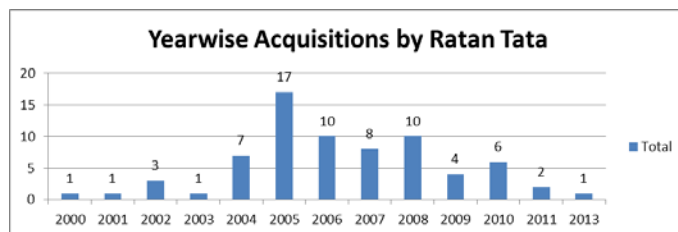
Ratan Tata knew from the beginning that the group will need Global technologies to stay competitive in a post liberalized India. The Tata group has embraced globalization through a number of overseas acquisitions. The pace of foreign acquisitions has grown dramatically: in 1995-2003 Tata companies made, on average, one purchase a year; in 2004 they made seven; and in 2005-06 more than 20. Tata Tea's takeover of Tetley Group, a British company, for \$450m in 2000 was the first of several bold buys of well-known brands that announced the group's arrival in the global big league. In 2007 Tata Steel bought Corus, Europe's second-largest steelmaker, for \$12.1 billion. A year later Tata Motors paid \$2.3 billion for Jaguar Land Rover (JLR). Tata Chemicals bought British Salt; a UK based white salt producing company for about US \$ 13 billion.

How did Tata industries grow from a slow moving Giant till 1991, to the fastest monolith of our times? This was only possible with the intuition and foresight of Ratan Tata. Intuition and foresight is a very dominant characteristic of Right Brained CEO's. Intuition is the ability to understand immediately without conscious reasoning and is more often a 'gut feeling'. Ratan Tata once Said "I don't believe in taking right Decisions. I take decisions and then make them right ". His Decisions were more driven by his intuitive thinking.

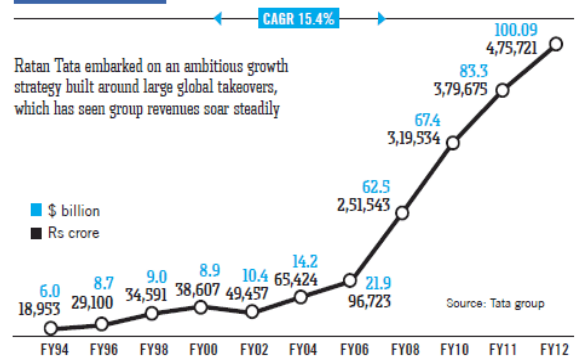
At a time when Indian Companies undertook mergers of companies smaller than them in Size and value, Ratan went out to acquired Jaguar Land Rover and Corus. In 2007 Tata Steel bought Corus, Europe's second-largest steelmaker, for \$12.1 billion. A year later Tata Motors paid \$2.3 billion for Jaguar Land Rover (JLR). These were bigger than Tata motors and Tata Steel at that time. These were the two biggest acquisitions in Indian Inc. History. Ratan Tata always thought big and looked at the bigger picture. He was always able to see a large picture painted in front of him.

As compared to two decades back, the TATA group is much bigger now. The Tata group has embraced globalization through a number of overseas acquisitions. The pace of foreign acquisitions has grown dramatically during Ratan Tata's tenure. That was all possible due to the holistic approach of Ratan Tata to all the acquisitions. It's not just about buying a company or its balance sheet and financials, but acquiring and maintaining those soft bits that make the business a desirable buy i.e. its people, ethos and cultural sensitivity, the sentiments of people in such global acquisitions. These are soft traits of a Right brain thinking.

Ratan Tata took over the reins at an age of 55. In his career of 20 year, he expanded inorganically in various sectors with one or more acquisitions every year. These were spread over various countries and many in India itself. The drive for acquisitions did not decrease with his age, in fact the major acquisitions of Tata group were in the latter part of his career.

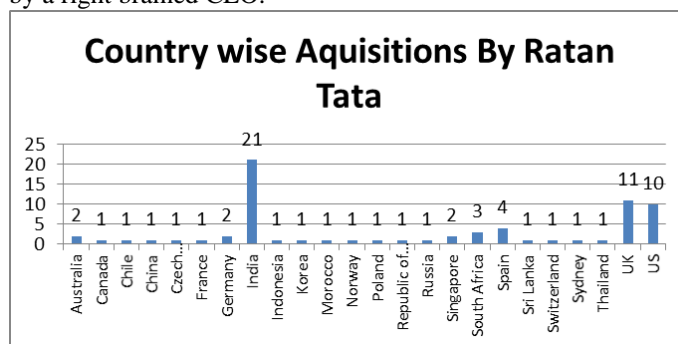


THE SPIKE



The Tata Success is a story of successful turnaround, culture change and growth brought about by this large number of acquisitions. One thing Ratan Tata surely is he certainly taught the elephant to dance. The growth of Tata Industries after his takeover has soared. By the time he retired, Ratan Tata had sold off 16 businesses and entered into 32 new businesses. These acquisitions, selloff and new business foray can only be the thinking of an extremely creative mind and that's what Ratan Tata was. Ratan Tata is a Right brain thinker.

Ratan Tata, a right brained CEO has handed the reins to Cyrus Mistry. It is clear that he taught this elephant to dance. But will Cyrus Mistry teach these elephant new tricks? Cyrus is pursuing alliance with foreign air carriers in the aviation Sector. Is this the effect of a Company being groomed by a right brained CEO.



SUNIL BHARTI MITTAL

Unlike Ratan Tata, Sunil Bharti Mittal is a first generation entrepreneur, founder, Chairman and Managing Director of Bharti Group and can be labeled as the most ambitious telecom entrepreneur in India. Sunil a former student of Harvard Business School, graduated from Punjab University. The son of a parliamentarian, Sunil did not want to follow his father's footsteps.

He is a pioneer, a dreamer, an achiever. Always on the move and making an impact and excelling in whatever he did, this clear thinking risk taker has changed the face of the Indian ICT space. Ability to take decisions amidst uncertainties is at the root of new leadership paradigm. Sunil Mittal is first to enter many sectors of the business, which involves the risk of uncertainties. Here it is his vision of the entrepreneur that makes him successful.

In 1982, He had a full-fledged business selling portable generators imported from Japan. This gave him a chance to be involved in activities like marketing and advertising. Things were smoothly until the government banned the import of generators as two other Indian companies were awarded licenses to manufacture generators locally. Then he made it a point that whenever the opportunity knocks on the door next time, he will be ready for it. The turning point came in 1992 when the government was awarding licenses for mobile phone services for the first time. I took that up immediately.

"I don't think so that there is anybody in India who can buy us...," Mittal told PTI here when asked whether his company would be the biggest buyer or the biggest seller.

CEO personal characteristics play an important role in encouraging companies for mergers and acquisitions. His personality and thinking is likely to determine the likelihood of the company completing the merger. A CEO's beliefs that bigger is better related to higher levels of M&A's. This is exactly what Sunil Mittal thought.

Being a first generation entrepreneur, he was the first Indian entrepreneurs to identify the mobile telecom business as a major growth area. Today he is a name to be reckoned. He identified opportunities where there was no certainty. These are the typical characteristics of a right brained executive.

Sunil Mittal is a right brain thinker who is not afraid to think different and was able see the holistic picture of their industries by stealing away the business from large corporations and figured a way to move the company into the future. His right brain holistic picture allowed him to correctly visualize the future and point the company in the right direction. He has acquired companies both within India and outside. In May 2008, it emerged that Sunil Bharti Mittal was exploring the possibility of buying the MTN Group, a South Africa-based group.

Conclusion

Today many organizations are mostly are managed by left brain executives. This happens for two reasons: these corporations were either started by left brain types or the power has been transferred to them by a left brain founder. The world today has changed. There is a need for creativity and Innovation in organizations. For this we require right brain thinkers who are not afraid to think different and are able see the future. There are many examples of left brain companies (Dell, HP, Yahoo, AOL, Best Buy, and more).

The larger question here is – what do owners of all these left brain companies do about it? Is there absolutely no way anything will change for such companies? Will Right Brain

management be a new thing of the future?

This is not very critical for B2B companies which are typically driven by Pricing and professional relationships. B2C Companies on the other hand deal with millions of consumers and that's where left brain Executives struggle the most. They don't seem to understand how the consumers mind operates. Consumerism in India has great Potential of Growing as the Middle class is growing at an increasing rate. Hence India Inc. requires a lot of left brain thinkers.

The Growth in India for the last few years was around 6% GDP. In the same period Tata Industries and Bharti Enterprises have grown exponentially as compared to other Indian Corporations. This was possible due to these two right brained men at its helm. Is right brain thinkers the need of the hour for Indian Corporations?

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