

Merger and Acquisitions: Rationale and Objectives

	Strategic objectives
Consolidation	Acquirer – part of industry with excess capacity – eliminates capacity, gains market share, and creates a more efficient operation
Geographic expansion	Successful company expanding geographically – operating units remain local
Extend product portfolio	Acquisitions extend a company's product line or its channel coverage
Add intellectual capital	Acquisitions are used in lieu of in-house R&D to build a market position quickly
Industry convergence	Company bets on new industry emerging and establishes a position by culling resources from existing industries w/ eroding boundaries
Achieve critical mass	A company increases its size significantly to achieve minimal competitive size or to reduce the risk of "blockbuster" failure

Merger rationale adapted from "Not All M&As Are Alike – and That Matters," Joseph L. Bower, *Harvard Business Review*, March 2001.