MERGERS AND ACQUISITIONS FOR INTERNATIONAL COMPETITION

(A Case Study of Whirlpool Corporation in India)

Shyam Sethi

(Consultant, Technical Services, New Delhi)

Prof. Sushil

(Dept. of Management Studies, Indian Institute of Technology, New Delhi)

Abstract

Though the early years of the new millennium have brought the advances in technologies, we are living in a chaotic and ever changing world. We are at the dawn of a new industrial revolution and are leaving behind a world in which scale, efficiency and replication were everything. We want to move into a New World where imagination, experimentation and ability are essential catalysts for wealth creation, We will have to start building our own internal markets for ideas, capital and talent by adapting innovative ways and developing new business paradigms and strategies to succeed in this era of globalization. Strategy in today's world is increasingly dynamic. Rapid strategic change is necessary for most companies in these days of globalization, hyper competition, and accelerated technological changes. Strategic success depends on how effectively an organization adapts to these changes in a turbulent market. There are multiple reasons, motives, economic forces and institutional facts that can, taken together or in isolation, influence corporate decision to engage in a management strategy. Over the last few years, the pressures emanating from international competition, financial innovation, economic growth and technological changes have all contributed to the increased pace of globalization.

The home appliance industry is, in a way, representative of this dynamic phenomenon. This industry has undergone drastic changes in the last two decades in **International Business** in the new global environment. There has been enormous consolidation by M&A to achieve economies of scale, product synergies and strong brand presence. Leading appliance manufacturers in the west realized that volumes and profits were only sustainable in growing market. The emerging market of Asia presented ideal opportunities. All the major players entered the Asian market in the 90s. The paper discusses the various aspects of strategies in the emerging home appliance industry Whirlpool Corporation USA entered the Indian Market by acquiring Kelvinator of India and TVS. This case study will discuss the factors and strategic changes leading to the implementation of "India Integration Program". Despite the slow down in Economy, by streamlining the decision making process & adapting appropriate technologies in changed Business environment, the company has now gone into a profit-making mode after several years of losses. It has new taken up a leadership role in the appliance industry in India.

INTRODUCTION

Strategy in today's world is increasingly dynamic. Rapid strategic change is necessary for most companies in these days of globalisation, hyper competition, and accelerated technological changes. Strategic success depends on how effectively an organisation adapts to these changes in a turbulent market. There are multiple reasons, motives, economic forces and institutional facts that can, taken together or management strategy. Over the last few years, the pressures emanating from international competition, financial innovation, economic growth and technological changes have all contributed to the increased pace of globalization and new strategies Accomplishing change through Mergers and Acquisitions has been an important market entry as well as expansion strategy in recent times for **International competition**. The Merger and Acquisitions have become strategic tools for revenue and profit growth and have recently intensified due to changing global environment. M & As occur due to the following reasons: -

Over capacity through consolidation in manufacturing

These are mostly older capital-intensive sectors like automotive, steel and petrochemical. The acquirers close the less competitive factories, eliminate less effective managers and rationalize administrative processes. Thus the acquiring company has greater market share and more efficient operations and the industry as a whole has less excess capacity.

This type of M & A however, is faced with problems and differences associated with country, culture and ethnicity. The megamerger of Daimler and Chrysler in automotive industry and Electrolux and Zanussi, the white goods giants, faced serious problems.

Roll up competitors in geographically fragmented industries

The companies with successful strategies expand geographically by rolling up other companies in adjacent territories. The operating unit remains local, but acquiring company brings in advanced technology and finances. Both 'over-capacity acquisition' and 'Geographic rollups' consolidate business. However, the strategic rationale of both differs. Roll ups are designed to achieve economies of scale and are associated with the building of Industry giants, over capacity acquisitions are aimed at reducing capacity and duplication. The giants must be trimmed down to fit shrinking world markets.

The Geographic rollup is concentrated mostly to banking firms. However Electrolux, acquired several small appliances firms in Scandinavian and other neighboring countries in 80's.

Extension into new products and markets to attain greater market share

M & A deal are created to extend a company's product line or international reach. The acquiring company needs to study thoroughly the foreign market and its culture for success. GE acquired Nuovo Pignone, the Italian Engine producer from ENI in 1992 and ran it successfully. Whirlpool Corporation acquired Phillips in Italy for extension into new products & markets as a step towards Globalization & to attain greater market share.

A substitute for R & D

The high tech I. T. and biotech companies use acquisition instead of R & D to build market position quickly in response to shortening product life cycles. Cisco & Microsoft follow this policy. Cisco acquired 62 companies since 1996 as it races to dominate the Internet & communication market. The acquisition process has to be accomplished effectively and quickly and the talent in both the companies needs tactful integration.

The other business reasons motivating organizations to pursue M&As are generally very enticing from a financial perspective. They include: -

- Diversification, acquiring additional brands or competitive products
- Creating new synergies
- Realising improved infrastructure (Technology, Business Processes and Knowledge Capital)
- Eliminating costs and realising Economies of scale
- Globalisation

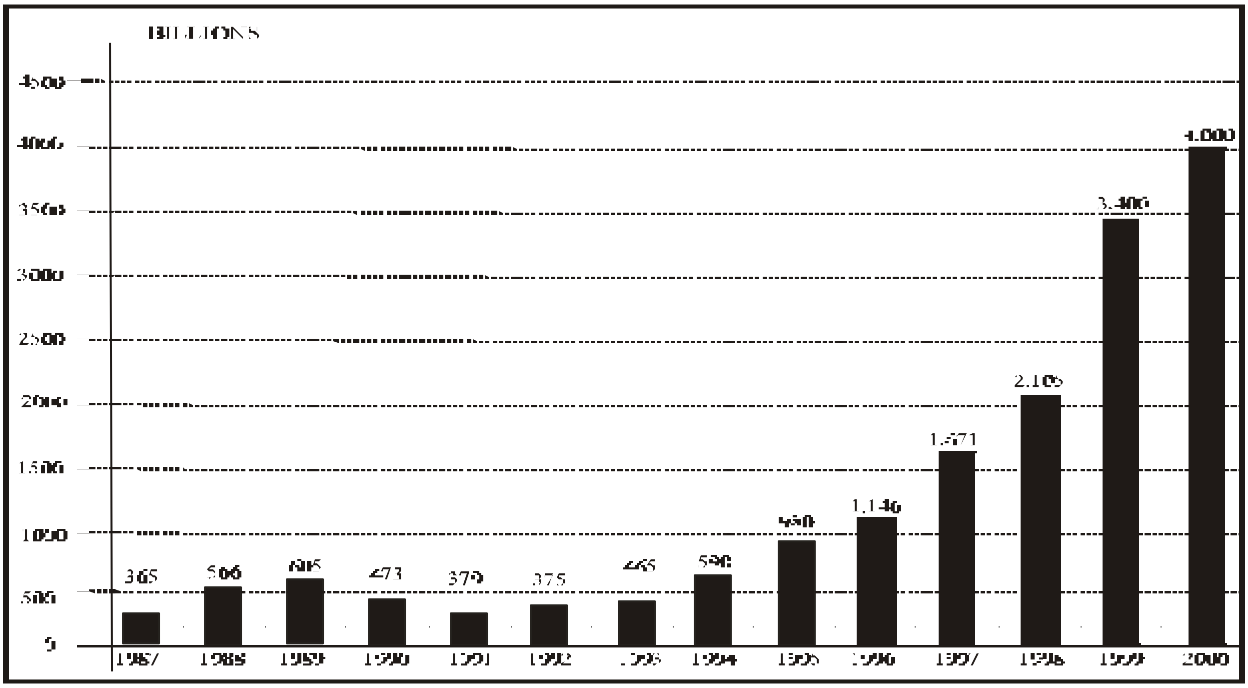
International trends in Mergers & Acquisitions

There are multiple reasons, motives, economic forces & institutional facts that can, taken together or in isolation, influence corporate decisions to engage in Mergers & Acquisition. Over the last few years, the pressures emanating from international competition, financial innovation, economic growth & expansion, heightened political and economic integration and technological changes have all contributed to the increased pace of Mergers & Acquisitions (Khemani 1991).

Table 1 indicates the major International M & A deals.

The dollar values of Mergers and Acquisitions have risen manifold over the last twenty years. During 1987 deals worth $ 365 billion were announced worldwide. In 2000, $4.00 trillion worth of deals were done (Fig.1) Worldwide. The strategic motivations for the M & A's seem to vary between consolidation, growth, diversification and cost reduction, even a simple strategic objective such as to acquire a major brand.

Fig 1: Major international M & deals



Source: Thomson Financial Securities Data

Table 1: Major International M&As Deals

Sl. No.	Companies in M & As	Value (in billion $)
1.	Vodafon Air Touch and Mannesmann	180
2.	America Online and Time Warmer	160
3.	MCI World Com and Sprint	104
4.	Pfizer and Warner-Lambert	93
5.	Exxon and Mobil	81
6.	SBC Communications and Ameritech	72
7.	Bell Atlantic and GTE	70
8.	Vodafon Group and Air Touch comm.	69
9.	Totalfina and Aquitoine	66
10.	Glaxo Wellcome and SmithKline Beecham	65

Vodafone Airtouch Ple's acquisition of Mannesmann for $180 billion is the world's biggest takeover till date. Vodafone was already the world's largest mobile phone company, and with the acquisition added 18.5 million customers to create a 54 million-customer empire across 25 countries and 5 continents. Two British pharma giants viz. Wellcome Plc, and SmithKline Beecham Plc. merged to form the largest pharmaceutical company in the world. This was followed by the acquisition of Warner-Lambert by Pfizer for U$93 billion, making Pfizer the largest Pharma Company in US and the second largest in the World.

British Oil giant BP Amocos acquisition of Burmah Castrol for $4.7 billion in cash was a strategic move to plug in a gap in its product portfolio. BP Amoco needed a world-recognized brand to push in higher sales and improve margins. With this acquisition, BP Amoco will return to a leading position with an established brand like Castrol in its fold.

In the software industry, i2 technologies and Aspect Development merged in a $9.3 billion deal. The merger was focused on consolidation and growth. The most expensive acquisition in the IT sector came when Verisign, the leader in Internet security services acquired Network Solutions, the company that till recently had a US government granted monopoly to register web names and addresses, for $17 billion.

The biggest and controversial mergers in the recent history has been merger of Hewlett Packard with Compaq, Carly Fiorina, CEO of HP is fully confident that a merged company would be well positioned for leadership in a consolidating industry to meet the International competition

Indian trends in Mergers and Acquisitions

The M&A trends in Indian industries have been focused mainly on economies of scale and diversifying into new areas. However the M & A situation in India is slowly maturing, with many ‘all-stock’ deals rather than ‘all-cash’ deals. These are very much in line with the international trends. Following are some of the Mergers and Acquisitions that have taken place in the Indian landscape.

Hindustan Lever Limited (HLL) has acquired a 74% stake in Modern Foods, which was owned by the government. The deal was valued at Rs. 105 Crores. Acquiring Modern Foods also helped HLL to sharpen its distribution system and to reach more number of customers.

Tata Tea’s acquisition of Tetley was a major global acquisition by an Indian company. This move brought Tatas to explore newer markets like the North American, European and the Australian markets. This acquisition has boosted Tata tea’s presence in the critical UK market, which is the world’s largest market for tea bags.

Hindalco acquired a majority stake in Alcan by taking up 54.6% of the equity valued at Rs. 738 Crores. This was an ‘all-cash’ deal and one of the largest all cash acquisitions in India. The major drivers were global presence and economies of scale. Also there are several synergistic effects between Hindalco and Indal (where Alcan was a majority holder). Hindalco had a shortage of alumina whereas Indal had a surplus. Also Indal had large capacities of finished, value-added products such as foils, extrusions and rolled metal. This provided Hindalco with a cushion when prices turned volatile. The recent merger of Reliance Petroleum with Reliance has been the biggest merger in Indian history This will bring Reliance as the first private company to be in the list of fortune 500 companies and will be well poised for International competition

In the banking sector, ICICI bank and Bank of Madura merged. ICICI Bank shall emerge as a giant in private sector banking industry. In the process of this merger, the shareholders of both ICICI Bank and Bank of Madura stand to gain. This merger has rightly proved the theory of Wealth Creation by the stock market.

There were many other M&A like Compaq’s acquisition of Digital Equipment and Nortel’s acquisition of Bay Networks etc. The M & A landscape in India are slowly taking off, and one can hope to find a hectic activity over the next decade.

M & A IMPLEMENTATION / PROCESSES

Critical Factors for M & A Success

Mergers & Acquisitions can contribute to growth by broadening product lines, increasing market share, strengthening financial position, stabilizing a cyclic or seasonal business and providing key executive or technical talent. Every business acquisition program has a number of critical factors that will determine its success.

A successful acquisition program includes the following

- Preplan objectives, motivations & criteria
- Adapt and refine objectives, motivations and criteria based upon experience in M&A Market place as well as changes in internal and external business conditions.
- Build a team with the expertise needed to identify, evaluate, structure, and perform due-diligence and close deals.
- Structure price terms that work for the seller while creating value for the company and to shareholders or owners.
- Negotiate from strength to maximize gain and minimize risks.
- Perform thorough due diligence that reviews an acquisition candidate’s traits, strengths, weaknesses, opportunities, threats and risks.
- Obtain necessary approvals from Government and other agencies.
- Obtain the necessary funding to close the transaction at terms that make economic sense.
- Develop an Integration plan with experts in key functions for implementation.

Despite the number and size of headline - making deals in recent years, the success rate of Mergers & Acquisitions is not very high. The primary causes of failure are: -

- Poor or slow post-merger integration
- Poor technological fit
- Acquirer with a weak core business
- Overly optimistic appraisal of synergies.
- Over estimation of market potential
- Inadequate due diligence
- Incompatible corporate cultures.

Decision to merge assumes that synergy will develop between the two organisations that combine resources and talent and achieve economies of scale and integrated technologies. More often than not, synergy never occurs and marriage remains unconsummated years after the merger. For a true merger, cultural change must be achieved. To change the culture, the old culture must be clearly specified, the new one consciously defined to support the new vision, and new culture must be instituted bone-deep and rock solid. The culture embodies the organizations’ values and philosophy as manifest in actions and operations. This is done by communication process - face to face meetings, walk the talk and problem solving.

The above was the basis of integration process followed by Whirlpool.

In the process of globalisation, for strategy implementation, the important issues to be considered include the entry strategy, operational flexibility, technology drivers for global strategy and the influence of global strategy on competitive advantage.
The choice of entry strategy can vary from a technical collaboration to a subsidiary. Appliance manufacturers have been adopting different entry strategies in a variety of countries and markets, depending upon environmental conditions, competition and the nature of the regulatory environment. A Company can also use more than one entry strategy into the same market. Electrolux AB exports large refrigerators to India from Sweden and Italy; has a joint venture with Maharaja International to manufacture refrigerators; acquired washing machine manufacturer Intron Limited; had an M&A with Voltas; and in 1999, set up a wholly-owned subsidiary, Electrolux India Ltd. Its goal in trying a flexible and multi-level approach is to become the number one in India's appliance industry by the year 2005.

The paper discusses the various aspects of M&A strategies in the emerging home appliance industry. Whirlpool Corporation USA entered the Indian Market by acquiring Kelvinator of India and TVS. Here, we speak about the efficient utilization of resources and manpower, effective development of manufacturing facilities, and restructuring of marketing and communications program under an integrated brand umbrella. This case study will discuss the factors leading to the Merger, the implementation of "India Integration program", and subsequently, the consequences of the marriage. Despite the slow down in Economy, by streamlining the decision making process & adapting appropriate technologies in changed Business environment, the company has now gone into a profit-making mode after several years of losses and has taken up a leadership role in the appliance industry in India. The success of India integration plan lead to the evolution of a model that was used in other countries such as China.

HOME APPLIANCE INDUSTRY

The core products in major home appliances are refrigerators and freezers, dishwashers, cloth washers, dryers, ranges and Microwave Ovens. Each product has large variety in different countries depending upon national culture and habits. Thus compared to US Refrigerator buyers, Germans prefer more space for meat, Italian special compartment for vegetable and Indians families with a mix of vegetarians & non-vegetarians require internal sealing systems to stop food smell from mingling. Even for the same platform size, Whirlpool had to design larger freezer compartment for China as compared to India.

The home appliance industry has played a major role in the growth of the economy in the West in the last two decades. Major players like GE, Electrolux, Whirlpool, Phillips and Zanussi made large investments for setting up modern, large-capacity manufacturing plants in the United States and Europe, to take advantage of economies of scale. Japan and Korea were the other countries that made rapid strides in this field. In 2000, approximately 230 million units of appliances were sold worldwide, generating more than $ 50 billion in revenues for the manufacturers. The worldwide and region-wise sales of major home appliances, with product-specific break-ups, are given in Table 2 to 4

Table 2: World Sales of Major Home Appliances by Product (Millions of Units)

Item	1987	1992	1996	2001	2006
Refrigerators & Freezers	54.2	59.2	70.6	77.8	86.8
Ranges & Ovens	37.0	41.5	48.6	51.1	57.9
Microwave Ovens	24.5	22.8	32.3	39.2	52.7
Dishwashers	8.5	10.5	12.9	16.0	19.2
Clothes Washers	28.3	33.9	43.9	55.6	64.0
Clothes Dryers	9.0	10.0	11.6	13.5	15.8
Total Wold Appliance Demand	161.5	177.8	219.9	253.1	296.4

Source: Freedonia Market Research

Table 3: U.S. Market Share Data for Major Appliances

Company	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**
Whirlpool	32.8%	33.8%	33.6%	34.0%	33.9%	35.1%	35.9%	33.8%
GE	27.0	28.2	27.7	27.8	27.8	27.6	30.4	30.1
Maytag	14.6%	14.2	14.6	14.8	14.4	15.2	14.8	14.9
Electrolux	17.2	15.9	16.9	16.6	16.9	13.9	11.0	11.7
Amana	5.8%	5.6	5.5	5.7	5.6	6.5	6.4	5.9

Source: Appliance magazine

Table 4: West European Market Share Data for Major Appliances

Company	**1993**	**1994**	**1995**	**1996**	**1997**
Electrolux	19.3	23.9%	22.9%	22.3%	
BSHG	14.8	16	15.1	15.9	16%
Whirlpool	10	10.7	10.3	10.5	9%
G.D.A.	3.4	3	4.3	7	9%
Merloni	4.6	3.5	4.6	6	6%
Miele	6.8	6.2	6.6	6	6%
Others	40.9	36.8	36.2	23	34%

Source: Appliance magazine

The global appliance industry has undergone drastic changes in recent times. There was enormous consolidation to achieve economies of scale, product synergies and strong brand presence. But having achieved a desired reduction in cost, companies needed bigger markets to sell the products. In the US and most of Europe, the home appliance market was saturated because of penetration rates that went as high as 99.5%. Declining rates of population growth in these countries also meant that the scope of future growth was limited.

There were also major advancements in technology, which made the industry a tough and highly competitive one in the West. So the appliance-manufacturing majors needed a spurt in international business to offset the effects of recession in one country. Thus the need to establish global foot holds for their products became imperative which they achieved by joint ventures, strategic alliances or Mergers and Acquisitions.

Leading appliance manufacturers in the West realised that volumes and profits were only sustainable in a growing market. Developing countries with high population growth rates and rapidly expanding incomes became their targets. The emerging markets of Asia presented ideal opportunities: 80 million consumers are projected to be added here between 1994 and 2004, against a paltry 10 million in Europe. With a projected CAGR of 10% in the next five years in Asia, the demand potential is immense from an existing 56 million units in 1995 to over 120 million by 2005.

As of early 1990, Electrolux of Sweden and Whirlpool of USA, the two largest competitors in the major home appliance industry worldwide, consolidated the number of product platforms as part of their strategy to globalise their industry. General Electric, the third largest Competitor, limited it's commitment to globalisation. Maytag dismantled its international operations and pulled back to its domestic markets. Germany based Bosch-Siemen moved to globalise on a smaller scale. Merloni of Italy emphasised sale to Russia.

All the major western players entered emerging Chinese and Indian markets in 90's, mostly through joint ventures. Whirlpool invested U$ 200 million in China to what were originally four Joint Ventures. It invested U$ 200 in India for two acquisitions and set up a global no frost refrigerator factory at a cost of U$ 100 million.

Electrolux setup a large compressor-manufacturing factory in China & acquired four refrigerator and washer units in India and aims to become the No 1 appliance manufacturing company. Maytag invested U$ 70 million in China, the only operations outside North America. GE, in contrast, formed JV's under which products from local manufacturers would be marketed under the GE brand. In India it had a JV with 40% equity. However in China, local competitors like Haier who followed low-cost strategies, have emerged and are mounting serious challenges to foreign competitors. This has even lead Whirlpool to sell two of its four original joint ventures in China. In India, however, Whirlpool and Electrolux are deeply entrenched and have over 55% of the market share. Presently China is the largest producer of Refrigerators in the World with a production of 11.99 million units in 1999 against 9.1 million of USA and 6.6 million of Italy.

Latin America's appliance industry had a setback due to economic problems. Whirlpool paid U$ 200 million to have majority stake in Latin America's largest appliance manufacturer, Multibras of Brazil. Electrolux bought majority stake in Refripar, the second largest manufacturer Bosch-Siemens and GE had also entered the Brazilian market - but are uncertain about economic scenario.

There has been major consolidation of home appliances since 1970's through 1990's by Acquisitions and Mergers in the Industry. The two clear industry leader worldwide are Electrolux and Whirlpool. The two other large US-based competitors are GE and Maytag. The two relatively large European Competitors are Bosch-Siemens and Merloni.

There were 80 appliance manufactures in 1970, which were reduced to 22 in 1990 and are expected to be only 10 in 2005, which reflects the consolidation of industry through M & A process.

A CASE STUDY - WHIRLPOOL CORPORATION IN INDIA

Whirlpool is a world's leading home appliances manufacturer and marketer. It has number one position in North America and Latin America and is number three in Europe. It has manufacturing facilities in 13 countries and markets its products in more than 120 countries. It is a Fortune 500 company, with an annual turnover of over US$ 11 Billion and a worldwide employee force of 50,000.

Due to growth constraints in the mature US market, Whirlpool began to think globally under CEO David Whitwam. In an interview in 1987, Mr. Whitwam emphasised the need for Globalisation.

> *"It will be very difficult for any domestic manufacture to operate successfully in the appliances market of the future if it is a solely domestic company. The market is more global than ever and growing more so every day. Global barriers are rapidly deteriorating. So you have to integrate all your operations into a total global strategy"*

Whirlpool acquired 53% Stake in NV Phillip's European appliance business in 1991 with an investment of U$ 1 Billion. It also started looking towards emerging markets of Latin America and Asia as a global strategy.

In India, economic scenario was changing in 1991 after the liberalisation. It was moving from a regime of industrial licensing and controls to delicensing and from an unfriendly investment climate to friendly environment. The existing companies with foreign equity were allowed to raise it to 51%, subject to prescribed guidelines.

Whirlpool found a land of opportunities in India with the Indian middle class of 250 millions representing one of the largest consumer markets in the world and one with low penetration rates.

It observed the following mega-trends in India: -

- Increased purchasing power in younger hands
- working woman phenomenon - Domestic help becoming scarce
- Breakup of joint family system
- Gate crashing of technology - catching up with the rest of the world
- Proliferation of Brands. Exposure to National TV Network
- Change in Traditional Paradigm (Spend time to save money) to Neo - Indian Paradigm (Spend money to save time).

Whirlpool entered into a JV for washing machines with TVS in 1991, which was later merged with Whirlpool of India in 1996. It acquired a majority Stake in Kelvinator of India Ltd., a diversified company & the largest manufacturer of Refrigerators with a market share of 40%.

KELVINATOR OF INDIA LTD. -

- Established as a Public Limited Company in 1960
- Started production of Refrigerators in 1963
- Diversified products - Refrigerators, Freezers, Microwave Ovens, Two Wheelers.
- Market leader with 40% share.
- 1994-Production of 600,000 refrigerators, - 7 models.

- Turnover - Rs. 350 Crores (US$ 100 million)
- 20% average annual growth.
- 9 divisions, 3 locations, 6000 employees
- Wide sales and service network with 4 regional offices, 26 branches.

It was also necessary for Kelvinator to go for a strategic alliance as the liberalisation process had opened Indian markets to Global players, and the competitors had already formed JVs and strategic alliances with leading global players. There was a need for world class products and manufacturing facilities to meet customers increasing expectations. Kelvinator had prolonged negotiations with Electrolux AB of Sweden but decided in favor of Whirlpool due to the following reasons:

- No 1 in Appliance Industry in the world
- It had global presence
- It had strong engineering, financial and management base
- Had a vision for strong Asia strategy

Furthermore, Kelvinator & Whirlpool shared common values & Vision

KELVINATOR	WHIRLPOOL
Trust	Commitment to common good
Quality	Quality as a quest
Ethics	Business with integrity
Service	Customer focus

The deal was finalised in 1995 after due diligence and after getting various Government approvals.

INTEGRATION PROJECT - A NEED

With the Acquisition of Kelvinator of India and TWS by Whirlpool, the values and synergies associated with fully integrating these companies into Whirlpool became obvious. A full and prompt Integration Plan was needed. Only full integration would allow Whirlpool to achieve global leverage in India at an optimum rate. A successful integration would also manage complex changes.

An 'India Integration Project' was setup with experts from both sides to formulate a **long-term vision for India** - with the following by elements for 'ONE WHIRLPOOL ORGANISATION'

- Cultural Diversity and Harmony
- Shared Values
- World Class Human Resources
- World Class Financial Reporting
- World Class Processes and Best Practices
- Integrate within the Global Whirlpool Network
- Open Communications - All Directions
- Create Significant Value for the Shareholders

INTEGRATION PROCESS

The integration teams were set up and work items identified for each key function. It included recommendations regarding direction of desired results, timeliness and accountabilities with respect to all key business functions and processes. The agenda and work items for the following functions were identified for action. The suggested work items were as follows: -

- Human Resources and Communications
- Sales/Distribution/Consumer Services
- Marketing / Brand Succession
- Legal
- Product.
- Manufacturing and Technology
- Procurement
- Finance
- Accounting and Business Analysis

Critical execution priorities to deliver the strategy

The following priorities were decided in the implementation of integration strategy:

- Establish Whirlpool as the brand of choice, and grow market share
- Best in class quality
- Achieve 3-5% cost advantage
- Sales and distribution superiority
- Consumer service superiority
- Superior talent

ACHIEVEMENTS OF WHIRLPOOL OF INDIA LTD.

Towards Whirlpool's global strategy, Whirlpool of India (WOI) set up refrigerator factories at Faridabad and Pune and a washing machine factory at Pondicherry.

Whirlpool of India's important achievements are:

- Merger of Kelvinator of India and TVS and formation of one company as Whirlpool of India.
- Obtained ISO 9002 certification for WWM (Whirlpool Washing Machines Ltd.)
- Became the largest investor in the Major domestic appliance industry in India.
- Factory Master Plan processes completed. 100% increase in levels of productivity.
- Successful reduction of manpower (3,000 employees) via well managed VRS
- Divestment of non-core units achieved
- Procurement process & goals set by establishing a competitive supply chain.
- Manufacturing & Technology issues solved and new products developed.
- Modern plant and equipment installed for upgradation of technology
- A new marketing set-up established with 4,000 strong dealer network.
- Achieved 54% brand awareness with potential buyers.
- India's first CFC free Refrigerator plant set up in Pune.
- First Indian Home Appliance Company to receive ISO 14,000- the International environment friendly certification
- Established Whirlpool of India as a leading export base.
- Introduced Microwave Ovens and Air Conditioners in the Indian market.

Whirlpool of India became No. 1 Refrigerator brand in India. It became a profit making company from a loss making one, as indicated in the financial data given in Table 5

Table 5: Financial data for the period December 1996-2001

Period ended	**Dec-96**	**Mar-98**	**Dec-98**	**Dec-99**	**Dec-00**	**Dec-01**
No. of Months	15	15	9	12	12	12
Gross Sales	7,877	6,684	6,335	9,824	10,428	10,971
Excise Duty	(1,282)	(1,066)	(864)	(1,163)	(1,244)	1,103
Net Sales	6,595	5,618	5,470	8,661	9,184	9,868
Total Income	**6,650**	**5,684**	**5,555**	**8,870**	**9,461**	**10,056**
Raw material	3,201	3,134	2,868	4,318	4,881	5,469
Cost of material	3,535	2,791	2,949	4,447	-	-
Employee cost	674	802	489	790	770	775
Power & Fuel	132	95	67	99	118	116
Administrative & Selling Exp.	1,277	1,438	799	1,147	2,679	2,755
Freight & forwarding	-	-	226	315	351	383
Cost of sales	**6,883**	**6,500**	**5,427**	**8,066**	**8,331**	**9,045**
PBIDT	(233)	(817)	128	805	1,117	1,011
Interest & fin. Charges	285	496	485	585	577	477
PBDT	(518)	(1,313)	(357)	220	541	533
Depreciation	142	253	342	367	342	391
PBT Net Profit	**(659)**	**(1,565)**	**(700)**	**(147)**	**199**	**142**

OBSERVATIONS AND CONCLUSION

Rapid strategic change is necessary for most companies in the new global environment. Accomplishing change through Mergers and Acquisition has been an important strategy in recent times.

The home appliance industry is, in a way, representative of this dynamic phenomenon and has undergone drastic change in recent times. There has been enormous consolidation by way of JVs, M & A & strategic alliances to achieve economies of scale, product synergies and strong brand presence.

All the major western players entered emerging markets of Asia and Latin America as their global strategy to get increased market share. Whirlpool Corporation, USA entered the Indian market with acquisition of Kelvinator of India and a JV with TVS. It formulated a well-defined integration process, which was later adopted as a model for other emerging markets such as China. Whirlpool of India is now No. 1 appliance manufacturer in India.

Global players, however, faced several problems, as they did not analyse the local conditions properly. Many companies were grossly overboard in their estimates of the depth & size of the market: it was later realised that 'the great middle class' lacks purchasing power in emerging markets. They went into the markets with what may be called an imperialistic mind set, and assumed that the big emerging markets were 'new markets for their old products' (Prahalad and Lieberthal, 1998). To be successful, a global process needs a complex blend of local sensitivity and global knowledge.

A new strategic approach needs to be taken in view of the changed business scenario, and the latest developments in appliances Sector. There is a paradigm shift from business scenario based to technology driven approach. The industry will in future utilise 'Smart technology' to enhance performance and create convenience which will fuel demand. This development can be attributed to the infiltration of Internet technology into the sector.

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