Mergers and Acquisitions in the European Union: Observations for Trade Union Organisations[*]

Working Paper

Stefano Palmieri (IRES)

1. Merger and acquisition activities in the European Union during the period 1991-2001
2. M&A transactions and consequent restructuring processes: the key factors
3. “The ‘social’ impact of the subsequent rationalisation processes from M&A transactions and corporate restructurings
4. Bibliography and references

[*] *Paper prepared for the PES Group Seminar on Economic, Employment and Social implications of Restructurings - 14/15.10.02 – Brussels*.

We wish to thank Bruno Trentin (MEP, PSE), Mr Hardy Cock (EMF) and Mr Gianni Ferrante (FIOM), for their suggestions and input during preparation of the paper. We also wish to thank Ms Giusy Viola for her invaluable assistance during the inquiry, and in the search for European source documentation.
The author nevertheless remains solely responsible for the content of the present paper.

“Policies of economic liberalisation have altered the relationship between the State, labour and business. Economic outcomes are now influenced more by market forces than by mediation through social actors, legal norms or state intervention. International capital markets have moved out the alignment with national labour markets, creating asymmetrical risks and benefits for capital and labour. There is a feeling that the “real” economy and the financial systems have lost touch with each other”

ILO, 1999, *Decent work*, Report of the Director-General, International Labour Conference, 87th Session, Geneva, p.1.

Summary

The phenomenon of M&A activity

The objective of this paper is to examine the factors that led to the growth of European and global merger and acquisition (M&A) activity over the past decade. As we will see in the first paragraph, there were 26,062 international M&A transactions during the first half of the 1990's, rising to 50,787 transactions during the second half of the 1990's. The value of international M&A transactions in the second half of the nineties has quintupled compared to the value during the period 1990-1995, i.e., $8,960 billion against $1,570 billion. The increase in M&A transactions has also been important on a European level during the same period. In fact, it has risen from 6,767 transactions, equal to a value of $256 billion for the period 1990-1995, to 9,696 transactions, equal to a value of $1,310 billion for the period 1996-2001.

This phenomenon of a large increase in M&A activity on an International and European scale, in addition to producing purely economic effects, has also produced implications of a social nature due to the effects on employment from industrial restructuring. Precisely as a result of the importance assumed by these consequences, we consider it fundamental to proceed – as we did in paragraph 2 – with an examination of the fundamental factors linked to the development of the phenomenon of the increase in M&A transactions. Over the course of the past century, this phenomenon has been concentrated in five temporal phases, also known as waves, and has involved various industrial in different periods.

A method of adaptation to change

Over the course of the past few years, M&A transactions have represented the method through which companies have reacted to profound changes in their industry environment. These changes, due to external *key factors*, triggered new opportunities but above all brought new risks. This led companies to adopt a strategy of realignment to the changing circumstances, exerting internal pressures with regard to: *costs* (M&A activity reduces costs by exploiting economies of scale, generating synergies of the various production units involved through rationalisation, "downsizing", concentrating on the "core activities" of the companies), *clients* (customisation of the product for the client), and *profitability* (the company concentrates on activities able to produce high revenues in the short-term, cutting back on activities for which the levels of profitability are lower or spread out over time). This has led to a growing demand for *multi-level flexibility*, and it is on the basis of this principle that the restructuring processes of companies which are the object of M&A transactions have occurred (SIF & Svenska Metall; UNCTAD, 2000, International Metalworkers Federation, 2001).

Essentially, there are four *key factors* able to exert significant pressure on merger and acquisition activity:

The decisive factors

- ✓ *Liberalisation and de-regulation activities;*
- ✓ *The process of the globalisation of economies and markets;*
- ✓ *The principle of "shareholder value";*
- ✓ *Rapid development of the information and communications technologies (ICT)*

Based on the existing literature the economic motivations and nature guiding

the decisions to proceed with acquisition and merger operations may be broken down into the following four categories (Roller, L-H., Stennek, J., Verboven, F., 2001):

The economic motivation and nature

- ✓ *Rationalisation of production*;
- ✓ *Economies of scale*;
- ✓ *Technological progress*
- ✓ *Economies linked to the greater power of negotiation (purchasing economies)*.

The understanding of such motivations, in addition to permitting the identification of the causes at the base of the restructuring processes, derived from M&A activities, permits trade union organisations to draw up a strategy able to deal with this phenomenon in a more effective manner.

Purely economic reasons are not the only motivations which may lead to the realisation of an M&A transaction. There are in fact a series of other motivations no less important than those already outlined.

The strategic motivations

There may also be strategic motivations, dictated by the objective of eliminating a competitor, by attempting the acquisition of the competitor through a hostile take-over, or through a horizontal merger. In particular sectors, M&A have represented the crucial element for the strategic growth of trans-national companies, particularly in the telecommunications and energy sectors (UNCTAD, 2001, [a]). On other occasions, M&A operations have been dictated exclusively by the personal interests of those called upon to manage the entire process.

Based on the existing literature, one cannot unequivocally state that M&A transactions lead to gains in competitiveness and increased profits. Some studies have shown that a large part of M&A transactions have been unsuccessful from an economic point of view, due to having failed to take account of a series of factors: dimensional growth, the cultural element, the need for a high degree of manager professionalism, but above all, as a result of having neglected the fundamental importance of human capital.

Human capital

Placing the human capital factor at the centre of the M&A transactions means permitting the directors of the companies concerned, who are concerned with the management of human resources, to participate in merger and acquisition processes, while at the same time ensuring trade union organisations the most complete information on the initiated process, and therefore the possibility that they are able to safeguard the interests of their own members.

"Social" rationalisation of M&A operations and restructuring processes

Based on the existing debate, we have attempted to delineate- in paragraph 3 – a summary framework of the possible implementations, which may lead to the application of "social" rationalisation processes of M&A and the resultant restructuring activities.

Shareholders value vs. stakeholders

The application of a "social" rationalisation approach to M&A activities and consequent restructuring processes, implies the necessity to minimise the social damage arising from these processes. In this context, the industrial change – resulting from the restructuring process – must occur in a manner able to ensure security and promote employment (EC., 1998) and it is important to note that in 1998 the *high level group on economic and social implications of industrial change*, an institution of the European Commission, in its *Managing Change Report*, had reaffirmed the need to counterbalance the growing importance assumed by shareholders, through an affirmation of the principle of *shareholder value*, with the demands of the other bearers of diffuse social interests having direct or indirect links with the company (*stakeholders*).

This position is in line with the principle of social rationalisation with regard to the processes of industrial restructuring. Restructurings which must be realised with full respect for the economic and social value of the companies and persons involved in these same activities. In this particular context, attention is concentrated on a generally broader population compared to the *shareholders* alone, and such as to involve all those who have direct and indirect links within the company (*stakeholders*).

The hierarchical scale of a social rationalisation process

The social rationalisation of restructuring processes requires that such processes be realised by means of a hierarchical scale of restructuring intervention: *1) Strategic; 2) Ownership; 3) Financial; 4) Revitalisation; 5) Organisational; 6) Outsourcing; 7) Productivity; 8) Cost Cutting without personal reductions ; 9) Downsizing.* Based on this principle, it is advisable to proceed at the outset with those interventions less harmful to the weaker *stakeholders* and, later, only after having exhausted such interventions or having verified the impossibility of implementing them, one may turn to those located in the lower part of the order of seniority (interventions producing social effects negative in nature with regards to salaried employees)

Based on the analysis presented thus far, it appears an inescapable fact that M&A transactions and the consequential restructuring processes must be guided by a social rationalisation approach. In a situation of this type, the involvement of the workers and the trade union organisations becomes crucial. In this part of the paper we will summarise the difficulties facing the trade union organisations in participating in the process of information, consultation and negotiation arising from M&A transactions.

The problems of trade union organisations

In the field of merger and acquisition transactions, the strategy of the company tends to vary – through an infinite series of attitudes – between two behavioural extremes. On the one hand, the authoritarian model, which tends to deprive the trade unions and Work Councils of their legitimacy, encouraging the breakdown of industrial relationships and the individualisation of the working relationship. On the other hand, we find the consensual model, within which the M&A process tends to develop by means of an action agreed with the trade union organisations, through phases of prior information and consultation, seeking to minimise the social damage caused by this process. A fundamental role in influencing the strategy of the enterprise is dictated by: i) the model of industrial relationships existing in the country within which the M&A transaction is developed; ii) the cultural model of the existing enterprise; iii) the recognition of the trade union organisations iv) and finally the role and strategy of the government in office. Apart from the strategy adopted by the company, there are other problems for the trade union organisations: i) the concentration of large conglomerates, uniting workers belonging to different categories, raise for the trade union organisations a number of representation problems (for the categories of workers representing different and in some cases opposing interests) which tend to become acute in situations of industrial restructuring; ii) the company tends to implement circumscribed agreements within the company with the stronger subjects, implementing a strategy of individualisation in industrial relations which tends to reduce the strength of the trade union; iii) in the case of M&A transactions on a trans-national level, the trade unions concerned meet with an objective difficulty of implementing a policy of supranational coordination in the management of the M&A process, as a result of the reluctance on the part of the trade union bodies themselves to cede part of their sovereignty in favour of the supranational bodies (for example the European Trade Union Confederation) (Aragon, J., Rocha, F., 2002).

The negotiations phase

Once at the negotiating table, the trade union action may be broken down principally in the following phases: a) access to information; b) revision of documentation; c) identification of the entrepreneurial strategy; d) drawing up of the trade union strategy; e) process of negotiation and exercising pressure on the company.

After synthetically examining the objective difficulties, which involve ensuring an involvement of the workers and their own trade union representatives in the M&A process, the need arises to understand whether in the event of M&A and the related restructuring processes, the present-day regulatory and contractual framework – on a European level – is such as to assure an efficient and effective process of information, consultation and negotiation with the worker's organisations.

Requirements for the implementation of the present regulator and contractual structure

An opinion on the existing regulatory and contractual structure on a European level, must be communicated, taking into account the different channels available. At the moment, without an adequate implementation of some decisive factors in assuring an effective social rationalisation of the M&A process, the judgement cannot remain suspended. For this reason, we will briefly concentrate our attention on the need for:

1) A uniform European regulatory framework relating to the definition of the information and consultation;

2) The achievement of an effective implementation of the European Company Committees;

3) The identification of a new way forward with regard to the information, consultation, and negotiation of the M&A transactions on a European level, able to ensure their validity on the economic, financial, and social level;

We conclude the present study with a reference to an element which is now receiving unanimous recognition as a factor able to permit facing the present economic and social changes without tensions and great efforts: training.

The key role of training

We consider in fact that this may represent the key factor that is able to neutralise the negative consequences from the economic and social point of view which arise from M&A operations and the consequent industrial restructuring processes. From the analysis of the latest study carried about by EUROSTAT on the topic of continued vocational training, there appears to be a perception of the training tool as a cost element, rather than as an opportunity-resource for the performance of the company itself.

The possibility of supplying valid responses to change, anticipating its consequences through a pro-active role of all the economic and social players, is based essentially upon the human capital available, and its adequate use. In this context, the training instrument represents the lever, through which we are assured of the adequate valorisation of human capital, permitting us to face the challenges raised by change.

1 Merger and acquisition activity in the European Union during the period 1991-2001

During the second half of the 1990's merger and acquisition activity (M&A) worldwide has assumed significant dimensions (UNCTAD 2000, Bank of Italy 2002)[1].

Based on the data presented in Table 1, we can note the manner in which the number of M&A transactions carried out in the world, during the second half of 1990s (1996-2001) doubled compared to the first half (1990-1995), increasing from 26,062 transactions to 50,787 transactions. If the value of these operations is considered, we note that, during the second half of the 1990s, this value increased by more than 500% compared to the value during the first half of the 1990s, increasing from 1,570.3 billion dollars to 8,960.2 billion dollars[2].

Table 1. Merger and acquisition transactions in the major industrial countries: 1990/1995 – 1996/2001 (1)

	1990 – 1995			**1996 – 2001**		
		Total value			**Total value**	
	Number	**Billion $**	**% GDP**	**Number**	**Billion $**	**% GDP**
AUS	628	29.5	1.5	1,423	91.7	4.0
B	251	7.1	0.5	354	57.8	3.9
CAN	1,421	41.6	1.2	2,888	287.4	7.3
F	1,663	81.9	1.0	1,563	269.6	3.2
D	1,913	37.3	0.3	3,039	437.0	3.5
JAP	216	56.1	0.2	2,291	234.5	0.9
I	852	55.0	0.8	1,048	198.2	2.9
NL	565	25.6	1.3	635	127.2	5.5
UK	2,349	170.9	2.7	4,484	848.6	10.3
E	510	25.6	0.8	1,042	99.3	2.8
USA	8,743	811.2	2.1	14,102	5,272.3	9.7
SW	473	33.8	2.4	793	126.0	8.9
CH	412	14.6	1.0	485	85.9	5.6
TOTAL (*)	**19,996**	**1,390.2**	**1.3**	**34,147**	**8,135.5**	**6.1**
EURO	**6,767**	**256.0**	**0.7**	**9,696**	**1,310.3**	**3.4**
WORLD	**26,062**	**1,570.3**		**50,787**	**8,960.2**	

Note: (1) Includes mergers and acquisitions of majority interests – (*) Countries of the G10, Australia and Spain.
Source: Bank of Italy (2002).

[1] The merger process may be broken down into two categories:

a) *Mergers properly speaking, union or "consolidation"*, implies the extinction of the pre-existing companies and the formation of a new company which, in addition to absorbing the pre-existing capital assets, then takes over the relationships with the pre-existing company;

b) *Acquisition, absorption, incorporation*, occurs when one or more companies are absorbed by another company, which incorporates the capital [assets] and comes into the rights and obligations of the incorporated company, which is extinguished.

[2] *"The transaction volume has of course been inflated by the speculative bubble at stock markets, because many mergers have been financed by an exchange of equity. Nevertheless, there seems no doubt that the year 1995 marks the starting point of a considerable merger wave which reached its top in the year 2000 and which has not completely drained away until today."*
Kleinert, J., Klodt, H., (2002), pp. 1-2.

The importance of the dimension is also indicated by the increase in value of M&A transactions in terms of GDP for the principal industrialised countries: it has in fact increased from 1.3% to 6.1%.

The phenomenon of company mergers and acquisitions has also assumed relevant dimensions within the Euro-area countries, increasing from 6,767 transactions with a value of 256.0 billion dollars in the first half of the 1990s, to 9,696 transactions corresponding to a value of 1,310.0 billion dollars during the second half of the 1990s. Even in the countries of the Euro area, an increase in the value of these operations has been noted in terms of GDP, rising from 0.7% to 3.4%.

The data presented in Table 2 permits us to outline the manner in which merger and acquisition transactions may be broken down based on the strategy adopted in some large industrialised countries: horizontal and vertical mergers and mergers by conglomerates[3].

Based on this data, it may be noted that a significant increase in merger and acquisition transactions of a horizontal nature was noted in the United States during the 1990s:

> *"Despite the step-up in antitrust enforcement under the Clinton Administration, a greater fraction of mergers between 1993 and 1998 was horizontal in nature than from before 1990"*
> Gugler, K., Mueller (2001), p. 8.

The proportion of this type of transaction increased from 39.6% in the first half of the 1990s, to 48.9% for the period 1997/98. During the reference period, both the vertical merger operations (from 5.8% to 2.8%) and those for the formation of conglomerates (from 54.6% to 48.3%) tend downwards.

As regards Continental Europe, although the same trend is noted as in the United States for all three types of merger, i.e., an increase in horizontal mergers and a reduction in the other two types, the intensity of these variations is much less (for horizontal mergers, it rose from 37.0% in the 1980s to 39.6% in 1997/98. For vertical mergers, it decreased from 4.8% to 3.4%, while for mergers involving conglomerates it fell from 58.2% to

---

[3] Let us briefly recall that based on the strategic design adopted, three different types of merger may be identified:

- ✓ *horizontal*; which relates to the concentration of companies operating in the same sector, or in the same line of production. This type of merger is implemented with the aim of increasing the market share, and for this reason, is subject to regulation on a European level through the prohibition against operations when the merger gives rise to a new enterprise enjoying a dominant position harmful to competition;
- ✓ *vertical,* which relates to the integration of specialist companies in the various phases of production. Such operations lead to enhanced rationalisation of the production processes (for example, through improved links between the production phase and the distribution phase)
- ✓ *conglomerates*; through the integration of companies active in completely different sectors as the result of the need to implement a diversification of productive activities (*concentration*: increases the production line of more or less closely related products, as in the case of credit or insurance; *geographic*: to broaden the geographic footprint: *pure*: integration of enterprises present in completely different activities).

57.0%). It is interesting to note the manner in which the United Kingdom follows the United States in both trend and intensity - horizontal mergers increased from 31.6% to 41.2%; vertical mergers from 4.7% to 3.6%; mergers involving conglomerates from 63.7% to 55.2%.

Table 2. Summary statistics on mergers and acquisitions from around the world from 1981 to 1998.

	until 1990	1991/92	1993/94	1995/96	1997/98	Whole period
	United States of America					
Horizontal	39.6	47.4	48.7	49.3	48.9	45.2
Vertical	5.8	4.9	3.8	2.8	2.8	4.3
Conglomerate	54.6	47.7	47.5	47.9	48.3	50.5
	United Kingdom					
Horizontal	31.6	35.9	34.7	37.8	41.2	36.3
Vertical	4.7	5.0	3.5	4.3	3.6	4.2
Conglomerate	63.7	59.1	61.8	57.9	55.2	59.5
	Continental Europe					
Horizontal	37.0	43.8	37.5	35.8	39.6	38.9
Vertical	4.8	3.5	3.3	3.2	3.4	3.5
Conglomerate	58.2	52.7	59.2	61.0	57.0	57.6
	Japan					
Horizontal	33.7	29.5	36.1	35.1	42.0	35.9
Vertical	4.7	0.0	3.2	2.0	4.0	3.1
Conglomerate	61.6	70.5	60.7	62.9	54.0	61.0
	Australia/New Zealand					
Horizontal	43.8	43.3	47.5	40.1	44.6	43.7
Vertical	4.8	1.9	3.7	3.1	3.4	3.5
Conglomerate	51.4	54.8	48.8	56.8	52.0	52.8
	Rest of World					
Horizontal	34.8	36.2	34.7	36.7	40.1	37.3
Vertical	6.4	4.3	2.7	3.2	3.5	3.6
Conglomerate	58.8	59.5	62.6	60.1	56.4	59.1
	All Mergers					
Horizontal	38.6	43.4	42.1	41.7	44.2	41.7
Vertical	5.5	4.0	3.5	3.1	3.2	4.0
Conglomerate	55.9	52.6	54.4	55.2	52.6	54.3

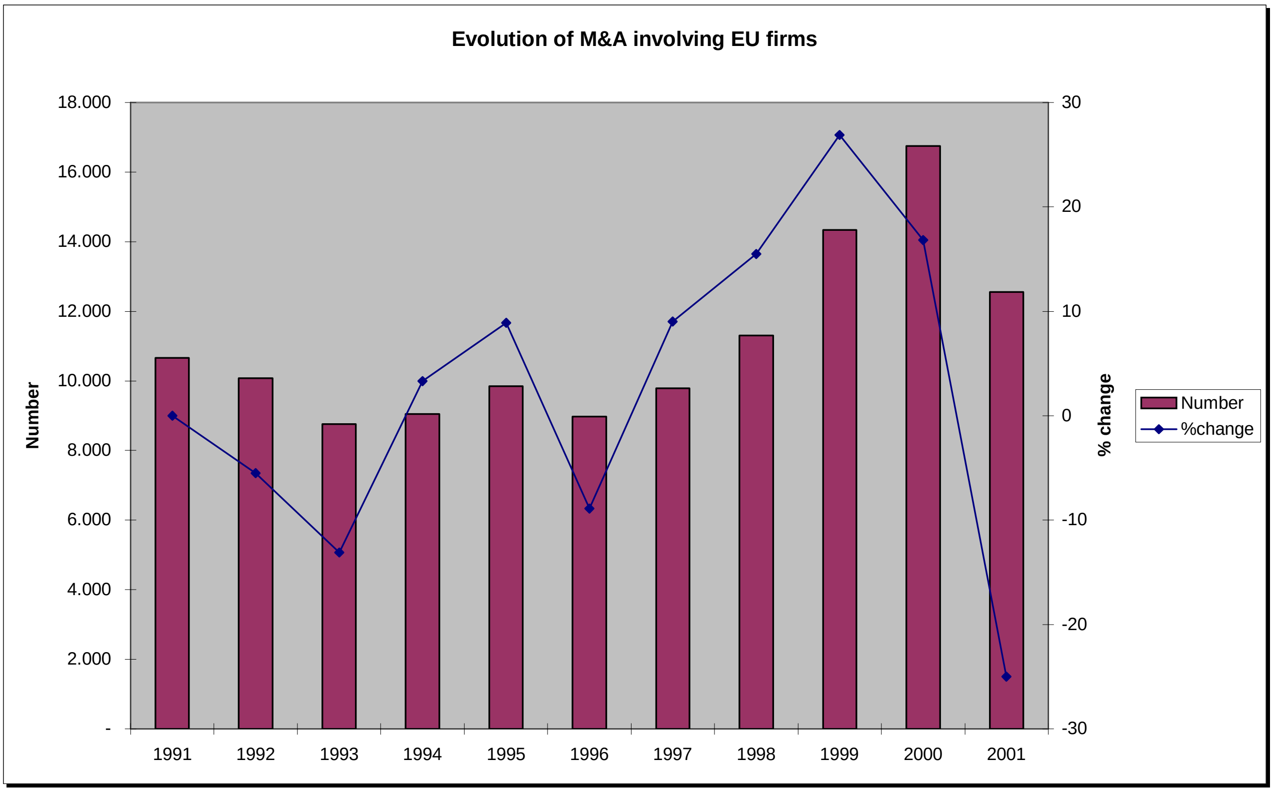
Notes:
Horizontal mergers are defined as mergers between two companies with sales in the same primary 4-digit STC industry. *Vertical* mergers are mergers where at least 10% of the sales (purchases) of the primary 4-digit industry, to which one of the companies belongs, must go to (come from) the industry to which the other belongs. We use 1992 US input-output table. *Conglomerate* mergers consist of all mergers, which are neither horizontal nor vertical.
*Continental Europ*e includes Austria, Belgium, Germany, Denmark, Spain, Finland, France, Greece, Ireland, Italy, Luxembourg, The Netherlands, Norway, Sweden, Portugal, Switzerland, and Island. *The Rest of the World* includes more than 100 other countries.

Source: Gugler, K., Mueller, D.C., Yurtouglu, B.B., Zulehner, C. (2001).

For the purposes of the present paper, we concentrate our research on the phenomenon of M&A to a European level. For this reason, we will use the data supplied by the

European Commission, taken in this case from the database of *Thomson Financial SDC Platinum*[4].

Figure 1. Evolution of M&A involving European Union firms



Source: EC (2001) [a].

In 2001, there were 12,257 merger and acquisition transactions, involving at least one of the fifteen Member States of the European Union. This figure fell by 25% compared to the number recorded the previous year (with the peak number of M&A transactions, equal to 16,750).

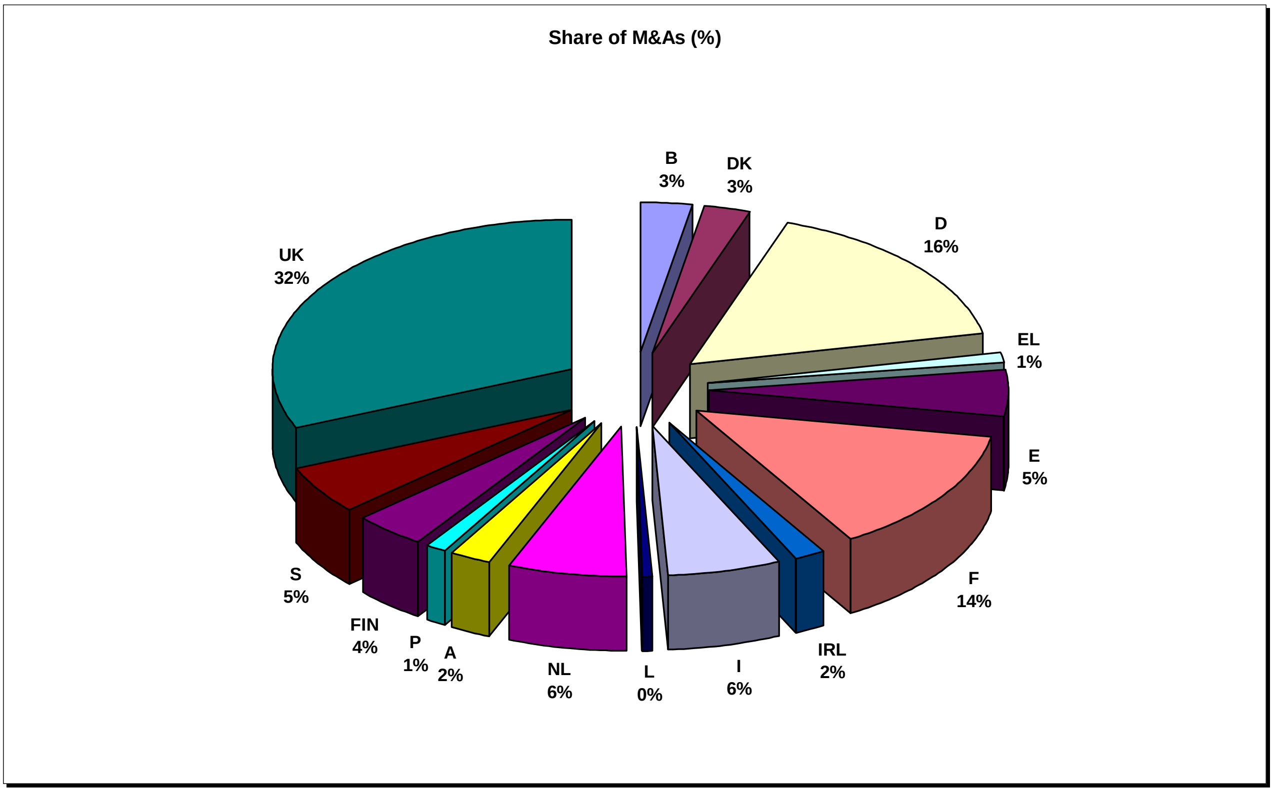
The data presented in Figure 1 shows how merger and acquisition transactions, in addition to having undergone a positive influence in growth terms as a result of the European monetary unification process[5], were influenced by the progress of the economic cycle. In years characterised by weak economic conditions such as , 1992-1993, 1996, and 2001, the variation in M&A transactions is correlated. M&A transactions fell by 5.5% and 13.1% during the two-year periods 1992-1993, 8.9% in 1996, and 25.0% in 2001.

[4] The present paragraph was prepared based on information supplied by the two editions of the publication European Economy – Economic Trends of the European Commission: "Mergers and Acquisitions", Supplement A, n. 12/2001; "Mergers and Acquisitions", Supplement A, n. 516/2000.

[5] "*There are some indications that monetary union may have had an impact on the relative growth of M&A activity in the original eleven members of the euro zone, compared to the other four Member States. It seems that increased integration of financial markets may have made it easier for euro-zone companies to make acquisitions. However, it does not appear that EMU has made euro-zone companies more attractive as targets of cross-border acquisitions*".
EC (2001) [a], p. 1.

The graph in Figure 2 shows a breakdown in M&A by Member States of the EU. The United Kingdom is the Member State with the greatest number of companies involved in M&A transactions at 32% (and an M&A transactions value compared to GDP of 31.4%), followed by Germany at 16% (28.2% of GDP),and France at 14% (18.1% of GDP).Both Italy and the Netherlands have 6%, but compared to GDP are 12.6% for Italy and 4.9% for the Netherlands.

Figure 2. Share of Merger and Acquisitions (%) – EU 2001.



Source: EC (2001) [a].

The graph in Figure 3 shows the breakdown of M&A transactions for the period 1991-2001 according to:

✓ *Internal,* between companies within the same EU Member State.

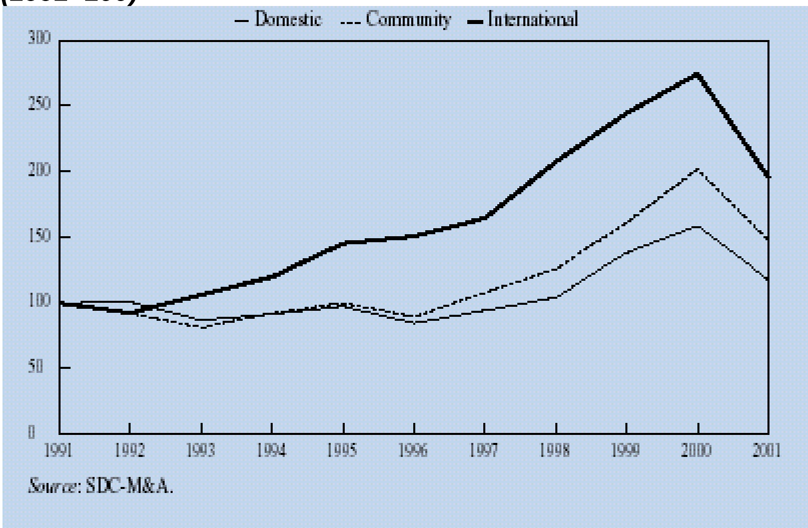
✓ *Community*, between companies in other EU Member States;

✓ *International*, between EU companies and non-EU undertakings;

Please note the increase, beginning in 1992, in all three categories, of M&A transactions carried out until 2000, although with a differentiation in terms of intensity. This trend was suddenly interrupted during the economic slowdown of 2001.

In the EU, during the ten-year period in question, the number of international merger and acquisition operations between EU firms and non-EU firms increased significantly, rising from 14.5% in 1991 to 24.1% in 2001. M&A transactions of a Community nature increased from 11.9% to 14.9% while, although representing the most relevant proportion of internal M&A transactions – at 54.1% - over the period of reference, this share suffered continuous oscillations around the value exhibited in 1991.

Figure 3. Growth in number of Domestic, Community and International Operations (1991=100)



Source: EC (2001) [a].

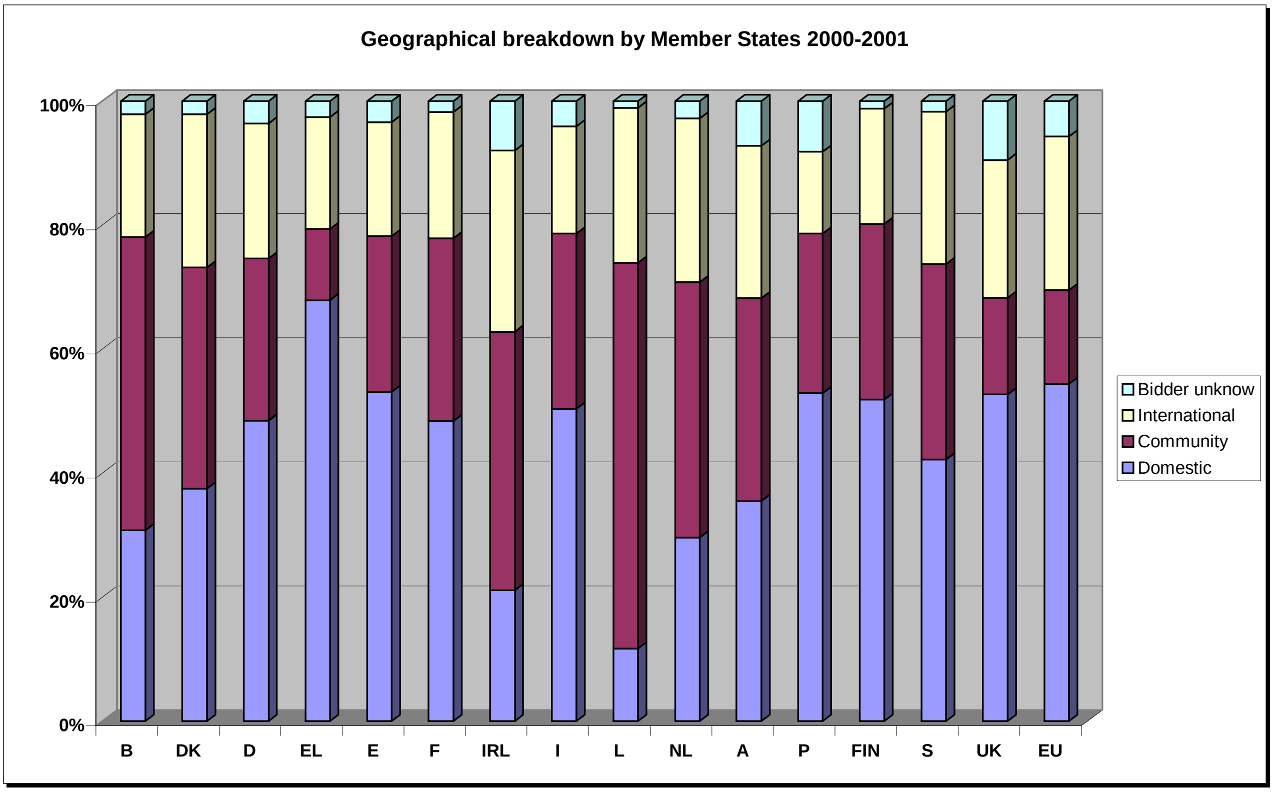
As shown by the graph in Figure 4, within the European Union, the individual Member States exhibit significant differences in the breakdown of M&A transactions between *Internal*, *Community* and *International M&A* transactions.

As for internal mergers, Greece – at 67.9% - was the only country with a proportion exceeding the European average (54.4%). In Greece, a little over two thirds of all M&A transactions are effected between Greek companies.

Some of the countries with the highest rates of intra-Community M&A are Luxembourg, at 62.2%, Belgium, at 47.3%, Ireland, at 41.7%, the Netherlands, at 41.2% and Denmark, at 35.7%.

The countries with the highest rates of international M&A transactions are: Ireland at 29.2%, the Netherlands at 26.4%, and Luxembourg at 25.0%.

Figure 4. Geographical breakdown by Member States 2000 – 2001.

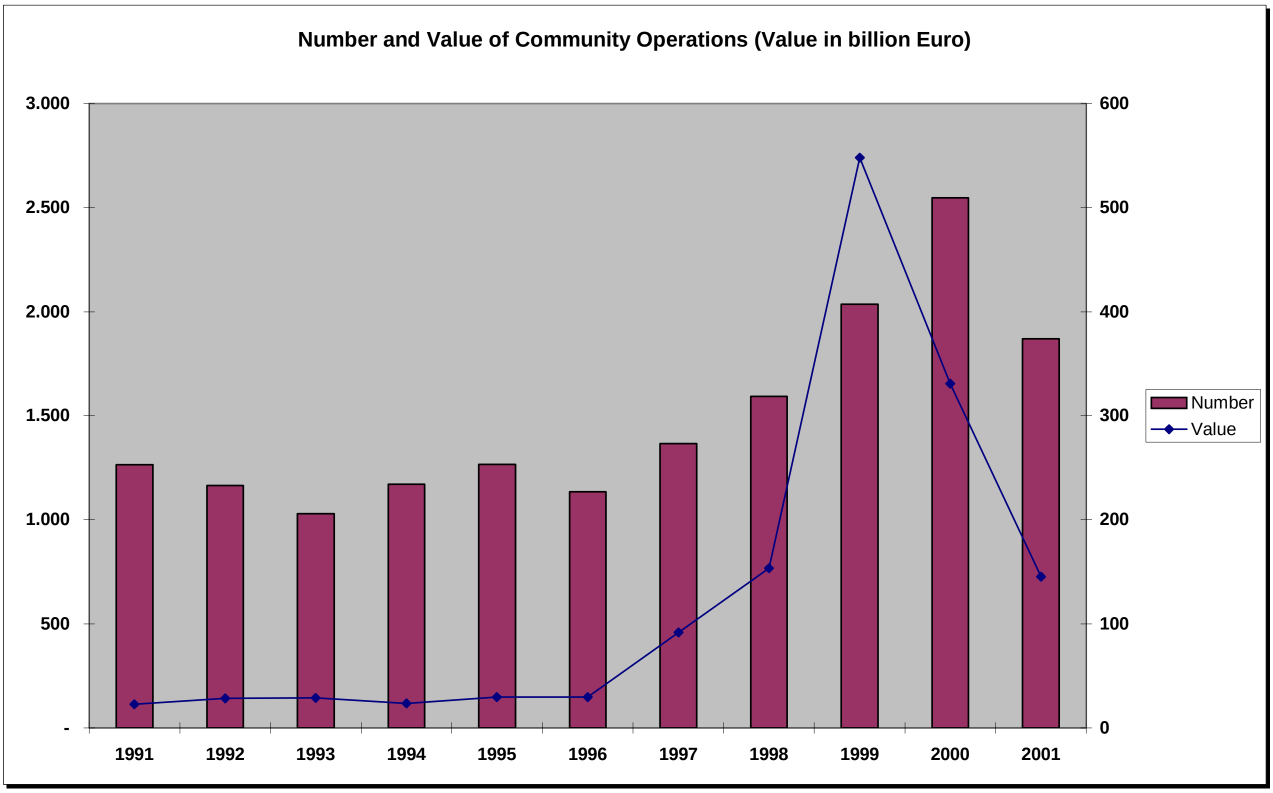


Source: EC (2001) [a].

The graph in Figure 5 shows the progress, over the period 1991-2001, in the number of M&A transactions carried out on a Community level. It should be noted that, for the EU as a whole, starting in 1997, there was a significant increase in M&A activity, increasing from 1,135 in 1996, to 2,548 in 2000. A slight drop was noted in 2001, the number of operations declining to 1,869.

If one examines the trend in the value of the merger and acquisition operations on a Community level, significant differences are observed compared to the trend outlined above. It should be noted that for the period elapsing between 1991 and 1996, there was no significant change in terms of the value of the merger and acquisition transactions (increasing from 22.8 billion Euro to 29.6 billion Euro).The trend was then increasing from 1997 until 1999 when a sharp increase was recorded. In fact, in 1999 the value of the Community M&A transactions reached 547.9 billion Euro. It should be noted that, as regards the year 2000, while an increase was noted in the number of Community operations, increasing from 2,036 to 2,548 – a simultaneous contraction was noted in the value of these operations, from 547.9 billion Euro to 330.7 billion Euro.

Figure 5. Number and Value of Community Operations (Value in billion Euro)



Source: EC (2001) [a].

The graph in Figure 6 shows the shares of each EU Member State as an bidding state, or as a target state for a Community acquisition transaction.

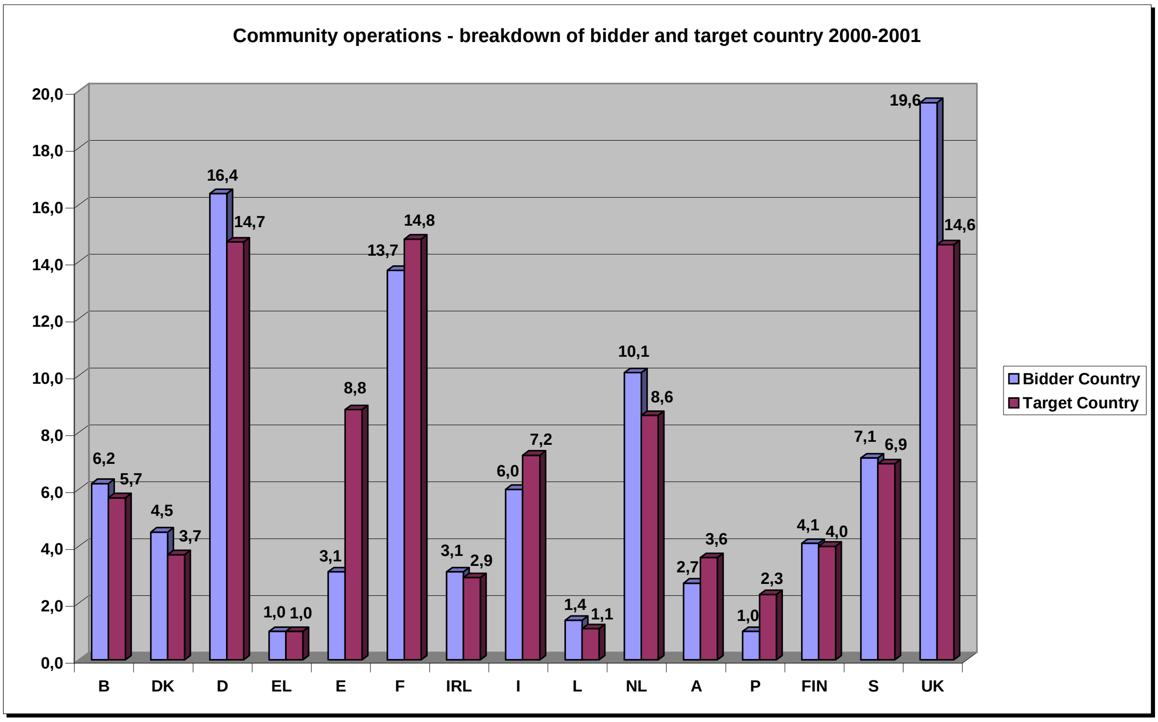
It should be noted that the principal target countries of M&A transactions include: *Germany, France*, and *the United Kingdom*, with shares fluctuating around 14.5%. These in fact represent countries having experienced, over the period 2000-2001, a national company being the target of an acquisition by a company in another EU Member State.

Spain with 8.8%, *the Netherlands* with 8.7%, *Italy* with 7.2%, and *Sweden* with 6.9%, present lower figures.

As regards the list of Community M&A bidding countries, we find *the United Kingdom* in first place with 19.6%, representing approximately one fifth of all M&A transactions on the Community level involving a company in *the United Kingdom* as the bidding company.

This list includes *Germany* with 16.4%, *France* with 13.7%, and *the Netherlands* with 10.1%. *Sweden* with 7.1%, *Belgium* with 6.2%, and *Italy* with 6.1%, fall into a separate category.

Figure 6. Community transactions – breakdown by bidder and target country 2000-2001.



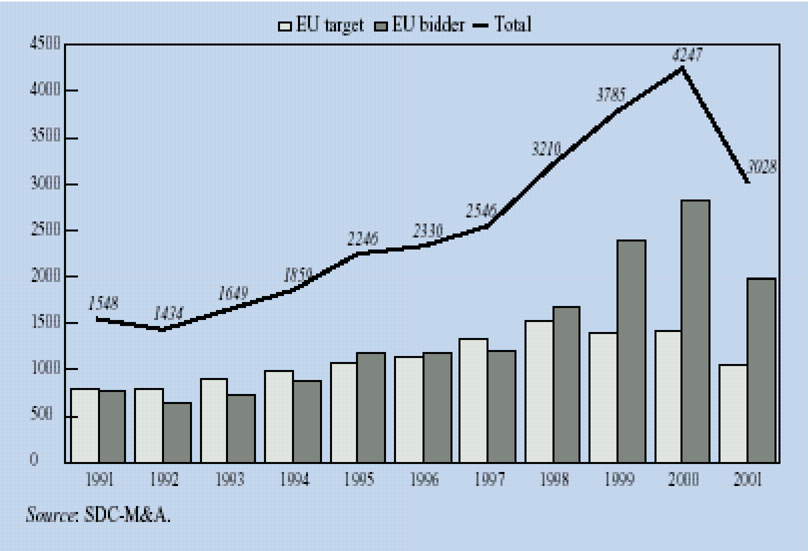
Source: EC (2001) [a].

As noted in the analysis by the European Commission, the difference between the individual EU Member States, in terms of target and bidder companies in M&A transactions, may be attributed to a series of decisive factors:

> "*…, these results reflect the differences in the general level of M&A activity in the Member States, influenced by factors such as the size of the economy, the number of firms listed on the stock market and structure of share ownership. The last two factors explain the apparently anomalous ranking of Italy, since, in spite of its size, it has fewer listed companies than the Netherlands or Sweden and both small and large Italian firms are often controlled by individuals or families. It is noteworthy that the United Kingdom's share of Community operations is not as great as its much higher level of total M&A activity might lead one to expect. In comparison with most other Member States, U.K. companies seem much more inclined to seek alliances at home or with U.S. firms, which account for 42% of U.K. companies' international acquisitions. A more detailed examination of the matrices shows that the distribution of each country's Community operations is largely determined by the relative sizes of the other countries, their proximity and traditional economic and cultural links. The influence of these factors is clear when we consider the relative importance of country pairs such as Belgium/France, Belgium/Netherlands, Ireland/U.K. or the relationships between the Nordic countries.*"
> EC (2001) [a], p. 7.

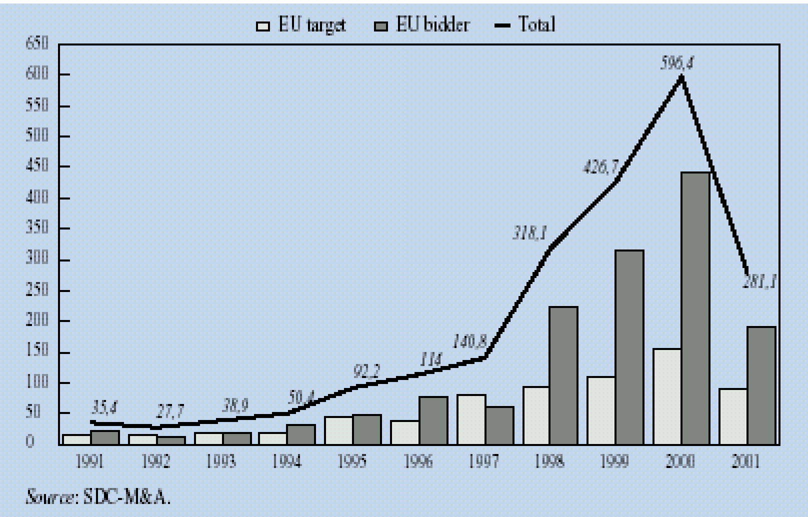
As regards merger and acquisition operations of an international nature, interesting evidence emerges also when the trends relating to the number of operations and the value of these same operations are compared. Based on the graph in Figure 7, a strong increase may be noted in M&A transactions carried out primarily during the second half of the 1990s, rising from 1,850 transactions in 1994, to 4,247 in 2000. It should be noted that until 1994, "passive"-type transactions (in which the EU company was the target of the acquisition) prevailed over "active"-type operations (in which the EU company was the bidder "driving" the acquisition). Starting on this date, and, with the sole exception of 1997, active transactions clearly exceeded passive transactions and by a large margin starting in 1999.

Figure 7. Number of international operations



Source: EC (2001) [a].

Figure 8. Value of international transactions (billion Euro)



Source: EC (2001) [a].

If one goes on to examine the dynamics shown over the course of the last decade in international transactions by value involving companies of the EU Member States, again interesting considerations tend to emerge. Based on the graph shown in Figure 8, the growth in value of the transactions of an international nature becomes obvious starting in 1998 (compared to 1997, increasing from 140.8 billion Euro to 318.1 billion Euro) and until 2000, the year in which the value of such transactions reached the record figure of 596.4 billion Euro. 2001 proved a critical year for M&A transactions of an international nature, with the value declining to 281.1 billion Euro.

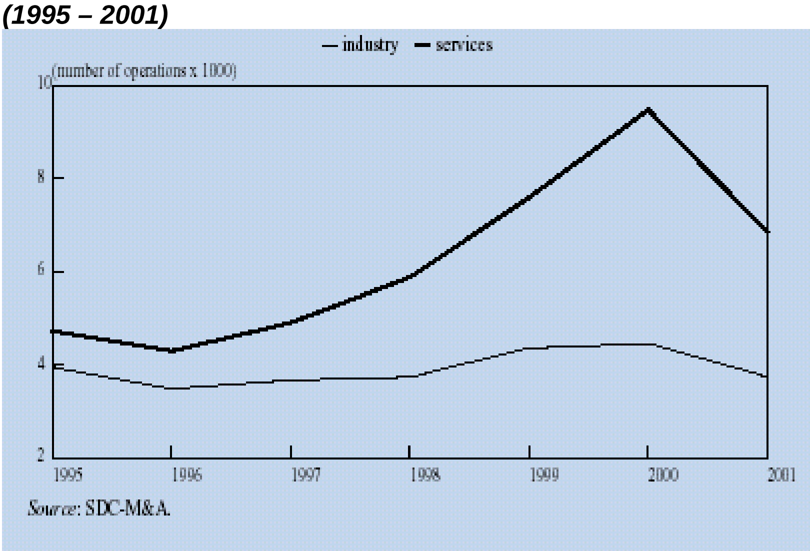
Over the course of the period 2000-2001 there were approximately 2,500 acquisition transactions in the EU Member States by companies of non-EU Member States. The nations with the highest rate of companies acquiring European companies were the *United States* (58.6%) followed by Switzerland (11.6%), *Norway* (6.4%), *Canada* (4.9%), Japan (3.1%), *Australia* (2.5%), *South Africa* (1.6%), *Israel* (1.5%), and *other non-EU Member States* (9.7%).

As for acquisitions of non-EU companies by Community companies, the nation in first place was the United States, followed by Switzerland and Poland.

During the first half of the 1990s, a large number of the transactions with an EU company as target were in the services sector. This is a sector, as shown by the graph in Figure 9, that experienced growth in the number of transactions starting in 1996 and throughout 2000. Over the period 2000-2001, 67% of all M&A transactions involved the services sector.

Figure 9. Number of transactions with a EU target by Sector

(1995 – 2001)



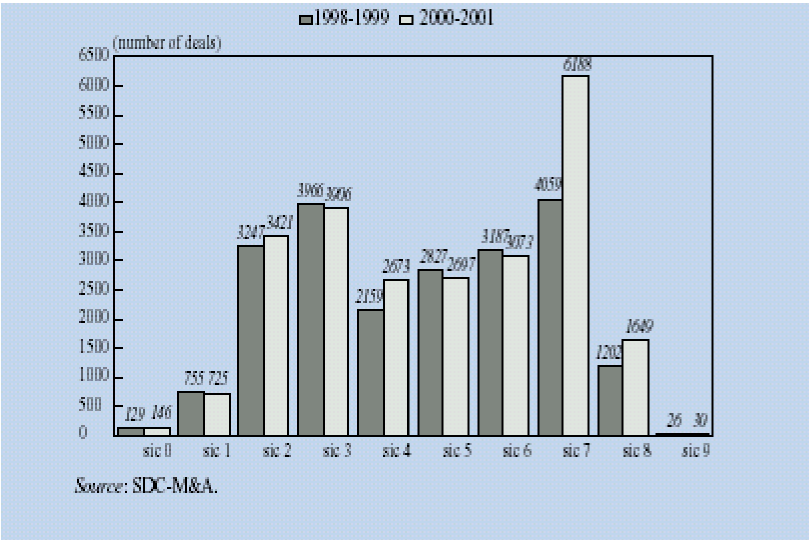
Source: EC (2001) [a].

The graph in Figure 10 shows M&A activity with an EU target for two periods: 1998-1999 and 2000-2001, broken down by sector and SIC 1-digit economic activity[6]. One can note

[6] The SIC sectoral classification (*Standard Industrial Classifications*): 1-digit classes: 0 Agriculture, forestry and fisheries; 1 Mineral industries and Construction; 2 Manufacturing (Food and drink products, tobacco, textile, paper and printing, chemicals, petroleum and coal products); 3

for the period 2000- 2001, the sector exhibiting the greatest number of merger and acquisition transactions having as their target EU companies was the services sector, with 6,188 operations (25% of all M&A transactions). Two other manufacturing sectors following the services sector are: the SIC 3 manufacturing sector – *Glass, plastic, metals, machinery, computers, transport vehicles, etc., with* 3,906 transactions (equal to 16%) and the SIC 2 manufacturing sector – *Food, tobacco, textiles, printing and paper, chemicals*, with 3.421 transactions (corresponding to 14% of all M&A transactions). In fourth place on the list we find the SIC 6 services sector – Finance, Insurance and Real Estate, with 3,073 operations (and a share of 13% of all M&A transactions).

Figure 10. Breakdown of M&A with an EU target by SIC Sector



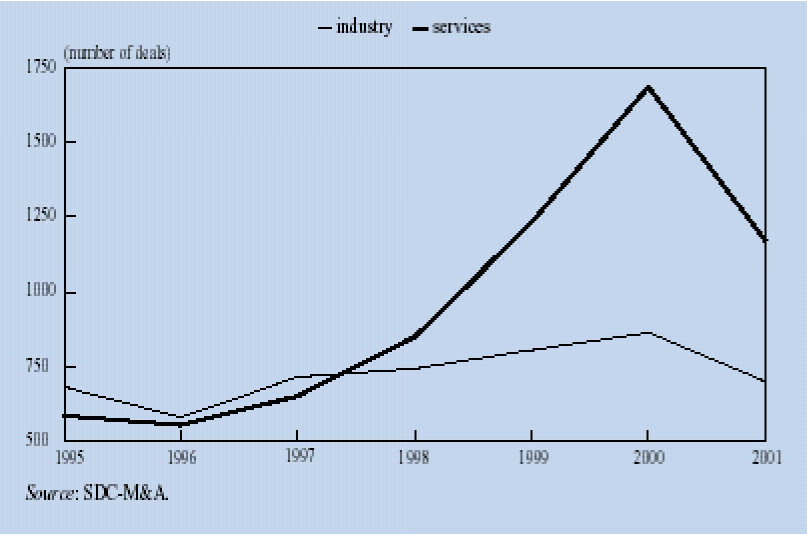
Source: EC (2001) [a].

The period between 1995 and 2001 was characterised by a significant growth in the number of Community M&A transactions having target companies in the services sector. The graph in Figure 11, starting in 1997 , shows that merger and acquisition transactions in the services sector exceeded those in the industrial sector.

The services sector is the sector with the highest proportion of M&A transactions having as their target companies of the European Union (25%). Within this sector, the sub-sector with the highest proportion of merger and acquisition transactions was SIC 73, the Business Service Sector (Figure 12). Among the industries exhibiting the highest number of transactions within this sub-sector, we find: SIC 7372 *Software* (1,381 transactions), SIC 7375 *Information retrieval services* (1,341), SIC 7379 *Computer related services* (715), and SIC 7389 *Other business services* (496). Within the SIC 3 manufacturing sector, the sub-sectors with the highest proportion of M&A transactions are the SIC 35 sector, *Industrial machinery and equipment*: Sic 3571 *Electronic computers* (93

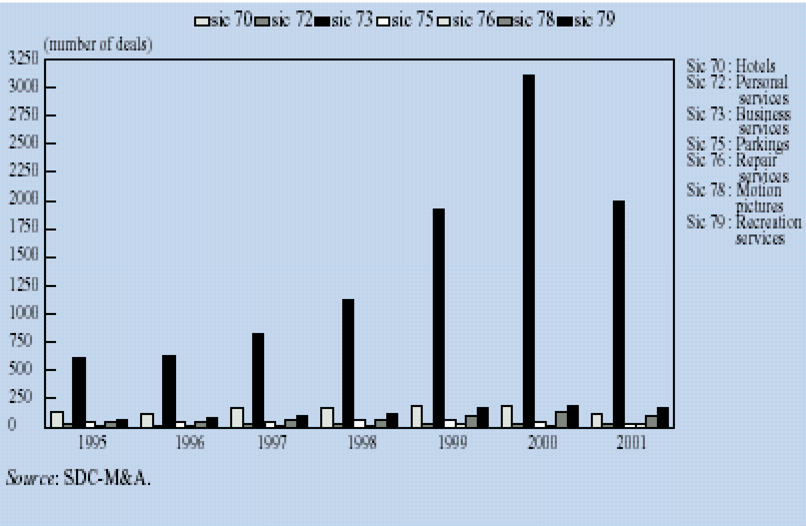
Manufacturing (Leather and leather products, fabricated metal products, industrial machinery, electrical and electronic equipment, etc.); 4 Transportation, Communication and utilities; 5 Distribution; 6 Finance, insurance and Real Estate; 7 Service industries (Hotels, personal and business services, automotive repair, Motion pictures, amusement and recreational services); 8 Service industries (Legal services, Engineering and management) operations), SIC 3559 *Other special industry machinery* (77), and SIC 3569 *Other general industry machinery* (72).

Figure 11. Sector composition of Community M&A transactions (1995-2001)



Source: EC (2001) [a].

Figure 12. Composition of total deals with an EU target in the SIC 7 sector – 1995 - 2001



Source: EC (2001) [a].

2 M&A transactions and the resulting restructuring process: key factors and motivations

The analysis carried out in the previous section permitted us to outline quantitatively the phenomenon of merger and acquisition activities in Europe over the course of the past decade. We now proceed with an in-depth study of the principal causes in the expansion encountered in M&A activities in the EU Member States. Thereby, in addition to understanding the motivations at the base of the M&A strategy, it is possible to identify the guidelines for the restructuring process resulting from these transactions. Based on an examination of the existing literature, M&A activities are concentrated both in the form of temporal cycles (called “waves” or phases) and from an industrial sector point of view.

A historical analyses of global merger and acquisition transactions, permits an identification of five major phases (Aragon, J., Rocha, F. 2002; Kleinert, J., Klodt, H., 2002):

1) The first, witnessed in the United States around the end of the 19th century and the beginning of the 20th century, witnessed the simultaneous formation of major concentrations in the sectors of credit, petroleum extraction, automobile construction, etc. and the initiation of basic anti-trust legislation with the Sherman Act of 1890 (concentrated on the prohibition of cartels and monopolies) and the Clayton Act of 1914;
2) The second phase relating to the 1920s (1919-1929), in addition to consolidating the M&A processes observed in the United States during the preceding phase, tends to become obvious in Europe also, through a process which leads to transactions to integrate companies in different phases of the same production process (vertical merger);
3) The third phase, relating to the years between 1965 and 1975, characterised by the search for economies of scale in the production of consumer goods for the general public, occurred on two distinct lines of strategy: in Europe, they proceeded to implement mergers between companies operating in the same sector (in 1973, Germany introduced forms of control over M&A transactions), while in the USA the formation process of the large conglomerates was initiated. At the end of this phase in the United States, state control was reinforced over M&As transactions through the *Hart-Scott-Rudino Improvement Act (1976)*;
4) The fourth phase, relating to the period between 1984 to 1989, was more pronounced in Europe compared to the United States, above all as a result of the need of European enterprises to implement a strategy which – in view of the completion of the Single Market – permits the transformation of enterprises from that time forward known as "national champions” in “international or European champions”. In this period, we observed the beginning of mergers in one and the same sector, also favoured in this case by the need to initiate restructuring processes (as occurs in the manufacturing sector) or to take advantage of the opportunities offered by the initiation of the process of liberalisation and de-regulation (in the services sector). It is in this sector that a European anti-trust policy was begun, with the 1989 EU directive on the control of M&A transactions (becoming effective on 21 September 1990);

5) The fifth phase, still current, began in the second half of the 1990s. In the period between 1996 and 2001, within the fifteen Member States of the European Union, there were 73,701 merger and acquisition transactions (M&A), at an annual rate of approximately 12,283 M&A transactions. The new impulse of the merger and acquisition transactions was favoured by the influence exerted by the following factors: i) expansion of the information technologies and communications sector (ICT); ii) expansion of the international markets; iii) liberalisation of the international capital movements; iv) liberalisation and deregulation of activities in the services sector; v) consolidation of the economic integration process as a result of the European Economic Union.

It is interesting to note the existence of a few similarities - indicated by the UNCTAD - between the present phase of M&A and the first cycle which occurred in the United States at the turn of the century:

> *"Some interesting parallels can be drawn between the current M&A boom and the one that occurred in the United States at the turn of the nineteenth century, reaching its climax between 1989-1902. Both M&A waves have been affected by major technological developments, new means of financing M&A and regulatory changes. But while the recent wave is an international one, the older one was confined to the United States. And just as the earlier boom in the Unites States contributed to the emergence of a national market for goods and services and a national production system, complemented by a national market for firms, so is the current international boom reinforcing the emergence of a global market for goods and services and the emergence of an international production system, complemented by an increasingly global market for firms."*
>
> UNCTAD (2000), pp. 11-12.

Likewise, as there was a greater temporal concentration of a cyclical nature of the phenomenon of merger and acquisition activities, a concentration of a sectoral nature also occurred. Among the manufacturing sectors involved, let us note the following: the automobile, chemicals and pharmaceuticals, foodstuffs and beverages, and tobacco. The firms in these sectors carried out M&A strategies of a horizontal nature intended to gain economies of scale, consolidation and integration of R&D activities, increased market strength and the elimination of productive inefficiencies. In the services sector, the sectors involved in the recent wave were those of telecommunications, the energy sector and the financial services sector (OECD, 2000). The following table shows the principal industrial sectors which were the target of M&As transactions in the USA over the course of the last three waves.

Table 3. Top Five Industries Based on Average Annual Merger Activity in the United States.

1970s	1980s	1990s
Metal Mining	Oil & Gas	Metal Mining
Real Estate	Textile	Media & Telecom.
Oil & Gas	Misc. Manufacturing	Banking
Apparel	Non-Depository Credit	Real Estate
Machinery	Food	Hotels

Source: Andrade, Mitchell, Stafford (2001).

Over the course of the past few years, M&A transactions has represented the method through which companies have reacted to profound changes in their industry environment. These changes, due to external *key factors*, triggered new opportunities but above all brought new risks. This led companies to adopt a strategy of realignment to the changing circumstances, exerting internal pressures with regard to: *costs* (M&A activity reduces costs by exploiting economies of scale, generating synergies of the various production units involved through rationalisation, "downsizing", concentrating on the "core activities" of the companies), *clients* (customisation of the product for the client), and *profitability* (the company concentrates on activities able to produce high revenues in the short-term, cutting back on activities for which the levels of profitability are lower or spread out over time). This has led to a growing demand for *multi-level flexibility*[7], and it is on the basis of this principle that the restructuring processes of companies which are the object of M&A transactions have occurred (SIF & Svenska Metall; UNCTAD, 2000, International Metalworkers Federation, 2001)[8].

Essentially, there are four *key factors* able to exert significant pressure on merger and acquisition activity:

- ✓ *Liberalisation and de-regulation activities;*
- ✓ *The process of the globalisation of economies and markets;*
- ✓ *The principle of "shareholder value";*
- ✓ *Rapid development of the information and communications technologies (ICT)*

---

[7] Policies aiming at relaunching the competitiveness exert, in turn, a direct/indirect influence on employed workers, through a greater demand for flexibility on different areas of intervention:

- ✓ *quality and quantity of employment;* increase in the propensity to substitute permanent employees by temporary employees, increase in part-time work, temporary work, contract labour and "contingent workers". A more complex and diversified use of working times (shift work, weekend work, evening and night work) develops. Faced with this approach a greater level of professionalism and skills is required for the employed work force as well;
- ✓ *changes in the organisation and management of the productive processes.* Working at home becomes quite common, thanks to the development of ICTs (e.g.: expansion of teleworking);
- ✓ the traditional salary is accompanied by *new types of compensation linked to the economic progress of the productive unit* in which the worker is employed, forms of *profit sharing*, and bonuses linked to increased productivity, etc. (IMF, 2001).

[8] In a context of this type, the restructuring processes of the undertakings, whether or not dependent upon a merger and acquisition process, are subject to two counter-opposing pressures: the undertakings on the one hand, and the workers on the other hand. As regards *employment*, these restructuring processes will be governed by principles employment flexibility, which will adapt them to the qualitative and quantitative needs of companies. The workers will thus see the security of their jobs jeopardised as well as the existence of consolidated rules. On the side of *vocational training*, enterprises will implement a selection on the basis of specific requirements considering that the costs of the training processes must be charged to the worker. The workers will demand permanent and non-discriminatory training processes, recalling the responsibility of companies to finance those processes. From the point of view of the organisation of the productive processes, a flexible and efficient organisation will be favoured, to the detriment of an organisation able to understand workers' needs. As regards work timetables as well, companies will require a flexible adaptation to their requirements, and even in this case it will take place to the detriment of the personal needs of workers (IMF, 2001).

The first of these factors is represented by **the liberalisation and deregulation** process, started in the 1980s has affected the markets of many nations. This deregulation process began in the United States and the United Kingdom by the Reagan and Thatcher administrations respectively. The European Union also, through the formation of the European Single Market, began a process of reconsideration of the existing regulatory policies in Europe. A large part of the economy of the Member States of the EU thus remained exposed to interventions oriented towards the market of liberalisation and deregulation, and therefore requiring radical adjustments. It is in this context that we observe a change in the strategy guiding the national industrial policies. For example, the abolition of subsidies (affecting heavy industry in Europe and the defence industry in the United States), deregulation intervention intended to trigger consolidation in the insurance and banking sectors[9] and privatisation programs in entire sectors aimed at abolishing state monopolies (railway and air transport, electrical power, telecommunications, etc.) (Edwards, T., 2000; International Labour Organisation – European Bahà'i Business Forum, 2000; Kleinert, J., Klodt, H., 2002). In effect, this deregulation radically changed the conditions for competition in some sectors, placing companies "in play" and thereby becoming "key" players with the role of "target" or "bidder" in M&A activities. In a context of this type, the changes produced through the formation of areas of transnational exchange (EU, NAFTA, MERCOSUR, ASEAN, EFTA), represent the "arenas" in which the "transnational champion companies" operate, formed through M&A activity of considerable dimensions (mega-mergers):

> *"One example for capital concentration on a European level is the steel industry: Ten years ago it was characterised by national companies mainly in state-ownership. Today, the steel industry is dominated by a few Transnational (European) Companies in private ownership. Another example is the telecommunications sector. But there also some industrial sectors hardly touched by actual trends of Europeanising – for example the shipbuilding sector."*
>
> EMF, (2001) [a], p. 21.

The presence of a significant number of Trans-national Companies on a European level permit the cross border flow of know-how and the advantages derived from the updated network system, permitting a response to economic shock through the reallocation of resources within the network. If on the one hand this increases the adaptability of the Trans-national Companies to changes in the economic system – making them a true European "*champion*" – on the other hand, it reduces the potential of the internal policies of the Member States in which these companies operate, while the difficulties of the small and medium-sized European enterprises in forming solid European networks remains (EC, COM/99/0465 final).

Another factor able to trigger the expansion of M&A activity is represented by the ***globalisation of the economy and markets****.* Over the course of the past decade, a strong growth in international trade has been observed, which together with the liberalisation of the movement of capital and the increased flow in direct foreign investments, has made national economies much more interdependent. Some companies

---

[9] *"Deregulation has intensified competition via two mechanism: by opening the sector to new entrants (foreign banks and non-banks) and easing the rules previously preventing expansion into various financial segments (retail banking, investment/merchant banking, etc.); and by encouraging development of new products and convergence in services provided by different types of financial operators."* (International Labour Organization, 2001 [a], p. 9).

have been strongly exposed to processes – such as that of globalisation – which can alter the nature and intensity of competition in their markets. This is what has happened in some manufacturing sectors (*chemicals, pharmaceuticals, automobiles, electrical and non-electrical machinery, foodstuffs and beverages)* and in other service sectors (*trade, credit, business services*).

The increasing importance of M&A activity can be illustrated through a comparison of M&A transaction value with the outgoing flow of foreign direct investments (*Foreign Direct Investments* - FDI)[10]. Based on UNCTAD data (World Investment Report 2002), it can be seen that there were 151 billion dollars of M&A transactions in 1990, compared to 233 billion dollars in foreign direct investment, the M&A transactions representing 65% of FDI. In 1999, there were 800 billion dollars in FDI and 720 billion dollars in M&A transactions, ratio of 90%. In 2001, there were 621 billion dollars in FDI and 601 billion dollars in M&A transactions. This comparison permits a delineation of the role assumed by M&A transactions within the framework of the globalisation of the economy over the course of the past decade, a role fully recognised by UNCTAD experts:

> *"… driven by the recent wave of cross-border mergers and acquisitions (M&A), global FDI outflows reached $800 billion in 1999, an increase of 16 per cent over the previous year."*
>
> UNCTAD (2000), p. 10.

It should be stated however, that over the course of the 1990s company merger and acquisition transactions assumed a growing importance even in the developing countries:

> *"It was not until the late 1990s that developing countries emerged as important locations for incoming cross-border M&A in terms of value. While their share in world cross-border M&A remained constant at less than 10 per cent in terms of value almost every year until the mid-1990s, in terms of the number of deals, it increased from 5 per cent in 1987 to 19 per cent in the late 1990s. The value of cross-border M&A undertaken by firms from developing countries rose from $3 billion in 1987 to $41 billion in 1999. Among the developing regions, Latin America and the Caribbean dominate cross-border M&A sales, with Brazil and Argentina as the main sellers (...) In Asia, cross-border M&A sales gathered pace in 1999. In the Republic of Korea, acquisitions by foreign firms exceeded $9 billion in 1999, making it the largest recipient of M&A associated FDI in developing Asia. In Africa, Egypt, Morocco and South Africa have been the targets of most foreign acquisitions."*
>
> UNCTAD (2000), p. 15.

After the significant expansion in M&A during the second half of the 1990s, the sudden slowdown recorded in 2001, is cited as one of the reasons for the sudden drop in the flow of direct foreign investments:

> *"The decline in FDI flows in 2001 largely reflects a fall in cross-border M&A – the principal vehicle since the mid-1990s for FDI in developed countries. The decline in cross-border M&A is, in turn, attributable to slower economic growth and prospects of reduced profit, particularly in developed markets. It may also be the result of a lull in the consolidation process of certain industries acquired through M&A, reflecting, for example, companies' need to digest the acquisitions made. Finally, the fall in share*

[10] *"It should be cautioned, however, the data on the value of cross-border M&A and FDI flows are not truly comparable for a variety of reasons that relate to how M&A are financed and to the balance-of-payments methodology used in calculating FDI flows, which is not applicable to M&A." UNCTAD (2000), p. 9.*

prices has played an important role because it has meant a reduction in the value of (asset acquired through) M&A. Moreover, the exchange of shares is an important means of financing M&A. In 2000, for instance, shares were used to finance some 44 per cent of all cross-border M&A deals. In 2001, the market value of stocks listed in the six major stock exchanges fell by one-third (from $29 trillion at the peak in 2000 to $19 trillion at the trough in September 2001). As a result, the value of cross-border M&A concluded through the exchange of shares fell to 24 per cent of the total in 2001."

UNCTAD (2002), p. 11.

Globalisation of the economy exerts pressure on companies, leading to a continuous search for increased productivity and maximisation of profits. As a result, merger and acquisition transactions and the eventual restructuring represent one of the strategic responses of firms to the changed scenarios imposed by the globalisation process.

In many of the productive sectors the firms are proceeding with a strategic redefinition of their core competences. Based on this redefinition, they initiated major restructuring programs aimed at exiting the "mature" manufacturing industries and changing to "business services" or "financial services", or "information and communications technologies", sectors permitting increased profit margins. Restructurings where no transfer of productive activities has taken place, have led to the abandonment of some phases of production to external partners, through the practice of outsourcing (International Metalworker Federation, 2001).

A third factor exerts an undoubted influence upon M&A activity, represented by the growing importance in the business world of the concept of ***"shareholder value"***:

"At its most basic, creating shareholder value means that the market favours firms that increase the productive use of their assets by increasing turnover ratios, margins and profitability."

ILO (2001), p. 18.

On the basis of this principle, the strategic choices of enterprises are oriented towards the short-term point of view intended to finalise immediate yields, to the detriment of choices also implying important results but to be achieved over the medium or long term. It is from this point of view that the growth in shareholder value of firms immediately following the announcement of employment cuts must be considered. In these cases, the market only identifies the cost element represented by employees of these companies, the announcement of redundancies represents cost cuts, and in this way, contribute to an increase in the market prices of the companies in question[11]. This leads to the diffusion of a company strategy with a near-sighted market point of view, based exclusively on the short-term, incapable of taking account of the "economic and social value" represented by these employment cuts in terms of professionalism, accumulated training and company loyalty for the same companies. This leads to the development of a short-term strategy dominating all company sectors - for example Research and Development or professional training– which although implying reduced profits in the short term, result in

[11] In this case, the enterprises, regardless of the sector to which they belong, are traded on the stock exchanges like football teams (for example: Manchester United, Leeds United, AS Roma, Juventus FC, etc.) the market values of which assume an erratic quality not linked to the real capital situation and profits at the end of the season (Championship, Champion League, Uefa Cup) but rather based on the short-term results achieved in the Sunday match.

significant profits in the medium and long term, must nevertheless be reduced or sacrificed (Bluestone, B., Harrison, B., 2000). From this point of view, the interests of the "stakeholders" (those contributing to or influencing the success of the company as well as those whose rights and interests are influenced by, or have an influence on the company such as salaried employees of the company, the local community, trading partners, the environment) are relegated to the background, secondary to the objective of continued growth in "*shareholder value*":

> *"From this point of view long-term investment influences the short-term balances in an negative way. As a result investment in product development, improvement of production processes and knowledge of the employees does not appear as an attractive choice. In the interest of shareholders therefore cost reduction and mergers are preferred as measures to increase the profitability of a company."*
>
> EMF (2001) [a], p. 22.

An additional factor influencing M&A activity is the ***rapid development by the information and communications technologies (ICT)*** over the past decade. This sector, between the end of the 1980s and today, has been the subject of a radical transformation. From this beginning, the innovations introduced in the sectors of electronics, telecommunications and telecommunication services have caused a gradual change in the systems of production and organisation of the more advanced economies. The growing versatility of some products (*telephony*, *television and personal computers*), combined with the ability to link these instruments through the use of a network of links (Internet, satellite), has permitted the realisation of a convergence between data processing and telecommunications, giving rise to the new productive network of data processing and communications technologies*: ICT Manufacturing Enterprises*; *Services "related goods"*; *Intangible services* (OECD, 1997, 1999, 2001; Iuzzolino, G., 2001)[12]. In this context, M&A activity represents the instrument for the company – (whether national or foreign) – to gain more rapid access to new markets and more rapid consolidation of one's own competitive position:

> *"The crucial role of speed in today's business life is illustrated by such quotes from top executives as: "In the new economy in which we live, a year has 50 days" or "Speed is our friend – time is our enemy. Cross-border M&A often represent the fastest means of building up a strong position in a new market, gaining market power – and indeed market dominance – increasing the size of the firm or spreading risks".*
>
> UNCTAD (2000), p. 12.

Having briefly illustrated the key factors at the basis of the adaptation of companies to the changed circumstances of the business environment and the consequent spread of M&A activities, we consider it proper to concentrate our analysis on the arguments upon which the merger and acquisition processes are based. In this manner, it will be possible to understand the factors determining the restructuring processes resulting from these M&A

[12] This classification of sectors belonging to the data processing and communications technologies includes the following sectors: ICT Manufacturing enterprises: office accounting and computing machinery, insulated wire and cable, electronic valves and tubes, TV, radio receivers, sound or video recording, instrument for measuring, cheeking, testing, navigating and industrial process control equipment; Services "related goods": Wholesaling of machinery, equipment and supplies, renting of office machinery and equipment; Intangible services: Telecommunications, Computer and related services.

activities. This information may be useful to determine the strategy to be assumed by the trade union organisations to combat the negative consequences of this phenomenon.

EXTERNAL FACTORS ⇒ M&A ACTIVITIES ⇒ RESTRUCTURING PROCESSES ⇒ TRADE UNION STRATEGY

Merger and acquisition activities may result from a series of motivations which are *offensive* - intended to permit the firm to create value, or *defensive* - permitting the firm to solve problems of various kinds, thus avoiding a loss of value.(Aragon, J., Rocha, F., 2002).

Table 4. Motivations underlying the decisions to undertake M&A transactions

1)	**Rationalisation of production**
2)	**Economies of scale**
✓	*Short term*
✓	*Long term*
✓	*Of purpose*
3)	**Technological progress**
✓	*Spread of know-how (uni-directional – bi-directional)*
✓	*Incentives for R&D*
4)	**Economies linked to greater negotiating power**

Roller, L-H., Stennek, J., Verboven, F., 2001

Based on the existing literature, the motivations of a merely economic nature, guiding the decisions to proceed with merger and acquisition operations may be attributed to the following four categories, identified in Table 4 (Roller, L-H., Stennek, J., Verboven, F., 2001):

- ✓ *Rationalisation of production*;
- ✓ *Economies of scale*;
- ✓ *Technological progress*
- ✓ *Economies linked to greater negotiating power (purchasing economies)*.

An understanding of these motivations, in addition to permitting an identification of the causes underlying the restructuring processes – resulting from M&A – permit trade union organisations to draw up a strategy intended to face this phenomenon in a more effective manner.

An initial reason is the ***rationalisation of production***. A merger or acquisition leads to cost savings through the transfer of production from plants with high cost margins to plants with low cost margins, achieving the same marginal production costs in all plants of the company in question (whether through the new company arising from the merger, or the acquiring company).

A second motivation is linked to the presence of ***economies of scale***. Economies of scale occur when the average cost tends to diminish with increasing production.

Economies of scale may be broken down into *short-term economies, long term economies and economies of scope.*

Short-term economies of scale relate to the elimination of duplications in activities and a cost savings. In the first case, this refers to activities with fixed costs which do not vary with variations in production (involving, in general, administrative and routine costs). M&A activities permit a allocating these costs on new higher levels production. The second case relates to cost savings when, as a result of higher production (resulting from the merger or acquisition activity) a reduction in marginal costs is achieved.

Long-term economies of scale are achieved when an increase in the use of production factors permits the achievement of a proportionally greater production increase. To obtain long-term economies of scale it is advisable for the resources of the company which is the target of the merger to be combined and integrated among the existing resources (the presence of such economies is not the simple sum of all the parts, but rather of the integration and combination of the same).

Economies of scope are achieved in terms of cost savings through an increased production of goods or services which are linked directly or indirectly. Cost savings are achieved when the production of goods and services share the same productive factors, such as, plant or personnel. An example may be represented by the petroleum refining process and the realisation of their derived products.

It is advisable to state that M&A transactions determined by the need to achieve a rationalisation of production processes do not always achieve the desired effects. As a result of these operations, increased management or coordination costs of the different activities may arise as a result of the greater complexity of management associated with the broader dimensions of the new company taken over.

A third group of motivations is based on the fact that the M&A operation will permit an improvement of competitiveness as a result of innovations (of production processes) introduced by technological progress. There are two orders of motivation: dissemination of know-how among the companies which are the target of the M&A activity and incentives for R&D. In the first case, the companies which are the target of M&A activity presenting a low level of *know-how* may adopt from bidding companies, superior levels of know-how (*one way diffusion*), and it may exert a bi-directional spread between the companies involved (*two way diffusion*):

> *"This can bring the firms closer to their joint production possibilities frontier, without shifting the frontier itself"*
>
> Roller, L-H., Stennek, J., Verboven, F., (2001), p. 45.

In the second case – *incentives for R&D* – the merger and acquisition activity may be determined by the determination to integrate R&D investments and activities creating significant economies of scale.

A fourth motivation relates to the existence of ***economies linked to greater purchasing power*** (*purchasing economies*). In this case, cost savings are achieved as a result of M&A activity due to the existence of imperfect markets. The merger or acquisition activity, increasing the negotiation power of the companies concerned, permits them to exert pressure on suppliers to offer them discounts on supplies. This occurs, for example in the automobile sector where companies succeed in obtaining discounted prices for the purchase of large quantities of components, or in the credit sector, in which companies of significant size obtain better credit conditions as a result of their supposed economic and financial solidity. It is nevertheless proper to state that the greater negotiating power could also occur with regards to its own clients, representing a potential restriction on competition.

The motivations of a purely economic nature do not however exhaust the reasons which may lead to the realisation of an M&A transaction. There exist in fact a series of other motivations no less important than the above.

One need only think of motivations of a strategic nature, dictated by the objective of eliminating a competitor, proceeding with the attempted acquisition of ownership through a hostile take-over, or through a horizontal merger. In some sectors, in fact, M&A activity has represented the crucial element for the strategic growth of transnational companies, in particular, in the telecommunications and energy sectors (UNCTAD, 2001, [a]). In the credit sector the activity has triggered chain reactions:

> *"…cross-border M&A allows firms rapidly to acquire a portfolio of locational assets which has become a key source of competitive strength in a globalising economy. In oligopolistic industries, furthermore, deals may be undertaken in response to the moves or anticipated moves of competitors. Even firms that would not want to jump on the bandwagon may feel that they have to, for fear of becoming targets themselves."*
> UNCTAD, (2000), p. 13.

For this type of M&A, the motivations of an economic nature are replaced by exclusively strategic arguments[13]. In this case, M&As fed by "imitation" dictated by the need – on the part of the company – to avoid becoming an M&A target:

> *"Since relative size is a more effective barrier against takeover than relative profitability firms may therefore enter the M&A game for no other reason than to defend themselves against its effects. By doing so, however, they will simply help create a merger mania."*

It is important not to neglect that a strategy of this type can have grave repercussions of an economic nature in addition to proving themselves sources of economic loss for the very authors of the action[14]:

[13] For an examination of the theoretical explanation, based on M&A activity of a merely strategic nature, operations which have as their objective neither the creation of economic wealth nor the appropriation of monopoly profits which Schenk, H. calls *"strategic comfort"*, please see the many studies on the topic by the same author, including Schenk, H. (1999).

[14] The present passage, written in 1981 by one of the most famous Chief Executive Officers, effectively describes the *enchantment* to which many managers are subject after having given way, which Scherer has described as a true and proper merger-mania: *"Many managers were apparently over-exposed in impressionable childhood years to the story in which the imprisoned, handsome prince is released from the toad's body by a kiss from the beautiful princess. Consequently they are certain that the managerial kiss will do wonders for the profitability of the target company. Such optimism is essential. Absent that rosy view, why else should the shareholders of company A want to own an interest in B at a takeover cost that is two times the market price they'd pay if they made direct purchases on their own? In other words investors can always buy toads at the going price for toads. If investors instead bankroll princesses who wish to pay double for the right to the toad, those kisses better pack some real dynamite. We've observed many kisses, but very few miracles. Nevertheless, many managerial princesses remain serenely confident about the future potency of their kisses, even after their corporate backyards are kneedeep in unresponsive toads."* Warren Buffet (1981).

"The development of productivity and innovation may be harmed as merger decision making consumes an important fraction of investment funds as well as managerial time, talent and energy, both ex ante and ex post, that cannot be spent anymore on investment projects that are more likely to create wealth in the long run, such as investment in machinery and equipment, and investment in R&D, training and schooling."

Schenk, H., (1999).

And it is precisely for this motivation that the European Metalworkers Federation proposes the thesis advanced and argued by Schenk, H. (1999) of subjecting M&A transactions to a control able to appraise their test of global effectiveness, i.e., a "*full efficiency test*":

"Comme les fusions purement stratégiques ne peuvent survivre que si on peut bloquer le fonctionnement efficace des mécanismes du marché, alors que les politiques de contrôle des fusions ont été explicitement établies pour éviter cela, des adaptations en matière de politique sont nécessaires, même du point de vue de la réalité globale. Un "Test d'Efficacité Globale devrait être inclus dans le contrôle des fusions. Un tel test devrait également s'étendre pour englober les reprises incontrolées de PME par de beaucoup plus grandes entreprises.

EMF, (2001) [b].

In the attempt to identify motivations of an non-economic nature for M&A activity, one cannot exclude the existence of personal interests, on the part of those who will be called upon to manage the entire M&A activity. Among the subjects which will obtain a real advantage – in terms of extraordinarily high compensation rewards – as the result of the long negotiation involved in M&A transactions, are the *Chief Executive Officers (CEOs)* of the company concerned, the investment banks, law offices and consulting firms. The levels of compensation earned, through the primary and related activities of M&A transactions, have led to the birth of a true market for such services. It is natural that the people present in such markets have a particular strong interest in ensuring themselves the constant realisation of M&A activities.

Having summarily examined the motivations of an exclusively economic nature, leading to the realisation of a merger or acquisition, it is suitable to wonder whether such operations actually lead to competitiveness on the part of the companies concerned. Based on the existing literature, it cannot be affirmed in an unequivocal manner that M&A activities lead to a gain in competitiveness and increased profits.

Some studies have shown that a great many merger and acquisition transactions have represented failures from an economic point of view:

"A 1999 KPMG survey of company directors whose companies had participated in major cross-border M%A deals between 1996 and 1998 found that 82 per cent of respondents believed the deals they had been involved in had been a success. However, this was a subjective estimation as only 45 per cent of the companies had undertaken formal post-deal reviews. Benchmark analyses based on comparative share performance one year after deal completion found that only 17 per cent of deals had actually added value to the combined company, 30 per cent had produced no discernible difference and 53 per cent had actually destroyed shareholder value. Companies focusing attention on finance or legal issues (to the detriment of other areas) were found 15 per cent less likely than average to have a successful deal. (…) most research confirms that two thirds of M&As fail to achieve their objectives for various reasons. The benefit of size and economies of scale are usually nullified by increased complexity and losses related to top-heavy organisations, while the

difficulties of adequately blending cultural and other human factors in the integration of the combined enterprise are often under-estimated."
OIL (2001), p. 6; p. 112.

"…the most common result of merger performance studies in such industries as diverse as manufacturing, advertising and banking is that profitability and productivity, variously measured, do not improve as result of merger, or improve less than could have been the case without a merger."
Schenk, H. (1999).

"Empirical analysis also shows that mergers have very modest average effects on the profitability of the merging firms and that a large proportion of mergers reduce profitability."

Ilzkovitz, F., Meiklejohn, R. (2001), p. 10.

There are series of obstacles to the process of mergers and acquisitions such as to prejudice the resultant economic expectations. Let us attempt to list a few of them.

The pursuit of economies of scale and the consequent ***dimensional growth*** do not always lead to a direct increase in the profitability of the company, the latter may be gradually eroded by the costs of management, control and supervision implied by a heavy structure (ILO, 2001).

Above all, the ***cultural element*** represents the most important obstacle to M&A deals . It produces inefficiencies linked to the unification of different administrative and financial structures bearing different cultures and policies (EUROCADRES, 2001). This is what happened during the process leading to the merger between *Daimler-Benz* and *Chrysler*. Performance after the merger process was inferior to expectations, as a result of the contrasts which became obvious in relation to the different methods of management:

"…while Daimler-Benz's culture stressed a more formal and structured management style, Chrysler favoured a more relaxed, freewheeling style (…) In addition the two units traditionally held entirely different views on important things like pay scales and travel expenses."

Weber, R.A., Camerer, C.F. (2001), p. 3.

The M&A process is a complex one and as such require lengthy and not always planned periods of time for management. It requires a high level of ***manager professionalism,*** to resolve problems linked to the merger process, thus avoiding errors capable of derailing the process itself (ILO, 2001).

Another element permitting an explanation of the failure of the M&As processes is the ***human capital factor.*** A great many merger and acquisition processes are carried out neglecting this major factor. Often, the teams of the companies involved in the M&A process consist of specialists, legal and financial consultants, and company strategy experts. They are teams put together for the purpose of solving the problems of an economic and financial nature arising as a result of the M&A transaction. The rapidity factor is considered of basic importance for the proper success of the operation. While the integration phase for the companies involved in the M&A process may take from three to five years, the first days from the announcement of the negotiation of the deal represent a crucial period of time for the proper success of the operation. It is a period of time in which the prevalent element is represented by uncertainty as to the permanence of the company on the part of the workers, as well as to their future career prospects. To reduce the probability of future M&A giving rise to this type of failure, the human capital factor must be placed at the centre of the M&As process, and that it be given equal priority with factors such as the economic and financial factors which appear to govern the process on an exclusive basis.

Placing the human capital factor at the centre of M&A processes means permitting the directors of the companies involved, who are involved in human resources management, to participate in the merger and acquisition process, and at the same time to ensure the worker representation organisations the most complete information, and the possibility that they are enabled to safeguard the interests they represent.

3 "Social" rationalisation processes of M&A transactions and company restructuring

As seen in the previous section, the existing literature relating to M&A supplies an innumerable series of studies of various kinds. We find analyses relating to the effects of M&A on the profitability of the companies involved; the trend in share prices; the problems raised in terms of restrictions on competition, etc..

In an analysis of this literature, one gains the impression of an insufficiency of studies relating to the effects of the restructuring resulting from M&A transactions[15]. In our opinion, this is a particularly grave deficiency, since it is precisely this human capital – present in the companies which are the target of M&A – where the restructurings are concentrated when the transactions do not lead to the expected results:

> *"The much slower growth levels in the 1990s and the high premiums usually paid to shareholders of target companies, mean that the restructuring needed to achieve satisfactory cost savings from mergers can only be obtained with much deeper cost cutting, imperilling the ability of merged companies to achieve the higher levels of sales revenue required to repay merger-related debt and increase shareholder value."*
>
> ILO (2001), p. 17.

> *"…calculations about redundancies based on the announcement of lay-offs during the first nine months of 2001 in media reports put the level of redundancies at 230,000 in the Eurozone and at about 350,000 in the European Union."*
>
> EC (2001) [a], p. 3.

The restructuring resulting from M&A activities imply social effects which cannot, and should not, be neglected in the decision-making process which leads to the realisation of company transactions. In this particular context, characterised by an incomprehensible lack of studies on the social effects of M&A deals, we hope that the European Observatory on Industrial Change, formed within the European Foundation by decision of the European Council in Stockholm, may succeed in filling this gap.

On the basis of the starting points furnished by the existing debate, we will attempt to detail in this section, a summary framework of the possible implementations which may lead to the application of "social" rationalisation processes of M&A transactions and of the resulting restructuring activities.

The effects resulting from company restructurings can be broken down into three categories (EMF, 2001):

1) Loss of employment and the consequent problems which may be caused to the people involved. We are thinking of economic insecurity, situations of loss of respect and/or self-esteem and anxiety;

2) Declining job security. The restructuring of the production units comes about through the use of:

[15] Among the studies of this type let us mention: Edwards, T. (2000), EUROCADRES, (2001), Europe et Société (2002), European Foundation (2001), EMF (2001) [a], ILO, (2001) [a], [b], International Metalworkers Federation, (2001), Kleinert, T, Klodt, H., (2002), Sisson, K., (2000), UNI Finance (2000).

- Flexible instruments, represented by part-time work, temporary work, fixed-duration work, "*contingent workers*", etc.;
- Practices tending to decentralise part of the production, permitting the undertaking to concentrate on the activities representing the "core business".

3) Vocational crowding out. The qualified labour force plays a fundamental role in the present phase of transformation and globalisation of the economy. In this specific context, a continual process of retraining of the non-qualified work force between the ages of 45 and 65 is required

The application of a "social" rationalisation approach to M&A activities and the resulting restructuring implies the need to minimise the social damage resulting from that process. This is an indication originating from both the *European Commission* and the *United Nations Conference on Trade and Development*[16]:

> *"…limit social damage through tripartite negotiations resulting where appropriate in agreed guarantees and assistance for people losing their jobs."*
>
> EC (1998), p. 22
>
> *"Measures should be considered to maximise the benefits and minimise the social cost of M&A. These measures may include social safety nets and responses to employment effects of M&A, including support to the training and retraining of workers who may be laid off."*
>
> UNCTAD (2001) [b], p. 2.

In this context, industrial change – resulting from restructuring– must come about in such a way as to ensure security and promote employment (EC, 1998). It is important to recall that in 1998, the *High level group on economic and social implications of industrial change*- formed by the European Commission, in the *Managing Change Report*- had mentioned the need to counter-balance the growing importance being assumed by the shareholders through the strengthening of the principle of *stakeholders*, with the requirement of the bearers of various social interests with direct or indirect links to the company (*stakeholders*):

> *"The Group is convinced that companies have responsibilities not only to their shareholders but also to other stakeholders. The corporate entity has a responsibility to maintain the employability of its workers.(…) Any company proceeding with dismissal and manifestly failing to take the necessary steps to safeguard the employability of those dismissed should no longer be eligible for any form of public aids"*
>
> EC (1998), p. 6.

[16] A reading of the UNCTAD document tends to reveal the fear that M&A transactions may represent serious damage for those less developed economies, which are concerned by such operations, over the course of the past few years. Countries not possessing significant levels of development and who do not dispose of a legislative framework capable of neutralising the effects of such processes*: "Consideration should be given to assisting developing countries, in particular the least developed countries (LDCs), in developing and implementing national and regional competition policies, including through support for technical assistance. Consideration should also be given to assisting developing countries, and in particular LDCs, in formulating policies and measures concerning cross-border M&As, including in dealing with their impact on employment and enhancing the ability to attract appropriate technology with a view to increasing the level of technology transfer."* UNCTAD, (2001)[b], p.3.

This position is in line with the principle of the social rationalisation of the industrial restructuring processes. Processes which must be realised with full respect for the economic value of the companies and the people involved in these activities. In this particular context, the attention is concentrated on a generally broader population, not only the shareholders, and such as to involve all those having direct or indirect links to the company (*stakeholders*). Those employed resources such as capital, labour, the local infrastructures, raw materials, semi-finished products, and services, in the entrepreneurial activity. Each of these obtains, by such a link, a reward represented by: dividends, salaries, payments of trade invoices, taxes and social contributions. It is from the inter-linking of these relationships that the value of the company is reinforced, with the various bearers of interests requiring their correct compensation (*fair share*) for the contribution made to the activity. This creative tension tends to become destructive, when one part of such a relationship tends to prevail to the detriment of the other stakeholders (ILO-EBBF, 2000).

The social rationalisation of restructuring processes requires that such processes be realised proceeding through a hierarchical scale of intervention (Table 5). On the basis of this principle, it will be proper to proceed at the outset, with those interventions which are less penalising to the weaker stakeholders, and later, only after the exhaustion of such intervention or the verification of the impossibility of implementing it, turning towards those located in the lower part of the list (actions producing effects of a negative nature with regards to employed workers).

Let us briefly recall the new classes of restructuring operations which form part of the list (ILO-EBBF, 2000):

Strategic restructuring, represented the first group of interventions to be appraised, in the event that one must proceed with restructuring in this context, is placed in discussion the strategic essence of the company in question, evaluating the suitability of continuing to present certain fields of activity. The possibilities of creating strategic alliances with possible partners will furthermore be evaluated.

Restructuring of ownership, using financial engineering developed over the course of the 1990s, and to help the company through difficult periods. The application of these techniques of financial engineering must be evaluated attentively, particularly in the light of the recent financial scandals in the USA, thus avoiding the careless, ethically and morally unacceptable use of the same techniques (Enron, WorldCom, etc,). Essentially, there are five different types of intervention: *i) Spin-offs*, part of the company activities is transferred to another, newly-formed company, the share capital of which is distributed to the shareholders of the first company in the form of a dividend paid in shares[17]; *ii) Equity carve-out*, represents the sale, by a company of a portion of a subordinate company, without the need for the sale to generate the loss of control of the company itself[18]; *iii)*

[17] *"General Motors decided in 1991 to spin off the $ 18 billion Delphi Automotive System Corporation as an independent automotive parts company. Losses of $ 1 billion in 1991 were turned into a profit of $ 370 million; non-GM sales increased considerably; shares are traded publicly; and stock options were granted to 200,000 employees worldwide. Two-thirds of employee share purchasers were union members."* (ILO-EBBF, 2000) p. 21.

[18] *"…equity carve-outs have assumed a prominent place in US equity activity, with an average of almost 50 carve-outs a year. Some analysts say that carve-outs are the best way to unlock unrecognized values in public companies, while critics reply that "The whole fuss over carve-outs encourages financial engineering over sound management."* (ILO-EBBF, 2000) p. 21.

Leveraged buy-outs (LBOs), is the technique through which company shares are acquired through indebtedness, supplying, in guarantee of the loan, the activities of the registered company[19]; *iv) Management buy-outs*, represents a variation of LBOs, with the characteristic of being realised by managers internal to the company; v) *Employee ownership*, increasing numbers of companies offer their own employees the possibility of acquiring ownership through the transfer of *stock options*[20] or profit sharing practices.

Financial restructuring, relates to interventions with the objective of improving the efficiency of the capital invested in the company: Interventions of this type relate to decisions regarding a: i) dividend distribution policies; ii) the acquisition of its own shares; iii) debt restructuring; iv) other financial options.

Revitalisation of the company, represents those forms of intervention able to mobilise resources permitting a profitable use of the undertaking itself, through a reallocation of activities towards new products and/or markets.

Organisational restructuring relates to intervention in the organisation of the company intended to improve efficiency: i) *Alignment*, the management of a company can no longer be directed exclusively according to decision-making principles based on the hierarchy and the “chain of command” must be integrated, with approaches intended to value the human resources present in the company, the inter-personal relationships and processes able to permit the sharing of strategic decision-making; ii) *Re-engineering* represents those interventions intended to produce radical improvements in costs, product quality, in the supply of services and in the rapidity of their realisation; *iii) Benchmarking* represents the process through which a comparison is made between the performance of the company in question and the performance of the company representing the benchmark. In this case, it will be possible to identify the various deficiencies, and introduce the necessary improvements; *iv) Participative management* implies the participation in the decision-making process of the same people who are subject to such decisions; *v) High performance work systems*, also this case involves interventions intended to realise an improved involvement of employees through a strengthening of their professionalism (creation of self-managed teams, continued training, sharing of information, compensation structures linked to the performance of the company, etc,); *vi) Cross-functional work teams*, creation of teams consisting of people with different functions.

Outsourcing, represents the intervention through which the production activity, excluding the core activity of the company and/or the services linked to it, are decentralised towards other external companies. These interventions, in addition to permitting the transformation of the fixed costs into variable costs, permits the company to concentrate on its core activities.

[19] *“Now this technique has reached Europe, and the value of the European acquisitions by investor groups increased from $ 20 billion in 1996 to over $ 120 billion estimated in 1999.”* ILO-EBBF, 2000, p. 21.

[20] Represents the right through which the possibility of acquiring shares, often under favourable price conditions and in pre-established quantities.

Table 5. Hierarchical scale of the restructuring processes

1) Strategic ⇓	Redefinition of the fields of activity Choice of the core business Choice between specialisation and conglomerates M&A Joint venture & alliances
2) Ownership ⇓	Spin-offs Equity carve-out Leveraged buy-outs (LBO) Management buy-outs (MBO) Employee ownership
3) Financial ⇓	Revision of the dividend distribution policies Share repurchasing Debt restructuring Other financial operations
4) Innovation ⇓	Other new products New markets
5) Organisational ⇓	Alignment Re-engineering Benchmarking Participative management High performance work systems Cross-functional work teams
6) Outsourcing ⇓	Administrative and accounting services Cleaning services Technical services and ICT Security services Production not considered core business of the company
7) Production ⇓	Remodelling of the production and delivery times, increased flexibility of marketing, reduced stocks, etc.
8) Non-personnel costs ⇓	Reduced costs of acquisition of goods and services
9) Downsizing	Reduced employment Closure of production units Work redesign Continuous improvement (systemic strategy)

Source: ILO – EBBF (2000)

Restructuring of production, application of reengineering techniques to improve the organisation of the production process and which may concentrate on a remodelling of the production times and product delivery times, reduced stocks, etc.

Non-personnel costs, relates to interventions intended to obtain savings through the saving of costs of acquisition of goods and services (continuous search for the best supplier, establishing qualitative standards for one's own suppliers, involving the suppliers in product quality management, reduced transport costs, etc.

Downsizing, represents the *last action* of the restructuring process, realised through: a) planned and systematic cuts in employees and/or production units; b) redesign of the professional tasks *"work redesign"* (an activity which, in the long run, implies a reduction in personnel); c) the introduction of continuous improvement as a *"systemic strategy"*, intended to involve all employees through the creation of independent *cross-functional teams* such as to involve the greater participation of the employees in the results of the company.

The importance of a social rationalisation of the restructuring process, in addition to permitting a limitation in the social damage of such processes, permits a reduction in the recourse to the technique of downsizing. A tactic which, based on the analysis of the existing literature conducted by the ILO, is not at all guaranteed to produce the expected results. It may in fact trigger a vicious circle, such as to prejudice the increase in productivity and the cost savings, which are the underlying objectives of its original application. The failure of downsizing is attributed to the presence of a series of hidden costs which increase insecurity and stress in the work force surviving the downsizing, with effects on the professional activity and productivity. Among the hidden costs let us identify the following: i) the reduction in productivity[21]; ii) the high turnover of employees and high absenteeism; iii) the decline in work quality; iv) the reduction in professional creativity; v) the loss of key professional personnel; vi) damage to the image of the company; vii) the growth in administrative and legal costs; viii) the high social costs (ILO-EBBF, 2000).

Based on the analysis set forth above, it appears inescapable that M&A transactions and the resulting restructuring must be guided by a social rationalisation approach. In a situation of this type, it becomes crucial to involve the employees and the trade union organisations. In this part of the paper, we will summarise the difficulties facing the trade union organisations when participating in the process of information, consultation and negotiation resulting from M&A transactions.

In the field of merger and acquisition transactions, the strategy of the company tends to vary – through an infinite series of attitudes – between two behavioural extremes: on the one hand, the authoritarian model, which tends to deprive the trade unions and Work Councils of their legitimacy, encouraging the breakdown of industrial relationships and the individualisation of the working relationship; on the other hand we find the consensual model, within which the M&A process tends to develop by means of an action agreed with the trade union organisations, through phases of prior information and consultation, seeking to minimise the social damage caused by this process. A fundamental role in influencing the strategy of the enterprise is dictated by: i) the model of industrial relationships existing in the country within which the M&A transaction is developed; ii) the

[21] *"more than half of 1,468 downsized companies surveyed by the Society for Human Resource Management reported that employee productivity either stayed the same or deteriorated after the layoffs."* (ILO-EBBF, 2000) p. 31.

cultural model of the existing enterprise; iii) the recognition of the trade union organisations iv) and finally the role and strategy of the government in office. Apart from the strategy adopted by the company, there are other problems for the trade union organisations: I) the concentration of large conglomerates, uniting workers belonging to different categories, raising for the trade union organisations, a number of representation problems (for the categories of workers representing different and in some cases opposing interests) which tend to become acute in situations of industrial restructuring; ii) the company tends to implement circumscribed agreements, within the company with the stronger subjects, implementing a strategy of individualisation in industrial relations which tends to reduce the strength of the trade union; iii) in the case of M&A transactions on a trans-national level, the trade unions concerned meet with an objective difficulty of implementing a policy of supranational coordination in the management of the M&A process, as a result of the reluctance on the part of the trade union bodies themselves to cede part of their sovereignty in favour of the supranational bodies (for example the European Trade Union Confederation) (Aragon, J., Rocha, F., 2002).

Once at the negotiating table, trade union action can be broken down principally into the following phases:

a) *Access to information* by the trade union organisations. This involves a particularly delicate phase, within which an obvious informational imbalance prevails between the interested parties. During this phase, the management is compelled to supply information, but entrenches itself behind a “smoke screen” of reservations, considered essential to carry the operation out to a satisfactory conclusion. In reality, it involves an initial attempt to deprive the trade union organisations of their powers, while the trade union organisation finds itself in the uncomfortable situation of causing its own trade union strategy to become dependent upon the quantity and quality of the information supplied by the counterpart;

b) *Revision of documentation* supplied by the company. On the basis of the information previously obtained, during this phase and successive phases as well, the trade union organisation should equip itself with experts within the trade union organisation (national or European), able to supply specialist consulting in the various fields of intervention (Community law, labour law, tax law, economics, business economics, accounting, etc.).

c) *Identification of the entrepreneurial strategy and its economic, financial and social effects***.** In this phase, after delineating the economic-financial-accounting framework, in which the company operates, one will proceed to identify the strategy of the company, examining the effects of an economic, financial, and social nature, linked to the M&A operation;

d) *Drawing up a trade union strategy.* In this phase, the trade union organisation will draw up a scenario to minimise the negative social effects arising from the M&A operation, which will represent its own negotiating platform. The process of consulting with the national governmental authority will begin. In the case of international M&A transactions, suitable contacts will be made with the trade union organisations of the other countries involved in the operation, with the supranational confederate trade union organisation concerned (Confederazione Europea dei Sindacati – CES; Confederazione Internazionale dei Sindacati Liberi - ICFTU) with the European Commission, in the case of M&A of a European nature.

e) Process of negotiation and exercising pressure on the company.

In summary, we have examined the objective difficulties arising in ensuring an involvement of the workers and one's own representatives in the M&A process and we have listed the various phases of negotiating activity. At this point, the need arises to understand whether, in the case of M&A and the related restructuring processes, the present regulatory and contractual framework - on a European level - is such as to ensure an efficient process of information, consultation, and negotiation with the workers' organisations.

In the European environment, the involvement of workers and their trade union organisations, with regard to M&A transactions and restructuring, is regulated essentially through five directives and one regulation:

- ✓ *Regulation 4064/89 on the control of concentrations between companies and "Merger regulation"* (21.12.1989 OJ L 395, of 30.12.1989)
- ✓ *Directive 94/45/EC relating to the setting up a European works council or a procedure for the information and consultation of workers in companies of a community dimension* (22.9.1994, OJ L 254 of 30.9.1994);
- ✓ *Directive 98/59/EC concerning the legislation of the Member States in the field of collective layoffs* (20.07.1998, OJ L 225 of 12.8.1998);
- ✓ *Directive 2001/23/EC concerning the legislation of the Member States relating to the maintenance of worker's rights in the event of transfer of companies, parts of companies* (12.3.2001, OJ L 82 of 23.3.2001);
- ✓ *Directive 2001/86/EC relating to worker involvement in European Society* (8.10.2001, OJ L 294 of 10.11.2001);
- ✓ *Directive 2002/14/EC setting up a general framework relating to worker information and consultation* (11.3.2002, OJ L 80 of 23.3.2002);

The opinion on the regulatory and contractual structure existing on a European level, must be broken down on the basis of the different instruments available. At the moment, without an opportunity of implementation of some decisive factors for ensuring effective social rationalisation in M&A transactions, opinion can only remain suspended. For this reason, we will concentrate briefly on the need for:

1) a uniform European regulatory framework relating to the definitions of information and consulting;
2) achievement of an effective implementation of the European Works Councils;
3) the identification of a new direction in the processes of information, consulting, and negotiation of M&A transactions on a European level, which are able to ensure the validity of the plan on an economic, financial, and social level;

As regards to the need for a ***uniform European regulatory framework relating to the definition of information and consultation,*** in conformity with the requests of the ETUC and by the EFM, we consider that the definitions presented in the Directive 2001/86/EC relating to worker involvement in European Society must be applied as a benchmark of reference:

> *"**information**" means the informing of the body representative of the employees and/or employees' representatives by the competent organ of the SE on questions*

which concern the SE itself and any of its subsidiaries or establishments situated in another Member State or which exceed the powers of the decision-making organs in a single Member State at a time, in a manner and with a content which allows the employees' representatives to undertake an in-depth assessment of the possible impact and, where appropriate, prepare consultations with the competent organ of the SE;"

*"**consultation**" means the establishment of dialogue and exchange of views between the body representative of the employees and/or the employees' representatives and the competent organ of the SE, at a time, in a manner and with a content which allows the employees' representatives, on the basis of information provided, to express an opinion on measures envisaged by the competent organ which may be taken into account in the decision-making process within the SE."*

These definitions offer a solution to the informational imbalance dictated by largely unjustified resistance[22], on the part of the management, to supply information in the event of M&A transactions. It is furthermore advisable to add that these definitions are surely more in-depth, compared to those identified in *Directive 2002/14/EC instituting a general framework relating to worker information and consultation*,

*"**information**" means transmission by the employer to the employees' representatives of data in order to enable them to acquaint themselves with the subject matter and to examine it;"*

*"**consultation**" means the exchange of views and establishment of dialogue between the employees' representatives and the employer."*

The opinion of the ETUC in this regard is particularly critical:

"The Directive setting a general framework for information and consultation has such a poor definition of information and consultation that the possibilities of workers and their representatives to contribute to the management of change will be very limited."

ETUC, (2002), p. 4.

A second intervention, intended to ensure enhanced involvement of trade union organisations in M&A activity is the necessary ***implementation of the regulation relating to the European Works Committees.*** The application of the directive regarding the creation of the European Works Councils *(Directive 94/45/EC)* is, at present, to be considered insufficient, from both the quantitative point of view (in terms of membership) and the qualitative point of view (in terms of involvement of trade union organisations of companies provided with European Works Councils during the M&A activity).

While the European Directive provides for the creation of a European Works Council, concerning more than 1,800 European companies and 16 million workers (corresponding to approximately 12% of the total work force in the EU), in reality, those with works councils are only about 700 companies (equal to 36% of the companies which should be covered by the directive), with an involvement of approximately 10 million workers (equal to 62% of total workers employed in companies where a European Works Council is foreseen).

---

[22] *"Au Royame-Uni, nous avons effectivement parlé de cette question (de la confidentialité) avec le Président de la Bourse de Londres et ce dernier nous a indiqué que rien ne peut empecher la consultation des syndacalistes par les représentants des employeurs avant que les fusions et les acquisitions ne soient publiquement annoncées." Perry, K., (2002), p. 58.*

Between the application of the directive and today, the European Works Councils have carried out a function the results of which have probably been inferior to expectations. For this reason that the CES has repeatedly drawn up a request for implementation of the instrument of the European Works Council, through a strengthening of the right to worker information and consultation, particularly in the event of industrial restructuring (ETUC, 2002, 1999). It is advisable to add that the instrument of the European Works Council has been found to suffer from an absolute lack of organisation on a European and national level. The instrument has attempted to involve the two models of European industrial relations: the model of the single channel and the model of the dual channel[23], within a legislative framework similar to the German co-determination model. In this context, *Directive 94/45/EC* has not however supplied the European Works Councils with a system of mechanisms which - in the German model - guaranteeing a counter-balancing of powers between management and the trade unions, ensuring a spirit of collaboration, not only among the trade unions, but in company management as well (Rehfeldt, U., 2002).

A third promising intervention is represented by the need to ***draw up a plan for the processes of information, consultation and negotiation of M&A on a European level, able to ensure the effectiveness and efficiency this activity, from the economic, financial and social point of view.*** The Treaty of Amsterdam, in article 127, shows the importance assumed - on a European level – with the objective of achieving a high level of employment:

> *"The objective of a high level of employment shall be taken into consideration in the formulation and implementation of Community policies and activities"*

For this reason, Community control policies over M&A operations should consider (in addition to the consequences on the competitive level) the effects of such operations on employment. One could in fact determine repercussions on the competitive arrangement caused by the restructuring processes linked to M&A operations (ETUC, 2002).

Based on this principle, companies interested in M&A should be obliged to file a ***global merger plan*** with the European Commission and the trade union organisations. This plan should, in addition to detailed information of an economic or financial nature relating to the company, contain an estimate of the foreseeable market effects as a result of the merger or acquisition and an analysis of the effects on the stakeholders. It is at this point that a negotiation process would be initiated with the trade union organisations and a check by the European Union. A process of this type, furthermore reaffirmed by the ETUC, would move in the direction of the proposal of Commissioner Diamantopoulou to proceed with an interaction between the control of the M&As transactions (in full respect with Community regulations relating to competition) and intervention intended to minimise the social consequences of these operations, thus guaranteeing an effective balance of powers between the two Directorate Generals faced with such an important matter.

---

[23] On a comparative level, a distinction is made between: a) single channel systems, in which the contracting and participation rights (here understood as rights to information and consultation) form part of a single entity, elected by all the workers in the company (Italy) or members only (GB, Sweden); b) double channel systems, in which the elective body only enjoys participative rights on the work site (information, consultation, codetermination), where the contractual rights are the exclusive prerogative of the external (sectoral/territorial) trade union organisations and/or their organisations (representatives, fiduciaries or company trade union clubs) on the work site (as, for example, in Germany, France, and Spain).

The need to proceed with a monitoring of the economic and social results produced by the M&A process should fit into this new context. The company should be obliged to supply, in the years following the merger or acquisition, a report containing all the economic, financial, and social indicators highlighting the problems caused by the transaction.

We conclude this study with a call for an element which is now receiving unanimous recognition, as a factor able to permit us to face the present economic and social changes without tension and without worry. *Training*. We consider, in fact, that this may represent the key factor, intended to neutralise the negative consequences arising from M&A and the resulting industrial restructuring from the economic and social point of view. In the *Managing Change Report* of 1998, the high-level Group on the economic and social implications of industrial change identified training as an element able to permit permanent modernisation of individual employability, placing the responsibility on the institutional, economic, and social actors present in the European panorama:

> *"The responsibility for becoming employable, and for maintaining employability, is shared. All actors have a role. Companies have a duty to maintain the employability of their workers, while workers have a duty to participate fully in training so as to maintain their own employability. For the unemployed, ensuring employability is a responsibility shared with government and local authorities"*
>
> EC, 1998, p. 6.

In this precise context, firms represents the core, within which the strategic design of continual training must be carried out, with the objective of enhancing worker employability through retraining procedures and vocational updating.

> *"Companies have an obligation and a direct interest in helping to maintain the employability of their workforce. (…) Training is an integral part of the cost structure which should not be left only to successful enterprises when they recruit new staff. (…) The effort involved entails training which goes beyond the immediate needs of the job in question and prepares the worker for the future requirements. It also calls for an appropriate organisational infrastructure through the setting up of a work teams enabling employees to enhance their knowledge and skills. (…) Companies should draw up training plans for their employees' representatives. This is already a legal obligation in several countries of the European Union. Strong incentives should be developed to encourage companies to take the necessary steps to safeguard the employability of those at risk of dismissal due to restructuring."*
>
> EC, 1998, pp. 16-17.

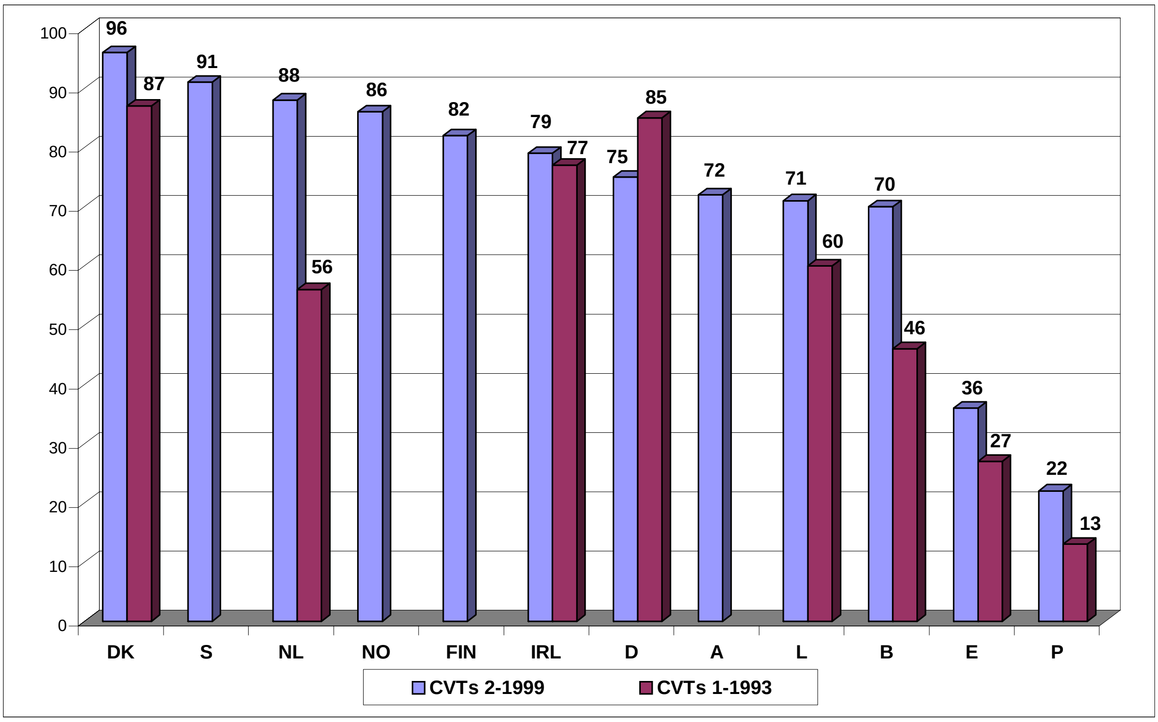
Precisely for the acknowledged strategic role of continual training, we refer in this last part of the section to some data as to the state of utilisation of this instrument within the Member States of the EU. In so doing, we will use the data supplied by EUROSTAT (Continuing Vocational Training in enterprises – 2nd Survey 1999)[24].

In 1999, the proportion of companies present in the EU supplying training courses to their own employees varied from 22% in Portugal, to 96% in Denmark (Figure 13). Within this range, four countries exhibited rates over 80%: Denmark, as stated above, Sweden, with

[24] The analysis was performed during the period 2000-2001, in the 15 Member States, in the candidate States, and Norway, using 1999 as a reference. No data is yet available for Greece, France, Italy, and the United Kingdom.

91%, the Netherlands, with 88%, and Norway, at 86%. Particularly low rates for Spain, with 36%, and Portugal, as stated above.

Figure 13. Training enterprises as a percentage of all enterprises (%) – EU countries and Norway – 1999.



EUROSTAT, (2002) [a].

Based on the current data and comparing the two studies performed by EUROSTAT (*CVTs 1-1993; CVTs 2-1999*), Germany is the only country where the percentage of companies supplying vocational training courses to its own employees has fallen by 10 percentage points, dropping from 85% to 75%.

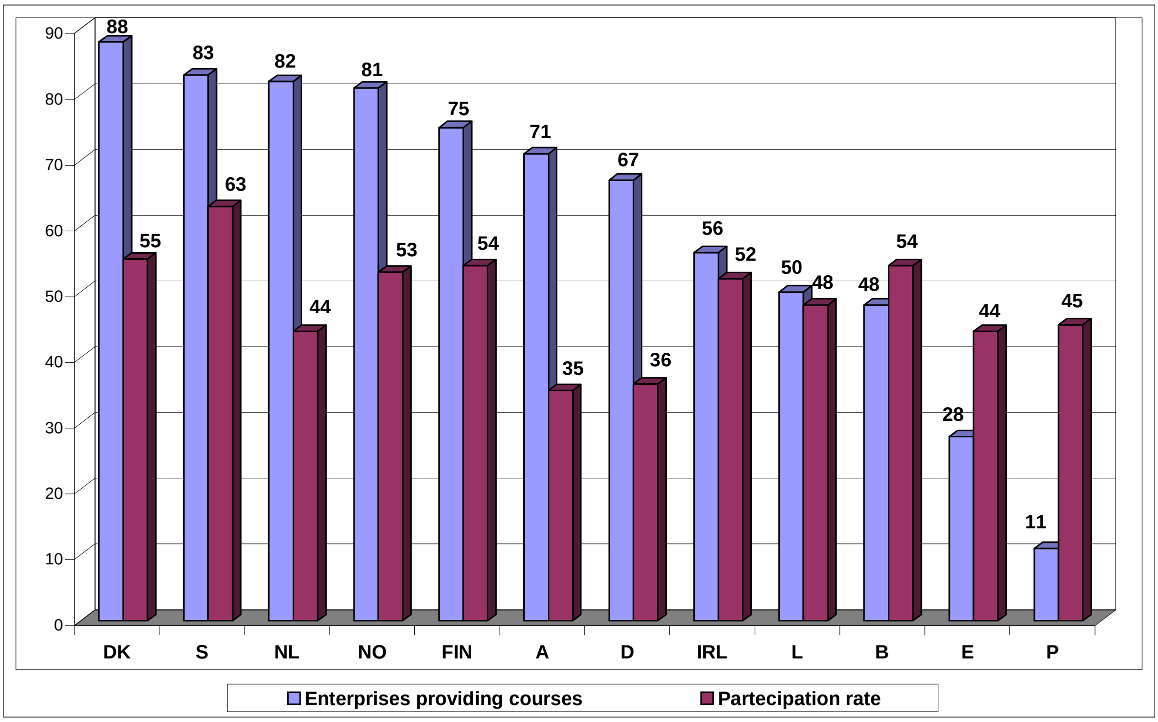
The Netherlands and Belgium are in the diametrically opposite situation. In the Netherlands, a significant increase of a good 32 percentage points has been recorded, increasing from 56% to 88%, while in Belgium the rate has increased by 24 percentage points, from 46% to 70%. The comparison between the two studies, with the available data, shows a certain improvement compared to the study carried out in 1993.

Let us recall that the data shown in the Figure above refers to companies supplying continual vocational training courses in general, including both continual vocational training, implemented outside the "*CVT courses work station"*[25], and other forms of training, i.e., *"Other forms of in-service CVT"*[26].

[25] Courses held in class or in training centres in which the employees receive training from teachers, tutors, or lecturers, through a well-defined programme (EUROSTAT, 2002 [a]).

[26] Represented by periods of training, instruction, or practical experience, carried out using the usual vocational tools, in the vicinity of the work site and on the work site. The implementation of this activity may be effected by means of teaching through the practice of job-rotation, participation

Figure 14. Enterprises providing courses as a percentage of all enterprises and participation rate (%) – EU countries and Norway – 1999.



EUROSTAT, (2002) [a].

The graph in Figure 14 shows, for each country, the proportion of companies supplying continual vocational training courses, implemented outside the work site, and the corresponding rate of participation of employees. For this indicator, four nations show a significant proportion of companies supplying training to their own employees, with a rate in excess of 80% for : Denmark (88%), Sweden (83%), the Netherlands (82%) and Norway (81%). Of particular interest is the data relating to the rate of participation in employee training courses. Of the twelve countries under examination, six exhibited participation rates in excess of 50%: Sweden, at 63%; Denmark, at 55%, Finland and Belgium, both at 54%, Norway, at 53% and Ireland, at 52%. It is interesting to note that two countries of southern Europe, Spain, and Portugal, while exhibiting a reduced rate of companies supplying training, i.e., 28% and 11% respectively, have significant employee participation rates, fluctuating around 45%. Finally, it should be noted that Austria and Germany are the countries with the lowest employee participation rates, 35 and 36% respectively.

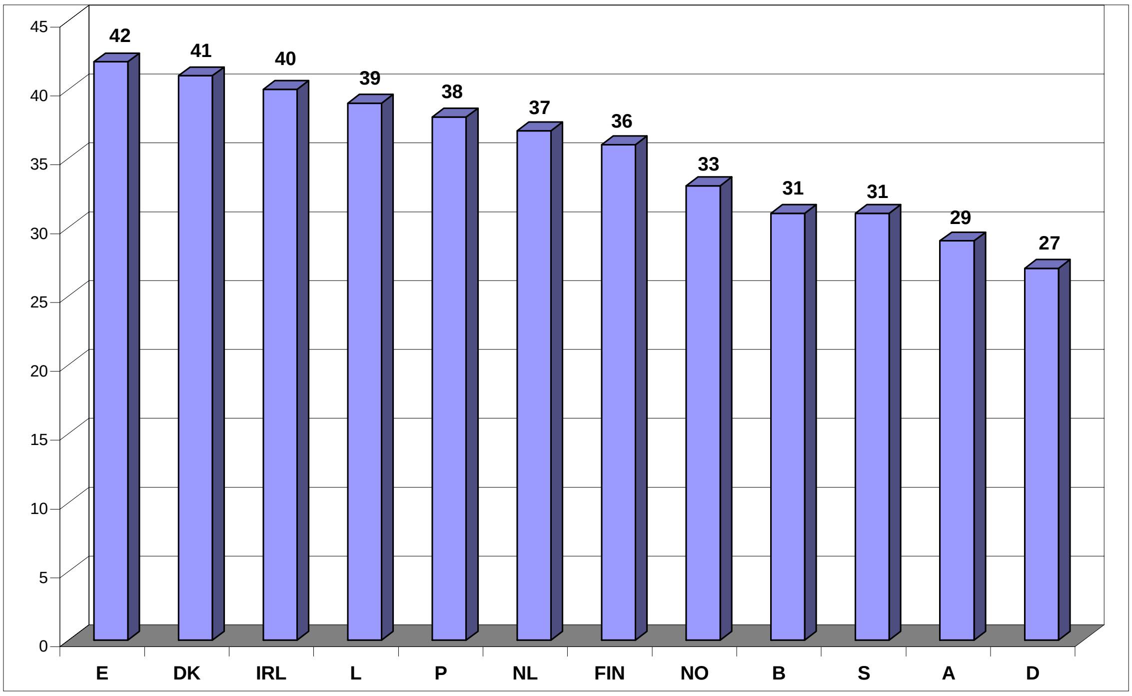
An additional indicator, permitting an improved qualification of the information supplied by the graph in Figures 13 and 14, is represented by the average number of hours dedicated to continual vocational training courses per participation (Figure 15). This analysis tends to provide the same reading as that revealed by the 1993 study (*CVTs 1-1993*): there does not in fact appear to be a direct correlation between the proportion of companies supplying vocational training courses, employer participation in such courses, and the intensity, expressed in hours, of such vocational courses. For this reason, we are able to

---

in product quality improvement groups, self-teaching, and informational events, such as: conferences, workshops, lectures and seminars (EUROSTAT, 2002 [a]).

note the manner in which countries such as Spain and Portugal, which, in past surveys, failed to indicate a strong involvement of companies in the field of training, nevertheless exhibit high averages in terms of course hours per participant, made available by the company: 42 and 38 hours respectively. The situation in Sweden however is completely opposite: although exhibiting a good performance for the preceding indicators, the country exhibits one of the lowest averages in terms of course hours: 31 hours. The list closes with Austria and Germany, with the lowest averages, in terms of course hours: 29 and 27 hours.

Figure 15. Hours in CVT courses per participant EU countries and Norway – 1999.



EUROSTAT, (2002) [a].

Table 6 shows the cost structure, per employee, of continual vocational training courses for each Member State of the EU. This indicator supplies useful information relating to the propensity of companies to invest in training and the implementation of human capital. It may be noted that the total variation in cost of the training courses tends to vary from 410 Purchasing Power Standards[27] in Austria to 1,124 in Denmark. The labour costs of the participants vary from 249 PPS in Germany to 498 PPS in Belgium.

[27] The costs shown above are indicated in Purchasing Power Standards to neutralise the differentials between the different countries. The rates of conversion per PPS indicate the number of national monetary units necessary, in the various countries, to purchase the same quantity of goods and services (EUROSTAT, 2002 [a]).

Table 6. Structure of costs of CVT courses (PPS per employee) – EU countries – 1999.

	DK	S	B	IRL	FIN	E	P	D	A
Direct costs	642	518	351	468	419	242	342	315	248
Labour costs of participants	481	415	498	304	358	389	338	249	168
Contributions (+)	23	4	48	10	10	87	1	1	1
Receipts (-)	22	31	15	20	30	50	38	4	6
Total	1,124	907	882	762	758	668	642	561	410

EUROSTAT, (2002) [a].

Table 7 is a comparison, per country, between the proportion of continual vocational training courses expressed in terms of percentage of the total cost of labour of the companies, recorded in 1993 and 1999. An increase in the rate can be noted in almost all the countries examined, even if such an increase tends to appear with differing rates of intensity from country to country. Denmark is a country which, over the space of time under consideration, recorded the most significant increase, rising from 1.3% to 3.0%.

Table 7. Costs of CVT courses as a percentage in total labour costs of all enterprises (%) – EU countries and Norway – 1999.

	DK	S	NL	IRL	FIN	L	NO	B	D	E	P	A
Direct costs	3.0	2.8	2.8	2.4	2.4	1.9	1.7	1.6	1.5	1.5	1.2	1.3
Labour costs of participants	1.3	NA	1.8	1.5	NA	1.3	NA	1.4	1.2	1.0	0.7	NA

EUROSTAT, (2002) [a].

A final indicator, shown in Table 8, consists of the reasons given by companies which do not offer vocational training. The share of companies which do not offer vocational training courses (as shown in the graph in Figure 13) varies from 4% in Denmark to 78% in Portugal. One of the principal underlying reasons given for not offering vocational training courses to their own employees is the fact that employee professionalism is already satisfactory to the company. This reason varies from 61% in Norway to 89% in Ireland. This information should cause us to reflect, particularly if related to the indication of a pro-active strategy of anticipating change, as found in the *Managing Change Report* of 1998:

> *"The effort involved entails training which goes beyond the immediate needs of the job in question and prepares the worker for the future requirements"*
>
> EC, 1998, p. 16.

Another significant reason given by companies is the hiring of people already corresponding to the required level of professionalism, particularly Ireland, at 77%, and Denmark, at 77%. The reason for an overly high vocational training cost should be noted, with a fairly high proportion, for Germany, at 28%, and Sweden, at 24%.

Another two reasons should be noted at this point. The first is the impossibility of recourse to training courses as the result of professional commitments on the part of the companies own personnel. This reason is given for a group of countries exhibiting rates of approximately 25-32%, as is the case in Belgium, Denmark, Spain, Luxembourg, Austria, and Finland. Another reason that should be noted is the impossibility of identifying the vocational needs of the company; this is the reason given for the Danish proportion of approximately 38%.

Table 8. Non-training enterprises by reason for not providing CVT (%) – EU countries and Norway – 1999.

Reasons	**B**	**DK**	**D**	**E**	**IRL**	**L**	**NL**	**A**	**P**	**FIN**	**S**	**NO**
Existing skills of employees correspond to the needs of the enterprise	75	77	79	78	89	83	72	64	68	71	66	61
Recruited people with the required skills	42	74	21	27	77	53	58	9	43	54	39	33
CVT costs are too high	12	16	28	12	0	9	8	12	15	16	24	13
Initial training is sufficient	40	58	28	27	36	34	8	8	20	22	19	15
Employee workload	24	32	28	25	18	27	14	28	19	27	17	15
Too difficult for the enterprise to assess its needs	7	38	8	6	13	6	7	6	9	7	10	18
Enterprises had only recently been arranging CVT measures, no need in 1999	24	3	2	1	0	2	6	8	1	3	6	4
Other	7	10	4	10	8	4	13	22	11	10	8	14

EUROSTAT, (2002) [a].

The analysis of the last study, conducted by 'EUROSTAT, relating to continued vocational training, once again reveals a perception of the training instrument as a cost element, rather than as a resource-opportunity, for the performance of the same company.

The possibility of supplying valid responses to change, anticipating the consequences of change through a pro-active role of all the economic and social actors, rests essentially upon the human capital available and the adequate use of that capital. In this context, the training instrument represents a lever ensuring adequate valorisation of the human capital, permitting us to face the challenges raised by change.

5. Bibliography and references

Andrade, G., Mitchell, M., Stafford, E., (2001), New Evidence and Perspectives on Mergers, Journal of Economic Perspectives, Vol. 15, N° 2, Spring 2001.

Aragon, J., Rocha, F. (2002), *El papel de las relaciones laborales en los procesos de fusion de empresas*, Doc 1/2002, Documentos de Trabajo de la Fundacion 1° de Mayo.

Banca d’Italia, (2002), *Bollettino Economico*, N. 38, Marzo.

Bianchi, P., (1998), *Industrial Policies and Economic Integrations – Learning from European Experiences*, Routledge.

Bluestone, B., Harrison, B., (2000), *Growing Prosperity – The Battle for Growth with Equity in the 21st Century*, A Century Foundation Book, University of California Press.

Buffet, W. (1981), *Berkshire Hathaway Annual Report*.

Bricnet, F., (2002), “Place et rôle du comité d’entreprise européen face à la stratégie mondialisée des entreprises”, in Europe et Société.

Ciampi, C.A. (a cura di), (1996), *Sfida alla Disoccupazione – Rafforzare la competitività europea*, Laterza.

Corriere della Sera, (18/09/2002), *Lettera aperta sul Capitalismo*, Vitale, M.

Deakin, S., Hobbs, R., Konzelmann, S., Wilkinson, F. (2001), *Partnership, Ownership and Control: The Impact of Corporate Governance on Employment Relations*, ESRC Centre for Business Research, University of Cambridge Working Paper N° 200.

EIRO on line, (1997*), New agreement on cooperation and bargaining procedure in Swedish industry*, March, <http://www.eiro.eurofound.ie/print/1997/03/inbrief/SE9703110N.html>.

EIRO, (1997*),* “Protest against possible redundancies in the Ericsson group”*,* On line, April <http://www.eiro.eurofound.ie/print/1997/04/inbrief/SE9704114N.html>.

EIRO on line, (2000*),* “Mergers, takeovers and employee participation“, On line, April. <http://www.eiro.eurofound.ie/print/2000/04/feature/NL0004188F.html>.

EIRO on line, (2000*),* “General Motors and Fiat SpA from alliance“, On line, April. <http://www.eiro.eurofound.ie/print/2000/04/feature/IT0004151F.html>.

EIRO, (2001), “The involvement of employees and collective bargaining in company restructuring”, On line, Comparative Study, February.

EIRO, (2001), “Industrial relations aspects of mergers and takeovers”, On line, Comparative Study, July.

EIRO, (2001), “The involvement of employees and collective bargaining in company restructuring”, Observer, European Industrial Relations Observatory, Issue 4/01.

EIRO, (2001*),* “Agreement to address crisis at Alitalia“, On line, January. <http://www.eiro.eurofound.ie/print/2001/01/feature/IT0201178F.html>.

EIRO, (2001*),* “Ericsson announces 2,100 redundancies in Sweden“, On line, April. <http://www.eiro.eurofound.ie/print/2001/04/inbrief/SE0104193N.html>.

EIRO, (2001*),* “Sonera announces major job cuts“, On line, August. <http://www.eiro.eurofound.ie/print/2001/08/feature/Fi0108100f.html>.

EIRO, (2001*),* “Union bans overtime in response to job cuts at Sonera“, On line, September. <http://www.eiro.eurofound.ie/print/2001/09/feature/Fi0109101n.html>.

EIRO, (2001*),* “Sonera job cuts halved“, On line, October. <http://www.eiro.eurofound.ie/print/2001/10/inbrief/Fi0110102N.html>.

EIRO, (2002*),* “Redundancies and reorganisation at Ericsson and Siemens“, On line, January. <http://www.eiro.eurofound.ie/print/2002/01/feature/ES0201205F.html>.

EIRO, (2002*),* “Fiat announces massive restructuring“, On line, January. <http://www.eiro.eurofound.ie/print/2002/01/inbrief/IT0201107N.html>.

EIRO, (2002*),* “Unions support Sonera and Telia merger plans“, On line, April. <http://www.eiro.eurofound.ie/print/2002/04/feature/FI0204103F.html>.

EIRO, (2002*),* “Troubled Fiat plans new job losses“, On line, June. <http://www.eiro.eurofound.ie/print/2002/06/inbrief/IT020610.html>.

Edwards, T., (2000), *Mergers, Take-Overs, Restructuring and Privatisations – Roles, Consequences and Responsibilities of P&MS and their Unions – Background Report*, for the EUROCADRES Symposium Brussels 20-21 November 2000.

Eurocadres, (2001), *Mergers, takeovers and privatisations: the roles and responsibilities of professional and managerial staff and their trade unions*. Brussels.

Europe et Societé, (2002), *Les comités d’entreprise européens face aux concentrations, alliances et restructurations*, Les Cahiers de la Fondation N°51-52 – Janvier – Juin 2002.

European Central Bank, (2000), *Mergers and Acquisitions Involving the EU Banking Industry – Facts and Implications*, Frankfurt am Main.

European Commission, (1998), *Managing change - Final Report*, High-Level Group on the Economic and Social Implications of Industrial Change, Brussels.

European Commission, (1999), *Structural change and adjustment in European Manufacturing*, Communication from the Commission to the Council, the European Parliament and the Committee of the Regions, COM /99/0465 final, Brussels.

European Commission, (2000), “Mergers and acquisitions”, European Economy – Economic trends, Supplement A, n. 516.

European Commission, (2001) [a], “Mergers and acquisitions”, European Economy – Economic trends, Supplement A, n. 12, December.

European Commission, (2001) [b], *The efficiency defence and the European system of merger control*, European Economy, Reports and Studies, 5-2001, Luxembourg: EUR-OP 2002.

European Commission, (2001), *Green Paper on promoting a European framework for Corporate Social Responsibility*, COM (2001) 366 def., Brussels.

European Commission, (2001), *Final Report - High Level Task Force on Skills and Mobility*, 14th December 2001.

European Commission, (2002) [a], *Anticipating and managing change: a dynamic approach to the social aspects of corporate restructuring*, First phase of consultation of the Community cross-industry and sectoral social partners.

European Commission, (2002), *Corporate Social Responsibility: A business contribution to Sustainable Development*, Communication from the Commission, COM (2002) 347 final, Brussels.

European Commission, (2002), *Glossary of terms used in EU competition policy – Antitrust and control of concentrations*, Directorate-General for Competition, Brussels, July.

European Foundation, (2001), *Understanding, anticipating and managing change – Identifying the drivers of change*, Conference to launch the European Monitoring Centre on Change, Brussels 23 October, 2001.

European Metalworkers’ Federation, (2001) [a], *Managing Restructuring Report*, Brussels.

European Metalworkers’ Federation – Fédération Européenne des Metallurgistes (2001) [b], *Fusions et restructurations au sein de l’industrie métallurgique européenne - Anticipation des changements, amélioration du mécanisme de réponse et gestion des intérêts sociaux*, Documents, 2ème Conférence “Politique industrielle” de la FEM, Bruxelles, les 21 et 22 novembre 2001.

European Metalworkers’ Federation, (2002), *EMF action plan on managing restructuring*, Brussels.

European Trade Union Confederation - ETUC, (2000), *EWC Directive*, Working Paper no. 46, EWC and Merger of Companies 2nd version November 2000

European Trade Union Confederation - ETUC, (2001), *Corporate Social Responsibility in a legislative and contractual framework*, Resolution adopted by the ETUC Executive Committee, 10-11 October 2001, Brussels.

European Trade Union Confederation - ETUC, (2002), *Anticipating and managing change: a dynamic approach to the social aspects of corporate restructuring*, Resolution on the first phase consultation adopted by the ETUC Executive Committee, 11-12 March 2002, Brussels.

European Trade Union College – ETUCO / Association for European Training of Workers on the Impact of New Technology – AFETT, (1999), *Solidarity Across Borders, Relocation of production sites and European Works Councils*, Training materials, Brussels.

EUROSTAT, (1995), Labour Force Survey 1995.

EUROSTAT, (2000) Labour Force Survey 2000.

EUROSTAT, (2002) [a], "Formation professionnelle continue en enterprise dans l'Union européenne et en Norvège (-CVTS2)", Nestler, K., Kailis, E., Statistiques en bref. Thème 3 – 3/2002.

EUROSTAT, (2002), "Prestataires et thèmes de la formation professionnelle continue en enterprise en Europe", Nestler, K., Kailis, E., Statistiques en bref. Thème 3 – 10/2002.

EUROSTAT, (2002), "Coût et financement de la formation professionnelle continue en enterprise en Europe", Nestler, K., Kailis, E., Statistiques en bref. Thème 3 – 8/2002.

Freiche, J., (2002), "Les Comités d'entreprise européens sont-ils crédibles?", in: Europe et Société.

Fridolfsson, S-O, Stennek, J., (2001), *Why Merger Reduce Profits and Raise Share Price – A Theory of Preemptive Mergers*, Discussion Paper, Research Area – Markets and Political Economy, Wissenschaftszentrum, Berlin.

Gugler, K., Mueller, D.C., Yurtoglu, B.B., Zuelehner, C., (2001*), The Effects of Mergers: An International Comparison*, University of Vienna, Research Area Markets and Political Economy.

Hoffmann, J., Hoffmann, R., Kirton-Darling, J., Rampeltshammer (eds), (2002), Literature Review: The Europeanisation of industrial relations in a global perspective, European Trade Union Institute, prepared for the European Foundation.

Ilzkovitz, F., Meiklejohn, R., (2001), "European merger control: do we need an efficiency defence?" in: European Commission, (2001) [b].

International Labour Organisation, (1999), *Decent work*, Report of the Director-General, International Labour Conference, 87th Session, Geneva.

International Labour Organisation, (2001) [a], *The employment impact of mergers and acquisitions in the banking and financial services sector*, Report for discussion at the Tripartite Meeting on the Employment Impact of Mergers and Acquisitions in the Banking and Financial Services Sector, Sectoral Activities Programme, TMBF/2001, Geneva.

International Labour Organisation, (2001) [b], *Financial sector workforce hit by mergers and acquisitions – "Human Factor" is key element in success rates for merged companies* Communication, 5 February 2001.

International Labour Organization – European Bahà'i Business Forum, (2000), *Socially Responsible Enterprise Restructuring*, A Joint Working Paper.

International Metalworkers Federation, (2001), *Enterprise Restructuring and Work Organisation*, IMF Research Papers, April 2001.

Iuzzolino, G, 2001, *Struttura dell'offerta e divari territoriali nella filiera dell'Information and Communication Technologies in Italy*, Banca d'Italy, Temi di Discussione del Servizio Studi n.421, Ottobre.

Jacquemin, A., (2000), *Theories of Industrial Organisation ans Competition Policy: what are the links?*, Working Paper, Forward Studies Unit., European Commission.

Kleinert, J., Klodt, H., (2002), *Causes and Consequences of Mergers Waves*, Kiel Working Paper No. 1092, Kiel Institute of World Economics, January.

Kuhhlman, R., (2002), "Le secteur de la métallurgie face aux opérations de fusion, concentration et restructuration", in <u>Europe et Société</u>.

Larsson, R., Lubatkin. M., (2000), *Achieving Acculturation in Mergers and Acquisitions: A Case Curvey Study*, Institute of Economic Research, Working Paper Series.

Milberg, W., Houston, E., (2002), *The High Road and the Low Road to International Competitiveness*, Paper prepared for "Globalization and Social Policy", ed by Lance Taylor.

OECD, 1997, *Revision of the high-technology sector and the product classification*, STI Working Papers, 1997/2.

OECD, 1999, *Measuring the ICT Sector*, Information Society.

OECD, 2001, *Measuring the ICT Sector – Information Society*, Paris.

Rehfeldt, U, (2002), "Les obstacles à l'action négociatrice du comité d'entreprise européen", in <u>Europe et Société</u>.

Roller, L-H., Stennek, J., Verboven, F., (2001), "Efficiency gains from mergers", in: European Commission, (2001) [b].

Schenk, H., (1999), *Large mergers a matter of strategy rather than economics*, Text prepared for the UNCTAD's World Investment Report 1999.

Schenk, H., (2000), *On the Performance of Banking Mergers Some Propositions and Policy Implications*, Paper commissioned by the Finance Committee of Union Network International-Europa (Brussels) for presentation at the UNI Conference on "Mergers and

Take-overs: Implications on Employment, Consumers and Shareholders, London,, 23-24 October 2000.

Sengenberger, W., (1990), *The role of labour standards in industrial restructuring: Partecipation, protection and promotion*, International Institute for Labour Studies, New Industrial Programme.

Sisson, K., (2000), *Handling Restructuring: collective agreements on employment and competitiveness*, European Foundation, Dublin.

Stennek, J., Verboven, F., (2001), "Merger control and enterprise competitiveness: Empirical analysis and policy recommendations" in: European Commission, (2001) [b].

Taylor, R., (1999), Trade unions and transnational industrial relations, Discussion papers, DP/99/1999, Labour and Society Programme, International Institute for Labour Studies, Geneva.

Tronti, L. (a cura di), (1997), *Ristrutturazione Industriale e Struttura Verticale dell'Impresa*, Franco Angeli.

UNI Finance, (2000), *Mergers and take-overs in the finance sector: Report on a UNI-Europa Finance Survey May 2000*. <http://www.union-network.org>

United Nations Conference on Trade and Development, (2000), *World Investment Report 2000 – Cross-border Mergers and Acquisitions and Development*, Geneva.

United Nations Conference on Trade and Development, (2000), *Impact of Cross-Border Mergers and Acquisitions on Development and Policy Issues for Consideration*, Note by the UNCTAD secretariat, Trade and Development Board, TD/B/COM.2/EM.7/2&C1, 8 June 2000.

United Nations Conference on Trade and Development, (2001) [a], *Report of the Expert Meeting on Mergers and Acquisition: Policies Aimed at Maximizing the Positive and Minimizing the Possible Negative Impact of International Investment*, Held at the Palais des Nations, Geneva, from 19 to 21 October 2000, Trade and Development Board, TD/B/COM.2/26 – TD/B/COM.2/EM.7/3, 7 November 2000.

United Nations Conference on Trade and Development, (2001) [b], *Impact of International Investment Flows on Development: Mergers and Acquisitions – Policies Aimed at Maximizing the Positive and Minimizing the Possible Negative Impact of International Investment*, Draft agreed recommendations, Trade and Development Board, Commission on Investment, Technology and Related Financial Issues, TD/B/COM.2/L.12, 14 February 2001.

United Nations Conference on Trade and Development, (2002), *World Investment Report 2002 – Transnational Corporations and Export Competitiveness*, Geneva.

Weber, R.A., Camerer, C.F., (2001), *Cultural conflict and merger failure: An experimental approach*. Working Paper.