

Merger of mittal stell and arcelor steel analysis



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This case is about the merger of Mittal Steel Industry and Arcelor Steel Industry which was merged in 2006. This assignment covers the topics of change management and its theories. The case is related to Plan Do Check Act (PDCA) theory. The headquarters are situated in Avenue Da La Liberate, Luxembourg. The business of these 2 companies are served world wide after the merger. The Chairman of the companies is Laxshmi Mittal.

These companies deal with many products such as Steel, Flat Steel, Long Steel products, Stainless Steel, Wire products, Plates. The companies not only provide these products in reasonable ranges but also provide good quality. Before the merger Mittal Steel Industry used to produce volume however Arcelor Steel Industry used to produce highest revenues. After the merger these companies became number one steel industry in producing values and revenues as well. The status of the revenue of this merged company in 2009 was US\$ 65. 11 billion and profit was US\$ 118 billion. The operating income was US\$ 1. 678 billion in 2009. In further pages of this assignment the theories of change management are also related to the cases.

TABLE OF CONTENTS

Index

INTRODUCTION

MITTAL STEEL INDUSTRY

MITTAL STEEL co. was formed by the merger of LNM HOLDING and ISPAT INTERNATIONAL. LAKSHMI MITTAL who is the CEO of the company, He and

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his family hold 88% of the company and its headquarter was in ROTTERDAM NETHERLAND. The company was produced words largest steel in term of volume and also largest in turnover which merge in ARCELOR MITTAL. The company establish a meal stone in the steel world industry

ARCELOR STEEL INDUSTRY

ARCELOR was established in February 2002 by combining 3 steel making companies i. e. ARCERALIA [SPAIN], ARBED [LUXEMBOURG] and UNISON [FRANCE]. In ARCELOR more than 104000 employees was working in 2006 over 60 countries. ARCELOR revenues were 40. 6billion euros and its production was 53. 5 million tonnes of crude steel. Their products were flat carbon steel, long carbon steel, stainless steel and steel solution and services.

The ARCELOR steel and b MITTAL steel merge in ARCELORMITTAL steel in 2006. Now, ARCELOR MITTAL is words no. 1 steel maker company with the revenue of \$ 105. 2 billion a year. The company produced crude steel and production of crude steel is 116 millions tons per year. It produced 10% of steel in the world. The co. has more than 310000 employees in over 60 countries & across 4 continents. The co. is leader in the global market in various fields which has automotives construction household appliances and packaging. Mittal steel was leader in steel industry in terms of volume whereas Arcelor steel was leader in terms of revenue. After merge it becomes highly fragmented steel industry in the world. This industry belong to steel market, it presence in Europe, Asia, America and Africa. It gives the global exposure to the steel industry. Now ARCELOR MITTAL is looking for

high growth in Indian and Chinese market. Its also listed with the stock exchange of New York, Luxembourg, Paris Brussels , Amsterdam and Spanish stock exchange of Barcelona Bilboa.

Change Management Theories

PLAN DO CHECK ACT (PDCA)

Plan-Do-Check-Act first developed by Walter Shewhart and it was popularized by Edwards Deming. PDCA (plan-do-check-act) is a four-step problem-solving process typically used in business improvement. It's also known as Shewhart cycle, Deming cycle, PDSA (PLAN DO STUDY ACT), PDCA (PLAN DO CHECK ACT). This Act is useful for change management. The PDCA cycle should be repeated again and again for continuous improvement in an organization.

PLAN: To improve your operations first by finding out what things are going wrong (that is identify the problems faced), and come up with ideas for solving these problems.

PROCEDURE- Recognize an opportunity and plan a change.

DO: Implement the new processes.

PROCEDURE- Taking small steps in controlled circumstances for execute the plan.

CHECK: Measure the new processes and compare the results against the expected results to ascertain any differences.

PROCEDURE- Review the test, analyze the results and identify what you've learned.

ACT: Analyse the differences to determine their cause. Each will be part of either one or more of the P-D-C-A steps. Determine where to apply changes that will include improvement. When a pass through these four steps does not result in the need to improve, refine the scope to which PDCA is applied until there is a plan that involves improvement.

PROCEDURE- Take action to improve the process

Benefits of the PDCA cycle:

This cycle can solve the problems,

Project management,

Daily routine management for the individual and team,

Continuous development,

New product development.

THE CHANGE

The merger was started from 27th January 2006 but it finalised on 25th June 2006

It is valued at 26.8 billion Euros in dollar it was 33.5 billion which was 44% higher than initial offer 18.6 billion Euros

MITTAL was the largest share holder with 45% stake in the merged entity.

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THE MERGER

The change was necessary in the Steel Industry and the aim was globalization and consolidation in the Steel Industry. MITTAL defines the deal and set pace for the industry.

In June 2006 MITTAL STEEL and ARCELOR reach an agreement to merge the two companies. The combine group which name formed was ARCELOR MITTAL and the head quarter established in Luxembourg.

2006 was a very exciting and growing year for MITTAL & ARCELOR because in this year new milestone were achieved by both companies. The company was converted by two companies which lead the industry through mergers and acquisition.

Change management was the merger was on the basis of ADHOC basis and it was run on temporary basis.

After this the second step was not temporary basis now the ARCELOR adapted the merger and then the new company was formed with the name of ARCELOR MITTAL and it perform all the function of one company and now it leads the whole of the steel industry.

ARCELOR + MITTAL = ARCELOR MITTAL

ARCELOR MITTAL- BUILDING OUR COMPANY WITH THE NEED OF FUTURE GENERATION IN MIND.

WHY CHANGES IMPLEMENTED

The aim of company was to become largest company as both company were large but both was in competitor with each other but the aim of the company was to become no. 1 in the steel industry which was not easily possible for both of them individually.

Companies want to achieve economy of scale. Economy of scale achievement is very difficult for both of the company. Every company wants to growth but various factor are countable in the way of it. So one of the factors was competition in different field that's why change was necessary for achievement of economy of scale.

Steel demand was strong in 2006 in developing industry as the expert shows the relevant data about growing of it that's why one way growth was very difficult in steel industry so change was necessary in steel industry.

Both are very strong MITTAL in terms of volume and ARCELOR in terms of revenue which attract to each other. Both knew about their strength and weakness that's why both knew what they are doing because this was the requirement of both of the company. So change is necessary and both companies want to adopt these changes in mutual way.

This case can be related to the theory of Plan Do Check Act as following changes were occurred according to the theory:

Plan- Both the companies planned to combine with each other as there will be profitable changes after the merger.

Do- Both the companies tried to find out the situations of the company that how it can be profitable in the global market. They find out the scale of the <https://assignbuster.com/merger-of-mittal-stell-and-arcelor-steel-analysis/>

economy as the achievement of economy of scale was very difficult for both the companies.

Check- The companies checked both the status of the companies as steel demand was strong in 2006 in developing industry so the change was necessary and both companies want to adopt changes in mutual way.

Act- Both the companies were very strong in their ways however they finally merged by analysing the future situation and status of the company in the market. They knew their strength and weaknesses so the merger was resulted successful.

MARKET POSITION IN REGION AFTER CHANGE

NO 1 NORTH AMERICA

NO 1 IN WESTERN EUROPE

NO 1 IN EASTERN EUROPE AND CIS

NO 1 IN SOUTH AMERICA

NO 1 IN AFRICA

STRATEGIC PRESENCE IN ASIA

ACHIVEMENTS AFTER CHANGES

Operation of company achieve more than 20 countries

The production of steel crossed 116 millions

The annual production capacity is 130 million s tonnes

Steel shipment produced approximate 110 million tonnes

Revenue from shipment is generated 105. 2billion US\$

Company is announced 35 more acquisition

The organic growth of company 20 million tonnes

The company has unique capability in the steel industry in the field of R & D

ARCELORMITTAL GROWTH PLAN IN FUTURE

In the shipment company will adopt five year plan in which 20% increase in 5 years

It adopt growth plan 2012 and it called growth plan 2012

For 2012 company target focused on 131 million tonnes production

Company strategy mainly focused on high growth market and low cost areas

The growth plan in 2012 is approximately 75% which have done already or approved For a potential investment of 7billion US\$ over 6 years.

CONCLUSION

WHY THE CHANGE WAS SUCCESSFUL

The change management was a synergy change. It is related with the team performance. Both the companies want to work like a team so both were

clear in their field that's why change management was successful in these companies.

Together they brought iron, technology and marketing expertise which in past they were brought separately it becomes another change which follow both of the company they know their powers in their field so when they combined they use in the combined way and they also share their power in one way that's why change was successful.

They follow the merger process which is adept at combining business. The merger process which is follow by many companies but right merger process is that which follow the right way in the right time with the right company. So in this way both company follow the same procedure of successful that's why the change was successful.

Both of were knowing the growth of each other that's why they know what they have done and what they earn from this management change because they know where they stand and what they will be done so they know about change very well that's why change process they follow which made history in the steel industry.

They was the best competition in the market that's why they knew very well strength and weakness of each other which made best connection with each other which made path for the successful change it shows both of the company leadership techniques for growing one.

They have different quality of top level in both ways from the MITTAL point of view the volume they produced and from the ARCELOR point of view

revenue they earn so both have unique but also powerful quality in their field which made change successful.

Current Status:

Total Assets US\$ 127. 7 billion (2009)

Total Equity US\$ 65. 40 billion (2009)

Employees 281700 (2009)