

The boeing and mcdonnell douglas: merger and acquisition



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The Boeing and McDonnell Douglas Merger and Acquisition The Boeing and McDonnell Douglas Merger and Acquisition One of the most celebrated mergers in recent history is the merger of two of the largest commercial and defense aerospace companies: Boeing and McDonnell Douglas. In fact, it is actually said by economic and business analysts that few mergers in recent years has attracted so much attention...merger between The Boeing Company and McDonnell Douglas Corporation...this...created the world's largest aerospace company and the second largest air defense supplier, and combined the last two remaining commercial jet airplane manufacturers in the United States. (Boeder and Dorman, 2000) Of course, there are a lot of different reasons why such large corporations actually merge, especially from an economic standpoint, and this includes efficiency, market share, and of course profitability. In this case, this paper would focus on determining the valuation criteria and technique on how The Boeing Company and McDonnell Douglas Corporation actually merged, and as well as focusing on both the positive (pros) and the negative (cons) effect of their merger. In the last part of the paper, the researcher would also try to evaluate and assess on whether this merger actually succeeded or not. In order to give a background of the merger, it is important to state briefly the background of the companies that merged, as well as the prevailing conditions of the aerospace industry. Boeing, which was founded by William E. Boeing in 1916, and McDonnell Douglas, which was founded by a merger of McDonnell Aircraft Corporation and The Douglas Aircraft Company in 1967, were actually two of the three “ remaining international players in the commercial airplane manufacturing industry” (the other is Europe’s Airbus Consortium), and also two of the three largest air defense manufacturers in the US (the <https://assignbuster.com/the-boeing-and-mcdonnell-douglas-merger-and-acquisition/>

other is Lockheed Martin) (Boeder and Dorman, 2000). In this case, at the time of the merger, Boeing actually dominated the commercial aerospace industry, with Boeing having the largest market share, and with the shares of McDonnell Douglas increasingly shrinking (Boeder and Dorman, 2000). In addition, defense spending by the US also significantly decreased, hitting the position of McDonnell Douglas in the aerospace industry (Boeder and Dorman, 2000). With McDonnell Douglas finding themselves in the losing end of the competition, they were actually deciding whether “to buy” or “to be bought” in order to survive (Boeder and Dorman, 2000). In this case, Boeing actually got the opportunity and merged with McDonnell Douglas based on the following valuation criteria: its manufacturing capacity, the state of its finances, its effect in market share, its effect on efficiency, and as well as its effect on competition. Based on the following criteria, the merger of The Boeing Company and McDonnell Douglas Corporation, now still called the Boeing Company, actually gained by increasing their market share, gaining higher competitive ground in the industry (both in the commercial and defense aerospace industries), and saved much in taxes (Boeder and Dorman, 2000). However, there were also some losses in the merger, first of all, critics actually pointed out to the harmful effects of the merger to competition, wherein it will enable the merged companies to dominate the industry, dictate prices, and participate in anticompetitive behavior, earning the ire of consumers who want a more competitive aerospace industry (Boeder and Dorman, 2000). However, overall, the merged companies actually gained; following economics of scale, the merged giant actually proved to increase efficiency in the industry and provided financial stability to the companies. Reference List Boeder, T. L. & Dorman, G. J. (2000). The <https://assignbuster.com/the-boeing-and-mcdonnell-douglas-merger-and-acquisition/>

Boeing/McDonnell Douglas Merger: The Economics, Antitrust Law and Politics of the Aerospace Industry. The Antitrust Bulletin, Spring, 1-27.