

# Cooper industries operates case study

Business



The company operates in three different business segments with 21 separate profit centers. These segments include electrical and electronic, commercial and Industrial, compression, drilling and energy equipment.

The product line is consisted of cheap fuses to \$3 fixtures. The company bold a \$21 -a-share tender offer to acquire Champion Spark Plug, manufacturer of auto spark plugs, as a counter offer for the Dana Corp.. \$17. 50-a- share bold.

Also, In the mean time, Cooper Industries was considering a \$700 million bid for Cameron Iron Works. Even though purchasing either or both companies will give operational and organizational advantages, there were high financial risks involved. Undertaking both acquisitions would result in a 55% to 60% debt to capitalization ratio. ANALYSIS: Cooper Industries acquired more than 60 manufacturing companies over a thirty year span in order to increase the size and the scope of the company.

Most of the acquired companies made it possible for Cooper to be independent of the outside environment and giving full control of the manufacturing process concerning their business while avoiding anti-trust allegations. Cooper basically purchased every company that is vital to its energy industry and all the side industries that effect it.

From tools to fuses to cables to the drilling equipment was manufactured and distributed by the corporation's divisions. Each acquisition is decided from a wish list that was closely examined and studied.

At the time of the take over, the Management Development ; Planning division would implement the corporate strategy In a period of three to five years. This involves diversification and elimination of the products that are poor sellers. In some cases the production plant is relocated and the staff is reorganized for the best efficient set up.

In time all these companies are turned Into profit centers. One of my first suggestions will be to consider Cameron Iron Works first since all the valves and other natural gas and petroleum products will be more beneficiary.

Apparently there is more demand for Cameraman's products than the Champions. Little adjustments in the production process along with the ' Cooperation' adjustment will have make the company efficient in a short period of time. In contrast, Champion is cons 1 Yes's production techniques Ana only one product line, spark plugs, which will require tremendous changes within the company. The other option may be to purchase both of the companies, regardless of the financial risks involved.

By allocating all the departments such as Management

Development ; Planning in the process, Cooper may turn things around.

Since the beginning, Cooper's way of acquiring companies seem to create success stories in the end. Champion still has brand name recognition in Europe and Asia (personal knowledge) which maybe taken advantage of. Major changes for the American market may take place while the revenues from the overseas sales finance the process. And once the changes are made in here, according to the demand the product line maybe readjusted for those markets.

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One other option for the Champion acquisition maybe to consider other possible options in the automotive parts industry. There may be other companies requiring less adjustment, and maybe turned into profit centers in less time than Champion. If buying both the companies is not possible at the time, then Cameron seems like a better option giving independence to Cooper in the valve dependence. Utilization of this company seems more of a priority at the time. However Dana may end up buying Champion if Cooper delay the acquisition.