

Inbev company

Business



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InBev Company which is a subsidiary of Anheuser-Busch InBev underwent a major organization change on 13th July 2008.

The company acquired Anheuser-Busch Companies, Inc for an estimated total of \$52 Billion which led to the formation of Anheuser-Busch InBev in the United States of America. The company has its operations in over 30 countries with a sales net in over 130 countries. The company has a market capitalization of ^30. 6 billion (Clarke1994). In the contemporary, acquisitions and mergers are prevalent in business environments.

Many are the benefits that are derived from such organizational changes (Economist 2001). InBev Inc would benefit from the acquisition of Anheuser-Busch Companies Inc through economies of scale and synergy. Synergy exists after the acquisition that allows the two firms work together with more efficiency than singly. Synergy would arise from the combined management, technology, manpower, expertise and eliminate duplication of functions (Holland 2000). The merger has led to a greater market power of the company.

Theoretically, the US antitrust laws would prevent any merger or acquisition that could lead to formation of a monopoly. In the case of InBev and Anheuser-Busch Companies Inc the US agencies imposed `the antitrust laws safeguarding any monopoly (Fernandez 2003). However, accoring to Ravenscraft and Scherer 1987, acquisitions and mergers are not always geared towards creation of a monopoly even where no regulating policies as there is no past evidence showing the same (Birmingham Post 2003). The acquisition will bring forth tax advantages. The acquisition will reduce tax

obligations of both companies as tax will be charged on a single entity rather than as two separate entities. This however is not a reason prompting an acquisition or merger (Fallon 1990).

The acquisition led to risk spreading and diversification that led to exploitation of new markets (De Cagna 2001). The acquisition of Anheuser-Busch Companies, Inc led to exploitation of the unexplored markets by both firms, and led to a reduced competition between the two firms as they would trade as one. In 2005/06, InBev announced that it was to relocate the brewing of Hoegaarden to Piedboeuf brewery located in Jupile. This sparked protests in the city of Hoegaarden. The reason for the relocation was obsolescence in the plant at Hoegaarden. Later on the brewery at Jupile proved incapable in producing the right quality that forced InBev to move it back to Hoegaarden.

This action led to much criticism from the media (Conner 2001). On June 12 2008, the company offered to buy Anheuser-Busch for US\$46 Billion. This merger brought together two of the big four beer brewing companies in the world. It also created the company with the three top beers internationally .
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e. the Bud Light, Budweiser and Skol. InBev announced that this merger was not to result to closure of any brewery and that it would lead to no redundancy or retrenchments. On July 13 2008, InBev acquired Anheuser-Busch at a consideration of US\$52 billion in cash or a \$70 per share. This led to the formation of Anheuser-Busch InBev after the acquisition (Armstrong 1999).

Despite the different opinions on exactly the causes of failure in many acquisitions there are many points that analysts widely agree on. Analysts agree that human factor is a prime cause of failure in many company integrations. This is because most employees do not agree on the different organizational culture that existed in the different entities, and this frustrates the mergers and acquisitions since the employees' ends up being unhappy and stressed up and the result is a low productivity. To solve this problem the organization will require a strong management team with strong managerial and communication skills that will be able to calm and guide the employees through this change process. These means that while carrying out a merger the companies involved should consider the financial, legal, economic and human aspect in order to have a successful acquisition(Axelrod 2001).