Good how to evaluate mergers and acquisitions: microsoft acquisition of nokia dev...

Business, Company

1-Strategic rationale: what are the primary reasons for the acquisition?

In September 2013, Microsoft acquired Nokia at a cost of $7 billion in a bid to strengthen its (Microsoft) position as one of the leading players in the mobile universe. The strategic rationale was in response to the fierce competition in the industry. Microsoft desires to enhance its market competitiveness. Before the partnership with Nokia, Microsoft was virtually irrelevant in the mobile market but its acquisition of Nokia has enabled the company makes inroads in the lucrative smartphone industry. Nokia smartphones run on Microsoft’s Windows Phone 8 operating system. Sale of Nokia smartphones has gradually increased, and Microsoft would benefit from the positive indicator if it had direct control of Nokia resources. Microsoft aspires to leapfrog iOS in the next 3 years, and this would be possible if Nokia were acquired by a competitor. Indeed, if Nokia was acquired by a rival, Microsoft would have been kicked out of the smartphone industry. Microsoft will be able to unify hardware and software implying better integration of the handsets with the Windows Phone operating system thus increasing the company’s market competitiveness.

2-Integration plan: how effective is the plan to integrate the two organizations?

The acquisition has integrated key Nokia personnel into its management and technical team that have maintained the working rhythm. Nokia sales team is still intact, but the supply chain, as well as the marketing of the two companies, has been consolidated to increase efficiency.

3-Implementing the merger/acquisition: How quickly if there is not a plan to achieve and use them early in the merger/acquisition process.-Are planned market advantages being achieved? Why or why not? -Is the right cost structure in place? How long did it take to achieve the cost structure? How effectively have the strategic advantages been preserved through the cost-cutting process? etc

Already, the acquisition has proved fruitful with Nokia smartphones controlling an over 10 percent market share in 9 markets and outperforming Blackberry in 34 markets to become the third most popular OS in the world. Window-powered Nokia phones year on year sales have gone up by 78 percent. With all operations under one roof, innovation will hasten. The acquisition has increased the economies of scale that has led to an improved unit economics increasing profitability. The acquisition has also increased royalty gross margin from less that $10 to more than $40. The company will break even when smartphone sales are above 50 million.

Google Acquisition of Motorola

Google Inc. announced, in August 2011, its desire to acquire Motorola Mobility for $12. 5 billion although the deal was subject to approval by the relevant authorities. At the time, Motorola has posted losses for five straight quarters. The acquisition deal was finalized in May 2012, and Google appointed Dennis Woodside who served as its senior vice-president as the new Motorola Mobility CEO.

1-Strategic rationale: what are the primary reasons for the acquisition?

Google acquired Motorola to reinforce its patent portfolio (access to licenses for intellectual property) since Motorola enjoyed a massive 10000 patents with 7500 patents awaiting approval. Google's Android operating system has been facing patent infringement allegations from its competitors Apple, Microsoft and Oracle. By acquiring Motorola, Google would drastically reduce cases of patent infringement.

2-Integration plan: how effective is the plan to integrate the two organizations?

Google promised to maintain Motorola as an independent business. Motorola would take charge of innovation in the Android platform while Google would continue with its core advertising business. Motorola management team is under CEO appointed by Google. Nonetheless, experts believe that, in the long run, the talent in both companies will be combined to form a powerful highly innovative team such that Google will have the capacity to control both software and hardware just like Apple.

3-Implementing the merger/acquisition: How quickly if there is not a plan to achieve and use them early in the merger/acquisition process.-Are planned market advantages being achieved? Why or why not? -Is the right cost structure in place? How long did it take to achieve the cost structure? How effectively have the strategic advantages been preserved through the cost-cutting process? etc

Google acquired Motorola when the latter was struggling financially; recording massive losses due to its inability to adapt to the digital technology. In a bid to streamline its operations, Google announced it would reduce Motorola's workforce by 4000 and terminate operations in a third of its locations located outside the US. Google would benefit through reduced tax liability since it will claim tax deductions’ for losses made by Motorola. The acquisition of Motorola has not been successful, and the company is yet to make any mark in the market. Indeed, in December 2012, Google sold the Motorola Home business to ARRIS Group, Inc. in a deal worth $2. 35 billion.