The mittal steel case

I. The Mittal Steel began in the early 1970's as a small, family owned company, based in India. However, due to a range of restrictive government regulations and tough competitiveness from SAIL (a state-owned firm) and Tata Steel (large privately owned firm), Mittal Steel believed that the best projection of growth of the company would transpire outside of India. In 1975, Mittal Steel began expanding across national borders by creating and building a steel making plant in Indonesia.

II. Mittal Steel was able to expand into different nations through mergers and acquisitions. At the time of Mittal Steel's foreign expansion, the steel industry was in the midst of a 25-year slump. The 25-year slump caused many companies to go under distress. Lakshmi Mittal (the CEO of Mittal Steel) saw value in the distressed companies and believed that they could be feasible operations through a move toward greater efficiency and with an injection of capital. On the contrary, Greenfield Investment took a different route by building similar operations from the ground up, proven to be more costly. By avoiding the start-up-phase, Mittal Steel was able to avoid delay and take advantage of the benefits that come with a recognized market presence.

III. Mittal Steel brings many benefits to the countries that it enters. For instance, its presence in a foreign market is deemed beneficial as it focuses on acquiring distressed companies and ameliorating them. However, it is important to note that that was not the case for Arcelor, Mittal Steel's most recent acquisition. The management and politicians were opposed the concept of a foreign firm taking over an organization that was important to the European market. Due to the recent global economic crisis, Mittal Steel may find drawbacks in countries as they are now susceptible to companies like Mittal Steel. Furthermore, Mittal Steel is interested in distressed companies where it can fix them and gain capital, this may or may not be of advantage to the local markets.

IV. Mittal Steel is engaged in multiple markets; therefore, the company's income stream is diversified. A diversified income steam reduces Mittal Steel's dependence on any single market. Moreover, Mittal Steel has a global presence allowing the company, in some degree, to control the price of raw materials in the industry. Additionally, a projection of growth in the industry entails a possibility of growing beyond one border as demand is limited within any single market.

V. In 2006, Mittal Steel was approved the acquisition of Arcelor. Arcelor was a European firm formed through the merge of three steel makers from three European countries. The management and politicians raised objections fervently to the merge, as they deemed Mittal Steel a threat to their countries. A possible reason for their hostility could have been due to the reason that Mittal Steel had no allegiance to Europe rather; the company would make decisions beneficial to their firm and not that of the local market. Although the concerns of the politicians are legitimate, the shareholders of Arcelor approved of the acquisition. In addition, Mittal Steel was not a foreign company, as its headquarters are located at Rotterdam, making it a European company.