Case study on cost efficiency

Business

Introduction It is not easy to compete in the market today. Rising prices, shifting fuel rates, global competition, varying labor rates around the world, and spiraling health insurance costs have made cost control a moving target. Sometimes it seems that a company gets one set of expenses under control, and in the meantime, another area of the company begins experiencing cost overruns. It is a never ending battle to maintain company profitability.

The importance of cost efficiency programs within a company cannot be overstated.

Companies that are losing money, need to increase profits, or must become more competitive need to cut expenses in order to succeed. Knowing how to implement effective cost reduction strategies can be the determining factor in the survival of a business. Every organization strives to reduce cost and accomplishment of work at minimum resources to gain maximum output and financial performance. Cost efficiency is a measure of the level of resources used to create a given level of product value.

How much resources are being used to create an optimum and defined level of outcomes need to work out to determine the cost of resources and cost of ultimate output it brings in existence.

Company can offer lower price product for its customer benefits or can provide more features for the same price of product. While allocating Budget Company would like to maintain same level of service provisions and quality but at reduced cost and try to earn profit as much as it can. Objectives of the subject • To study the concept of cost efficiency. • To study importance cost efficiency. To study consequences of cost inefficiency.

• To study the case study on cost efficiency with reference toGooglepurchaseMotorolamobility. Research methodology The information for the present study is collected through secondary sources i. e. from books, journal, magazines, internet, etc.

Limitation of the study- The information for the present study is collected through secondary source no primary source is used. Organization's Profile Google History of Google Google began in January 1996 as a research project by Larry Page and Sergey Brin when they were both PhD students at Stanford University in California.

While conventional search engines ranked results by counting how many times the search terms appeared on the page, the two theorized about a better system that analyzed the relationships between websites. They called this new technology Page Rank, where a website's relevance was determined by the number of pages, and the importance of those pages, that linked back to the original site. A small search engine called " Rank Dex" from IDD Information Services designed by Robin Li was, since 1996, already exploring a similar strategy for site-scoring and page ranking.

The technology in Rank Dex would be patented and used later when Li founded Baidu in China. Page and Brin originally nicknamed their new search engine " Back Rub", because the system checked back links to estimate the importance of a site. Eventually, they changed the name to Google, originating from a misspelling of the word " googol", the number one followed by one hundred zeros, which was picked to signify that the search engine wants to provide large quantities of information for people. Originally, Google ran under the

Stanford University website, with the domains google. stanford.

edu and z. stanford. edu. The domain name for Google was registered on September 15, 1997 and the company was incorporated on September 4, 1998. It was based in a friend's garage in California. Craig Silverstein, a fellow PhD student at Stanford, was hired as the first employee.

In May 2011, the number of monthly unique visitors to Google surpassed 1 billion for the first time, an 8. 4 percent increase from May 2010 (931 million). Mission of Google Google Inc. s an American multinational corporation which provides Internet-related products and services, including Internet search, cloud computing, software and advertising technologies. Advertising revenues from Ad Words generate almost all of the company's profits. Google is a global technology leader which focuses on improving the ways people connect with information relative to the industry Internet and Computer software.

The company mission is to organize the world's information and make it universally accessible and useful.

Its product lines include Search Advertising, Display Advertising, Mobile Advertising, Tools for Publishers, Local, and Enterprise. Google has became one of the most recognized brand in the world and achieved Market Share of 65. 5% (May 2011) in Search Engine Business. Google became the 4th largest technology company in USA.

Rapid growth since incorporation has triggered a chain of products, acquisitions, and partnerships beyond the company's core web search engine. The company offers online productivity software including email, an office suite, and social networking.

Google's products extend to the desktop as well, with applications for web browsing, organizing & editing photos, and instant messaging. Google leads the development of the Android mobile operating system, as well as the Google Chrome OS browser-only operating system, found on specialized net books called Chrome books. Google has been estimated to run over one million servers in data centers around the world and process over one billion search requests and about twenty-four peta bytes of user-generated data every day.

As of September 2009 Alexa listed the main U. S. focused google. com site as the Internet's most visited website, and numerous international Google sites as being in the top hundred, as well as several other Google-owned sites such asYoutube, Blogger and Orkut.

Google also ranks number two in the BrandZ brand equity database. The dominant market position of Google's services has led to criticism of the company over issues including privacy, copyright, and censorship. Google's Organizational Structure According to Fortune and All Business magazines, Google is the fourth-most admired company in the United States.

Google was also listed as the top company to work for in both 2007 and 2008. The main reason for this employee admiration is Google's cross-functional organizational structure, which the company maintains though stellar leadership and innovative management techniques. Motorola History of Motorola Paul V.

Galvin and his brother, Joseph E. Galvin, purchase a battery eliminator business in Chicago. In September 1928 they named the company Galvin Manufacturing Corporation. Galvin Manufacturing Corporation's first product they develop is a battery eliminator which allows electronic devices to run on electricity rather than batter.

The name Motorola was given to Galvin's first car stereo. ' Motor' stands for car and ' ola' stands for sound.

From 1936 onwards, Galvin production lines dominate by manufacturing radios for cars and receivers up to 1947 where they produce their first television and the company name changes from Galvin Manufacturing Corporation to Motorola but then continue manufacturing communications mediums. In 1967, Motorola expands into the following countries: Australia, Canada, France, Hong Kong, Israel, Italy, Japan, Malaysia, Mexico, Puerto Rico, South Korea, Taiwan, the United Kingdom and West Germany.

In 1969, Motorola starts to supply the National American Space Agency (NASA) with radio equipment so astronauhts can communicate with their Earthly bases. The first man on the moon, Neil Armstrong communicated with Earth whilst on the Moon using a Motorola Radio. In 2000 Motorola and General Instrument Corporation merged to enhance their services and in 2001 Motorola introduces the Motorola v60 phone the world first metal mobile phone which is available on the cellular networks GSM, TDMA and CDMA.

In 2002 Motorola developed released a GPS chip that could be installed into consumer electronics to enable location positioning.

Also Motorola released a 3G which is transmitted over CDMA network. Finally, Motorola releases the Cross-Technology PoC product line that enables subscribers to have “ push-to-talk” connectivity across and between GPRS, CDMA2000 1X, and WiFi networks and Motorola releases Ojo Personal Video Phone. Ojo promises broadband connectivity and a video phone that doesn’t break up which is commonly known with video phones. Mission of Motorola Motorola wants to make phone chargers to strap onto millions of owners’ bikes in emerging nations because mobile phones are often the only type of phone they own.

For many people in those countries, he said, a mobile phone is often the first interaction with a computer or the Internet. Globally and locally, Motorola’s mission is to make everything mobile: communication, music, photos, Internet, television. And especially putting content wherever customers want it. Chris White from Motorola’s multimedia experience department discussed what Zander called the two biggest customer frustrations: getting music onto a mobile phone and getting pictures off of it. Motorola has partnered withMicrosoftto bring DRM technology to its phones.

Users will be able to download music from a variety of online music stores into Windows Media Player. Songs can then be dragged, dropped and synched with the phone. In regard to photos, Motorola’s new Rizr Z6 phone will have a 2-megapixel camera whose pictures can be sent wirelessly over Bluetooth to aKodakEasyShare printer. Organizational structure of Motorola The company adopts a more flat organizational structure compared toNokiaand Ericsson and grants more authority to the second level management.

Within divisions, the Vice Presidents of the respective segments are authorized to adopt the ideal organizational pattern as an example, matrix approach for new product development divisions/departments, whereas a line or staff structure for production area. The company favors interdepartmental and cross functional teaming of employees and also adopts employee empowerments schemes to make good the lacunae in organizational structure, caused due to centralization of functions. The flat organization of Motorola enables the implementations of management decisions at a faster rate.

Concept of cost efficiency Definition of cost efficiency " Efficiency is the ratio of output to input. A system is cost efficient if, relative to another system, its output cost less per unit of input.

A system increases its cost efficiency when it maintains output with less than proportionate increase in input. Efficiency is divided into 2 parts, they are- allocative efficiency and x-efficiency. Allocative efficiency is concerned with the allocation of given resources between alternative uses in ways that maximize social welfare.

X-efficiency is concerned with producing more output without any change in the allocation of inputs. It therefore focuses on inefficiencies such as overstaffing and managerial waste".

The act of saving money by making a product or performing an activity in a better way is nothing but cost efficiency. Cost efficiency is a concept which is concerned with comparing different ways of achieving the same objective such that the most cost-effective choice will be the least costly of the alternatives being compared. Cost efficiency takes into account not only the price, but other factors too.

Cost efficiency is more expensive at first but in the long run it will save money. This cost efficiency refers to the use of resources so as to maximize the production of goods and services. In accountancy, the cost is said more efficient than another (in relative terms) if it can provide more goods and services for society without using more resources.

In absolute terms, a situation can be called efficient if: • No additional output can be obtained without increasing the amount of inputs. • Production proceeds at the lowest possible per-unit cost.

These definitions of efficiency are not exactly equivalent, but they are all encompassed by the idea that a system is efficient if nothing more can be achieved given the resources available. The term cost efficiency is a situation in which an organization maximizes benefit and profit, while minimizing effort and expenditure. Maximization of efficiency is a balance between two extremes. Managed correctly, it reduces costs, waste, and duplication.

The greater the efficiency, the more successful organization becomes.

The organizations today attempt to be more customer-responsive than efficient in this sense, and the notion of such an ordered and impersonal efficiency has lost favor in an era when creativity and innovation are valued as a competitive advantage. A goal of media marketing that is aimed at minimizing advertising expenses incurred while maximizing product publicity to a target market in terms of breadth and frequency of exposure. Maximizing cost efficiency in a marketing campaign is highly desirable for a business since the greatest product exposure is achieved for the least amount of financial investment.

Importance of cost efficiency The importance of cost efficiency programs within a company cannot be overstated. Companies that are losing money, need to increase profits, or must become more competitive need to cut expenses in order to succeed.

Knowing how to implement effective cost reduction strategies can be the determining factor in the survival of a business. Keeping a Competitive Advantage A good manager understands the importance of cost reduction to the health of a company. Bloated expense accounts can eat up profits quickly.

A cost efficiency plan is one that focuses on lowering costs in every business activity. The activities vary by type of business but the concept of cost reduction and its efficiency does not vary.

The importance of cost reduction and efficiency plans is related to the most common reasons why expenses must be cut in a business. • Need for increased profits • Improved competitive standing • Preserve company resources • Reduce waste • Improved productivity It is not easy to compete in the market today.

Rising prices, shifting fuel rates, global competition, varying labor rates around the world, and spiraling health insurance costs have made cost control a moving target. Sometimes it seems that a company gets one set of expenses under control, and in the meantime, another area of the company begins experiencing cost overruns. It is a never ending battle to maintain company profitability. Cost efficiency can be achieved utilizing different approaches.

A company can: • Reduce existing expenses • Eliminate unnecessary expenses Modify business strategies which affect the types of business expenses • Replace higher expenses with lower expenses for same items The importance of cost efficiency strategies cannot be understated, especially when a company is struggling to maintain profitability. Areas that can be reviewed for expense reductions include the following. • Telecommunications • Leases • Materials • Office supplies • Maintenance costs • Rent • Utilities When a company must generate more cash as fast as possible, management will have to decide which costs can be most effectively reduced.

If the reduction is needed quickly, expenses cut first will normally be those that are not fixed or directly tied to production. It is not a good idea to drastically reduce expenses that produce the company product or service without careful evaluation.

If your company understands the importance of cost efficiency as a tool to increase profitability, the company will have a much better chance of remaining profitable no matter what stage of the economic cycle is occurring. That is because cost efficiency is an effective tool that can be responsive to a company’s need. Managing expenses is just as important as managing revenue.

A regular review of costs can prevent a company from wasting money resulting from ‘ bad habits’. No matter whether it is good times or bad, the importance of cost efficiency strategies never changes.

Consequences of cost inefficiencies The theory of inefficiency states that the distribution of resources between alternatives does not fit with consumer taste (perceptions of costs and benefits). For example, a company may have the lowest costs in “ productive” terms, but the result may be inefficient in allocative terms because the “ true” or social cost exceeds the price that consumers are willing to pay for an extra unit of the product.

This is true, for example, if the firm produces pollution (see also external cost). Consumers would prefer that the firm and its competitors produce less of the product and charge a higher price, to internalize the external cost. Cost plays an important role in running of the business. Unfortunately, a business or a firm or an organization faces many problems due to improper use of cash held with them.

In other word, it is also said as facing the consequences of cost inefficiency.

Organizations have different range of problems than their larger counterparts, due to their inability to enjoy some of the same advantages in the marketplace. Most of these problems are due to revenue and cash-on-hand availability when the bills come due. But confronting these obstacles before they become a headache can help you to prevent them from becoming a major issue for your company through the study of cost efficiency. Following are the consequences faced by an organization:- Cash

Flow The most important issue to any small business entrepreneur is cash flow.

It does not help a small business to have a profitable upcoming quarter already signed on the dotted line, if the payroll for this Friday does not have sufficient funds to pay your employees. Businesses which book revenue in advance, but do not realize the income for a period of months afterwards, must be especially careful with this timing. The future ledger may be showing nothing but green, but if the cash-on-hand dips into the red, a crisis may be coming sooner than your revenue can forestall it. Maintain lines of credit sufficient to keep your cash flow healthy as necessary, and keep a rainy day account if possible.

Unforeseen Expenses Start-up companies and small businesses frequently run close to the bone and may be profitable only so long as unplanned events never occur.

A retail store which clears $150, 000 per year after expenses may seem to be in good shape, until a slip-and-fall lawsuit against the store awards the plaintiff $1. 3 million and there is no insurance coverage. Even smaller expenses, such as a one-time government levy on all businesses in a region, or a rise in the cost of goods, can cause a major change in the bottom line.

Use your available credit when you need to tide over your short-term cash crunch, but keep a close eye on your long-term profitability to ensure that your overall liquidity is not threatened by the change in costs. Catastrophic Change A large corporation will probably survive the loss of a key executive to a debilitating injury or death, but these things frequently close small businesses when that person represents a large chunk of the available labor force–especially when the entrepreneur herself is that person. Likewise, a natural disaster or other major disruption can close a business for weeks or months.

Whenever possible, have cash on hand and business policies to ensure that you will be able to reopen as soon as possible, or wether the temporary loss of a key employee, and then check your business plan to see if any of your prior assumptions have been changed by the new circumstances Once the organization identifies the sources of waste, and how much it is costing business, it should look at the most cost-effective way to reduce it. It’s a good idea to focus initially on quick wins – things you can do immediately that will reduce waste almost instantly. You might also want to consider uick fixes – putting in place a temporary solution to a problem to give you time to design a more permanent answer. It is essential to give priority to cost improvements, as making a change to eliminate a problem might not always be cost-effective. The main focus should be on dealing with those problems which are most costly to the business because it will have the biggest impact on your profits. A case study Google purchase Motorola mobility About the Deal The Google, online giant on 15 August, 2011 made an announcement to buy Motorola Mobility, a maker of handsets and other electronic devices.

Google Management Agreed to buy Motorola Mobility for $ 12. 5 billion. This is the largest surprising acquisition by Google paying a premium of 63% to the 12th August, 2011 closing price ($40. 00 per share) of Motorola Mobility. The deal not only treated as a surprise, it will have a big impact on the mobile industry too. Motorola shareholders will get $40 a share in cash, the companies said in a statement today.

That’s 63 percent more than Motorola Mobility’s closing price on the New York Stock Exchange on Aug. 12. Both boards have approved the takeover.

This is a Vertical Merger (which companies at different places in a chain of products join together). Here, Hardware Client (Motorola) acquired by the Software Client (Google) Google expects to complete the transaction by early 2012.

As recently as March, the deal was slowed to a crawl when the Chinese government expanded its investigation of the purchase. China finally cleared the deal this past weekend. Google had received approval for the deal from both the U. S. Department of Justice and the European Commission in February. The purchase also was approved by officials in Israel and Taiwan, leaving China as the last holdout.

The purchase will help Google defend itself against various patent infringement lawsuits over the Android operating system, since Motorola has one of the smart-phone industry’s largest patent libraries. Page also hailed the purchase as something that will allow Google to gain a bigger foothold in the mobile market. A Google phone running Android could be very marketable not only to consumers but to IT departments that need to outfit workers with mobile devices. Basically, owning both the handset hardware and the operating system could be a powerful combination that could drive Android adoption.

Google has been working to expand its business into other hardware ventures.

With Motorola, Google may be better able to push its way into the home entertainment market with its Google TV platform. In addition to being a world-renowned smart-phone maker, Motorola also is a major player in the home set-top box sector. Why Google plans to buy Motorola mobility? " Google is moving into hardware, which is very different from what they've done all along," said Darren Hayes, a computer science professor at Pace University. " It's very difficult for a company to be able to be a successful software and hardware company.

It worked forAppleto be in the hardware and software industries, but not all companies have been that successful.

" Google's move toward Apple's close management of software and hardware signals a departure from its previous path and suggests Google may be dissatisfied with its current software licensing arrangements, which have led to the proliferation, but also fragmentation, of its Android mobile operating system. " Google is moving into hardware, which is very different from what they've done all along," said Darren Hayes, a computer science professor at Pace University. It's very difficult for a company to be able to be a successful software and hardware company. It worked for Apple to be in the hardware and software industries, but not all companies have been that successful. " Google's move toward Apple's close management of software and hardware signals a departure from its previous path and suggests Google may be dissatisfied with its current software licensing arrangements, which have led to the proliferation, but also fragmentation, of its Android mobile operating system.

Most directly, the deal marks a defensive maneuver in the high-stakes patent war that has pitted the world's largest technology companies against one another in dozens of drawn-out intellectual property (IP) disputes.

Google CEO Larry Page framed the acquisition as a means to protect Google's Android mobile operating system against " anti-competitive threats" by shoring up his company's arsenal of patents.

Analysts agree that Motorola's 17, 000 patents and 7, 500 patent applications are a major win for Google, which lacks a robust portfolio of wireless patents relative to more established players and has been vulnerable to lawsuits from the likes of Apple, Microsoft and Oracle. Over forty lawsuits have been filed against Android, and ongoing patent disputes threaten to impose licensing fees on the software Google has given away to phone manufacturers for free, potentially jeopardizing Android's explosive growth. Google is a relatively new entrant in the mobile space and does not have a lot of mobile IP, so anything it can do to build up its IP in the wireless space will help reduce potential risk to the company from lawsuits in the future," said Ovum analyst Nick Dillon. " If you look at Motorola's history and role in pioneering mobile communications from the very start, you'll see they have some really key patents that will be useful to Google. " Yet patents are only part of the story, experts say.

The acquisition suggests that Google sees itself as unable to adequately compete in the mobility market without its own handset manufacturer.

Google’s bet is that having greater control over smartphone software and hardware will help it move beyond the desktop and beyond search. Owning Motorola will allow Google, more than ever before, to create mobile devices that satisfy the web giant’s vision for what cellphones and tablets should be able to do. A new breed of Motorola smart-phones could be designed from the ground up to integrate Google products at every turn, from featuring the Google-plus social network to adding near field communication chips that allow cell-phones to be substituted for credit cards via Google Wallet.

Fundamentally, Motorola offers Google a bridge from the digital to the physical world, and with it, a means of gaining valuable information about its users, such as their locations or what applications they use the most. Though Google said that it will continue to license its Android software, its mobile strategy will cease being at the mercy of third-party handset manufacturers like HTC andSamsung. Instead, Google will able to dictate the price, distribution and features of its own line of devices. Google also stands to bolster its efforts to gain inroads into the living room by preading to TVs. Google TV, which was unveiled lat year but was unable to gain much traction, may stand a better chance when paired with Motorola’s set-top box offerings. Until now, Google has been essentially hands off when it comes to hardware: it has offered its Android software to manufacturers at zero cost, without a having a say in the form of the phones Android will power. This disruptive and unorthodox strategy has allowed Google to gain enormous market share in very little time, overtaking Apple to claim 48 percent of the global smart-phone market, according to Canalys.

To some extent, quality has been sacrificed for quantity as Android has expanded to more than 150 million devices made by more than thirty different manufacturers. Google frequently updates its Android software, but app developers, manufacturers and carriers are not always able to keep up, resulting in a proliferation of different versions of the Android operating system offering a range of experiences for users. Depending on Google's relationship with the handset manufacturer, or the manufacturer's approach to upgrades, a consumer could purchase a smart-phone running outdated software, straight out of the box.

Not all Android apps perform equally on different versions of the software, an issue that has been a source of frustration for users and developers alike. Google's new approach — controlling the smart-phone experience from end-to-end — mirrors the vertical-integration strategy Apple has pursed with spectacular success, but one that has lately been a bust for the likes of Nokia and Research in Motion.

Nokia, for example, recently ceded its top spot as the world's largest smart-phone vendor to Apple and announced it would retire its Symbian operating system in favor of Microsoft's Windows Phone software.

Google is staking billions on its ability to successfully control both the software and hardware components of its company's devices — all while not alienating its partners, who have been instrumental in Android's rise and with whom Google will directly compete once the Motorola acquisition is complete. " Google has had history of picking favorites, but it's never directly competed with manufacturers," said Ovum analyst Dillon. " Manufacturers have come out with statements of support. But what's said in public in one thing, and what's said behind closed doors is another. Benefits of the deal • Google and Motorola Mobility together will accelerate innovation and choice in mobile computing.

Consumers will get better phones at lower prices. • Motorola Mobility's patent portfolio will help protect the Android ecosystem. Android, which is open-source software, is vital to competition in the mobile device space, ensuring hardware manufacturers, mobile phone carriers, applications developers and consumers all have choice. • The purchase of Motorola Mobility by Google has excited some technophiles and alarmed others.

The first point of concern, at least from the customer's perspective, is whether or not Motorola's Android smart-phone platform would become the exclusive domain of Google customers.

The acquisition certainly puts Android operating systems on better footing as they compete against Apple's iPhone, and with Google's capital resources, more money is sure to pour into Android technology. Following are some reasons why the Google-Motorola deal makes sense: Integration may be all that matters in the wireless industry.

Apple's hardware-software-ecosystem business model brings better profit margins, can grab market share and seems to delight consumers. Google's Android effort could be a bit like herding cats. The larger question is whether the vertically integrated model is the only one that works in the wireless industry. Google lands its patent treasure trove.

If you consider that Google was going to pay nearly $4 billion for Nortel's 6, 000 wireless patents, $12. 5 billion for Motorola Mobility doesn't look like a big chunk of change. With Motorola Mobility's patents, Google can fend off lawsuits.

In other words, Google builds out its patent portfolio. On a conference call, Page called out patents as a big reason for the Motorola Mobility acquisition.

Google gets a TV play. While Google's Motorola acquisition primarily revolves around wireless devices, there's a significant living room play here. Why? Motorola Mobility has a significant set-top box business. In the cable box world, there are two players: Ciscoand Motorola Mobility, which is the leader.

Google will get significant relationships with cable providers and give Android more of a foothold.

There's a good chance that Google can keep hardware partners in the fold—for now. Page reiterated that Google will keep Android open source and work with partners such as HTC and Samsung. Also keep in mind that this Google-Motorola deal could win it some goodwill with hardware partners. Motorola was thinking about suing other Android hardware makers over patents. Google's acquisition would put an end to that.

The deal forces Microsoft's hand. When it comes to the art of war, Google and Motorola force Microsoft's hand a bit.

With the Google-Motorola deal, Page is basically acknowledging that there's no money in third-party operating systems in the mobile space. The upshot: Mobile software players need a hardware component. As a result, Microsoft may be forced to acquire a hardware player. Research in Motion and Nokia are prime takeover candidates.

In any case, Microsoft will be distracted by a big acquisition. And Android boxes in Nokia and RIM. With Motorola, which has some enterprise credibility and Android innovations, Google can enter the enterprise easier.

As a result, RIM increasingly looks like the odd man out. Nokia is already under fire as it waits for Windows Phone 7 to gain traction.

RIM is betting on QNX as an operating system. Google is indicating that the wireless market is a two-platform race. And those two horses are going to be Android and iOS. Challenges of the deal: Google acquisitions may lead to serious channel conflict, it will lead to a direct competition with other hardware partners like Samsung, HTC etc. , and the hardware manufacturing is a very different area with Google’s core business.

The deal raises the following major challenges 1.

HTC and Samsung, two of the leading Android-based smart-phone makers, feel about the fact that their “ partner” Google is now competing directly with them for hardware sales. 2. Need to change the perceptions of the Investors that are not perceived the deal in a positive way. 3. Management Cultures of Software and hardware companies are almost different it is one of the challenge for the Google while framing the policies that would not reach to management destructions or management failures 4.

By this Acquisition Google employee strength would increase by 19000 which eventually decrease the profits of the business. It’s question to the management in effective utilization of man power in value generation. Valuation of the Deal | Swap ratio determination using market value method | | Particulars | Google Motorola | | Market capital | 1, 71, 94, 00, 00, 000 | 11, 21, 00, 00, 000 | | Equity | 46, 24, 10, 00, 000 | 1, 73, 20, 00, 000 | | Market capitalization of the merged entity | 1, 83, 15, 00, 00, 000 | | Share of google | 93. 8% | | | Share of mmi | | 6. 12% | | Post merger equity of google | | 49, 25, 57, 81, 959 | | Post merger equity of mmi | | 3, 01, 47, 81, 959 | | Hence, 1 equity share of google is equal to | | 11.

6019003 | | 11. 56 of mmi | | | | Market price at the time of deal (august 12) | 563. 77 | 24. 47 | | Additional premium paid to mmi | 280. 8921499 | 49. 82% | By this Market Valuation Method this deal is Viable for Google at a premium of 50% Why is Google willing to pay a 63% premium?

Google is expecting the following benefits from MMI by this Acquisition.

Operational Benefits • Google can Access all the product lines of MMI cell phone, set-top boxes and tablet which are having a very good market share Android software has made considerable inroads in the smartphone market with 150 million devices and 550, 000 activations a day. • Now, Google can compete with Global Leader like APPLE in future in hardware and software industry Accounting Benefits • Tax benefit: Acquiring loss making company by a profit making company

Google can make a tax advantage each year till 2019 can utilize the losses. Synergy Expectations: Fragmentation and a Better The Android market is currently heavily fragmented but the developers facing problem for designing the applications by this synergy Google will solve this problem by building a better Android OS with a lot of applications. Diversification and Google Vallet: Despite being a little over a decade old Google maintained the same portfolio now this deal brings new business focus hardware products, mobile computing. Invasion of Living Room

The Google TV user interface that was launched earlier in May, 2011and Motorola is a strong player in the set-top box and home devices market this bid can expand presence of Google TV products into the living room.

Patent The mobile computing industry has become a hotbed for patent disputes and thrust in the patent war. Google having about 1, 000-odd patents this acquisition gives access to more than 17, 000 patents and 7, 000 pending patents held by Motorola. Google will now be able to successfully defend itself against a barrage of patent lawsuits filed by Apple, Microsoft and other rivals Hardware and Software synergy (Vertical Integration):

This results in product efficiency and cost efficiency. Apple secret to become No. 1 Technology Company Integrating hardware and software and the results are iPhone, iPad, and iPod – devices that have become leaders in their respective market segments.

Views about the Deal Management View: • Larry Page, CEO of Google, said, “ I look forward to welcoming Motorolans to our family of Googlers. ” • Mr. Page said I was “ confident this deal will be approved” by regulators it tremendously beneficial to consumers,” • For consumers, Once Motorola is owned by Google the handset maker could more aggressively ncorporate a technology called Near Field Communications (NFC) that is used for mobile payments and is supported by a version of Google’s Android called Gingerbread. • Investors Perception about the Deal • Google: This

Adventurous move in entirely different kind of business, one that could destroy its partnerships (and margins) in one of its most important new Business Lines. Early Investors not perceived the deal in a positive way it results Google stock has gotten smacked in the pre-market.

Another fact that could be worrying investors is that the Google-Motorola deal includes a $2. billion reverse break-up fee. • MMI: The Internal Intention of MMI to get separated from its parent company is to get out in a better price and by showing its market growth among its products it got a chance to exit in a premium price leads to huge hike in the stock prices. The official SEC report outlines how Google bid against themselves and paid $4 billion more than the initial high-end target for bidding. The Self-Bidding War In July, Google started by floating the idea of buying Motorola for a high-$20s, low-$30s (per share) figure. On August 1st, an official bid of $30.

0 per share was made. Over the course of the next week and a half, however, Google would make two additional bids – $37. 00 and $40. 00 per share – representing a full 33 percent increase from their initial offer, or $4 billion extra in total spent. How did Google get into a bidding war when no one else was bidding? It started before Google even made its initial offer. Google’s Andy Rubin first approached Motorola in July, looking to purchase the company’s patent portfolio.

This attempt to expand mobile patent assets stemmed from a failed attempt to acquire Nortel’s patent portfolio in April.

However, Motorola CEO Sanjay Jha indicated that “ that it could be problematic for Motorola Mobility to continue as a stand-alone entity if it sold a large portion of its patent portfolio," according to the SEC filing. This prompted Google to look at buying the whole company rather than just its patents. Google then floated a low-$30s bid as an initial cap. On August 1, Google " sent a letter to the Motorola Mobility Board of Directors proposing an acquisition of Motorola Mobility by Google for $30.

00 in cash per share. " Motorola has approximately 299 million shares currently, so that bid equated to $9 billion.

In response, Motorola brought on Quatalyst Partners, an independent investment bank. It was a Quatalyst representative who contacted Google on August 5 and suggested a bid of $43. 50 per share – or a total bid of approximately $13 billion total, according to the New York Times. Google upped their bid to $37.

00 per share ($11 billion), but continued to push for a fast and confidential buy. Motorola and Quatalyst leveraged Google's intensity by declining the second bid and suggesting " a proposed price of $40. 50 or higher. " Google made the offer of $40. 00 per share, or $11.

96 billion.

Added to the additional options and awards (approximately 29 million shares with alternate sources or pricing), we come to $12. 5 billion – our final figure. Did Google Overpay? From the moment the $12. 5 billion figure was released, analysts called the purchase an inflated buy, and the realization that Google's initial cap would have been would have been closer to $9. 4 billion just affirmed that notion.

After all, $40. 00 per share was a 63 percent increase when compared with Motorola’s last after-market trading value. But Google wasn’t just buying a company. More than anything, Google was buying patent protection.

In the world of mobile, manufacturers are already signing patent licenses with Microsoft that cost $5 to $12 per unit, fighting battles against Apple, and Google themselves are involved in their biggest lawsuit yet with Oracle.

In total, these lawsuits and licensing fees may cost Google and their partners billions of dollars, which explains why Google is willing to pay an inflated price. Google was also buying Motorola’s silence: They didn’t want to get involved in a bidding war with competitors who could then use Motorola’s patents against Android. By bidding against themselves, they removed the incentive to open the floor to public bids.

It was an expensive move, but one that offered important legal protections and access to hardware technology in a key industry. Suggestions: • Key factors that we feel need to implement in order to make this deal successful Google need to strengthen the following segments that creates synergy in value positioning. • Management Efficiency: Focus on stretegy that make effective use of newly added 19000 manpower • Patent Efficiency: First 17000 and plus remaining 7500 patents been used in new technology creation need by the market space • Cost Efficiency: Strict Implementation of control mechanisms over the business.

Profit Maximization: This was the ultimate objective of this acquisition if Google implemented all the strategies as per mentioned in this case it has more possibility to reduce the chances of failure of the deal. Can achieve its targeted mile stone Conclusion The concept of saving money by making a product or performing an activity in a better way is nothing but cost efficiency. So with the help of this project we can conclude that cost efficiency helps in increasing profits of the business organization.

Cost efficiency improves the standard of an organization and makes it more competitive in today's business world. Most importantly, with the help of this theory of cost efficiency a company can preserve its resources and more obviously can use it in its future.

Cost efficiency also helps in reducing wastage in organization. This leads to earning of more profit and less cost expenses. On the other hand, a business or a firm or an organization faces many problems due to improper use of cash held with them. In other word, it is also said as facing the consequences of cost inefficiency.

Organizations have different range of problems than their larger counterparts, due to their inability to enjoy some of the same advantages in the marketplace. Most of these problems are due to revenue and cash-on-hand availability when the bills come due.

But confronting these obstacles before they become a headache can help you to prevent them from becoming a major issue for your company through the study of cost efficiency. In case of Google purchasing Motorola mobility Huge Experts have been watching the current scenario what will be the Google's next step, how efficiently will manage this Hardware product line.

How effectively use these synergies if this synergy became successful Google will reach to the sudden highs in a short span of time can became the competitor to the Market leader Apple. Now, Google can compete with Global Leader like APPLE in future in hardware and software industry. Well, up till now Google have faced less consequences as the employees of the Google Inc. have being studying cost expenses and try to reserve its resources and patents.

Bebliography and webliography List of website:- www. mba. com www. marketing. about.

com www. ehow. com www. ebrd. com