

M&As in the EC by Canadian firms

Canadian firms are participating in the EC's wave of M&As. This is especially true in the luxury goods market where Seagrams has taken over Augier Frères [brandy], Martell [cognac], Mumm and CIE [champagne], and Perrier Jouet-B&G [champagne]. Hiram Walker of Ontario took over Courvoisier [cognac] and Zanimob of Quebec has taken over Pierre Balmain [haute couture], Jean Desprez and Jean d'Avez [perfumes].

Canadian high technology companies have been active too. Quebec's LGS Group acquired a 75% interest in Anabel SA, a leader in computer management systems for retailing companies in France. In the transportation sector, Bombardier has acquired ANF Industrie, a railway car manufacturer which employs 1,150 persons in Northern France.

The Further From Home, The Fewer the Equity Arrangements (in percentages)

Type of Alliance	Intra-EC	EC-USA	EC-Japan	Total
No equity alliance	35.6	52.8	64.0	45.3
Joint Venture	16.5	16.2	25.0	17.1
Minority holding	11.0	7.7	5.5	9.2
Majority holding	36.9	23.2	5.5	28.4
Number of cases	699	581	128	1408

Source: LAREA/CEREM data base, 1980-89.

M&As require matching companies, corporate cultures, products and distribution systems. They are therefore slow to set up. Much depends on finding the right fit and that takes time. Locating the acquisition can take two to five years: too long if the purpose is to take advantage of the quickly evolving Single Market. Companies that want to cover more than one of the still quite diverse markets in the EC, may have to make more than one acquisition. This is expensive, especially when, for the cost of a single acquisition, you could develop as many as three strategic alliances. A failed acquisition is much more expensive than the failure of a strategic alliance. For example, a failed joint venture usually costs about 25 to 35% of the cost of a failed acquisition.

M&As do make sense if a substantial amount of corporate revenue already comes from European markets. Otherwise, they tend to be too costly and time-consuming. Strategic alliances, on the other hand, tend to be flexible instruments with a more far-reaching appeal to Canadian companies seeking to take advantage of the Single Market. Even when acquiring an EC firm does make good business sense, strategic alliances are often an important first step in the process.