

Marc Petz¹, David A. Edgar², Bryan K. Temple³, Klaus-Dieter Maier⁴

PRE- AND POST CRISIS ANALYSIS OF THE INDUSTRIAL CONSOLIDATION IN THE UTILITIES SECTOR

¹ Aalen University, Germany, Phone: +49 172 6 122 408, Email: Marc.Petz@gmx.net

² Glasgow Caledonian University, United Kingdom, Phone: +44 141 331 3179-, Email: D.A.Edgar@gcal.ac.uk

³ Glasgow Caledonian University, United Kingdom, Phone: +44 141 331 3549-, Email: B.K.Temple@gcal.ac.uk

⁴ Aalen University, Germany, Phone: +41 792 128 213, Email: Klaus-Dieter.Maier@htw-aalen.de

OVERVIEW

Industrial consolidation is a global trend that evolved during the last three decades. Market liberalisation and privatisation represent initial key transformation processes for this phenomenon in the energy sector. The energy sector moved over to common interest during the last years: The number and volume of international large-scale mergers increased, and new multinational super-utility champions gained momentum (Graeme 2002).

During the observed period between the years 2000 and 2008 about 8,500 M&A with a transaction volume of more than 1,000 bn. EUR have been realized. The peak of the M&A activities was reached with about 1,600 deals and a volume of about 225 bn. EUR in the year 2007. The general trend since the year 2000 indicates increasing activities and remains in 2008 on a quantitative high level.

Current results of research show that limited empirical evidence exists about M&A processes and strategies in the utilities sector (pre- and post-) liberalised energy markets (Wirtz 2006:1335) in general. The survey will answer the questions on how the current crisis has influenced the growth and internationalisation and growth strategies of the utilities and how the CEOs expect to continue in the future years.

METHODS

This empiric research consists in a data collection of a qualitative method through a semi-structured questionnaire (see appendix) issued to CEOs of about 300 stock-listed utilities companies in 65 countries. The data analysis process coded six sections with questions about strategic management topics in M&A concerning the industrial consolidation.

This survey is embedded in a long-time research and driven by hypotheses concerning the strategic drivers and the critical success factors of industrial consolidation in the utilities sector. The survey will enable to prove these hypotheses qualitatively and deliver an outlook of future trends and development due to the input of the industry itself.

EXPECTED RESEARCH FINDINGS

The survey contains central questions about the process of industrial consolidation and the corporate strategic management of stock-listed utilities in their M&A activities and the further process of internationalisation.

The survey was designed upon previous long-term research of secondary data about M&As in the utilities sector. The questions will deliver answers about the drivers of the industrial consolidation and how it is expected to continue in this industry.

PRELIMINARY CONCLUSIONS (SELECTION)

Recent research concerning industrial consolidation in the utilities sector concludes that the companies focussed mainly on Ansoff's (1965) market strategies and portfolio strategies during and after privatisation and liberalisation (Petz (2006, 2009)). These studies are based upon secondary data research of M&A cases before the crisis.

At the moment it seems that the consolidation within the EU achieved a current state of about ten national champions, but with lesser influence onto the Pan-European market than assumed by the European Monopoly and Competition Commission. These Industry Champions mainly expanded into the markets of Eastern Europe during the last five years. On the other hand there are countries within Europe which did not yet liberalise their electricity and gas markets, like the Swiss gas sector, where a post-liberalisation consolidation wave can be expected in future due to the high number of companies (fragmented market).

In terms of internationalisation the most companies do not seem to expand in out-of-area regions within the next decade. In the first analysis there are very few global players, like the British International Power operating businesses in all continents. The internationalisation strategies are strongly dependent on the business model of each utility company.

Concerning the financial crisis it seems to be true for some participants that there arise difficulties in debt-financed M&A activities but on the other hand the M&A focus will be asset driven. In comparison to other participants the crisis did not affect the M&A strategy at all.

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