PATTERNS OF MERGERS AND ACQUISITIONS (M&As) OF CROSS-BORDER CONTRACTORS FROM SELECTED COUNTRIES

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Abstract
While studies of mergers and acquisitions (M&As) have been conducted in many industries, international construction has been largely neglected. A study was conducted to look at mergers and acquisitions (M&As) by selected contractors listed in the Engineering News Records Top 225 International Contractors between 1999-2003 inclusively from selected countries. Data were compiled entirely from online secondary sources. Analysis was conducted to identify possible patterns, and to explain those patterns by referring to reliable sources. Among the findings were that M&As were dominated by a few companies, same-industry M&As were more frequent than cross-industry M&As, and same-size M&As were slightly more frequent than different-size M&As. M&As were used more to penetrate third markets than to increase corporate size. For the former motive, cross-border M&As were more frequent, for the latter, it was domestic M&As. Overall though, more of the studied companies were involved in domestic rather than cross-border M&As.

Keywords
Acquisitions, cross-border contractors, mergers, trends.

INTRODUCTION

The past century saw five great mergers and acquisitions (M&As) waves – one at its beginning, and successive waves at the end of the 1920s, 1960s, 1980s and 1990s (Gugler et al., 2003). While much of the earlier M&As activity was confined to North America and Great Britain, the most recent wave has engulfed all of the major industrial countries of the world. The United Nations (2001) indicates that M&As sales value rose from US$74.5 billion in 1987 (equivalent to roughly 0.5% of world’s gross domestic product (GDP) to US$1.14 trillion (equivalent to 3.6% of world GDP) in 2000. The United Nations claim, “Cross border M&As have thus become a decisive factor in determining the level as well as direction of foreign direct investment (FDI) flows (2001, p. 52). However, the pattern of FDI per se is not the same as for M&As. The concentration of cross-border M&As in developed economies is higher than of FDI flows in these countries. Private capital flows have become the major source of capital for a lot of emerging economies. M&As were the most important source of this increase (Schmukler and Zoido-Lobaton, 2001).

While M&As have been examined in other industries (Flanagan et al., 1997; Kang and Johansson, 2000; Agami, 2001), international construction has been largely overlooked. In what is probably a first attempt to look at M&As by international