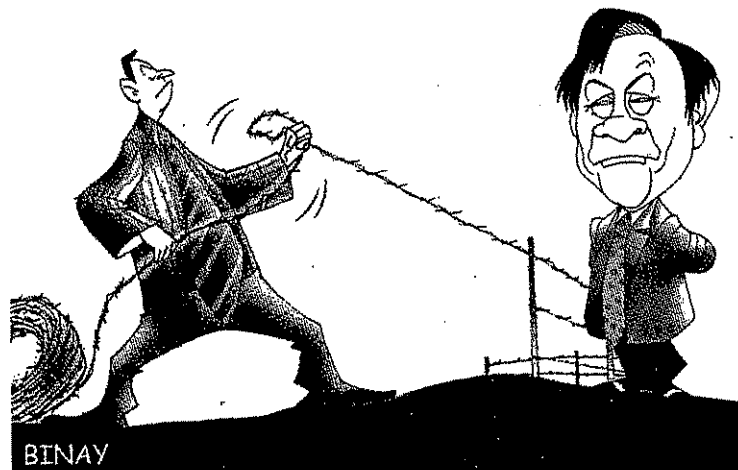


Double standards

It is a strange world out there. Are we living in an open industrialised world without borders where goods, money and people can flow without barriers? Are we living in a society where value creation and knowledge should be our prime concern? Sometimes it does not seem so.

In every game, rules are laid down before it is played. Who wins is important but how the game is played is sometimes more important. Let us analyse Mittal Steel's hostile bid of €18.6 billion, or \$22.5 billion, for its European rival Arcelor. On one side we have Lakshmi Mittal, touted as the "pinstriped Indian" who has shown the world of today that businesses can think of different models and those models can change the rules of the game. It is possible to acquire companies with run-down plants and run them more effectively than the predecessor and to gain more market share, the value created in the process is known as franchise value. This is old wine. In this game of acquisition, either you eat the other or be eaten. There is a fight for survival and for the fittest. The option of being a very good small company is not a real option because at some point the firm will be swallowed by somebody else. The keys to be a successful company in this business thus are both growth and creating value. Successful French companies such as Lafarge (became No. 1 by ac-



quiring Blue Circle of the UK), France Telecom (acquired Orange, another UK-based company), EDF, the French electricity giant (acquired London Electricity and many other companies in Europe) played and thrived by these rules.

So what is it today that our "pinstriped Indian" has done wrong? He has done exactly what most of the largest, No. 1 companies, including French companies, have practised through decades. He is playing by the rules that European governments and European companies have set for themselves. He wants to create value for the shareholders by growing and growing profitably. Is it a difficult proposition? Going by reason and logic, it is not so.

What is the problem? The problem is somewhat deep inside. It is about mindset, openness and the ability to move beyond one's borders and respect business sense. Also it means playing by the same

rules. It is to be respectful to other cultures and to manage effectively across cultures. Arcelor's top management should have learnt this by now.

It is somewhat sad that the European elite has missed the point altogether. They have practised it themselves across the world. Once it is their garden, they started crying "wolf".

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