

Frequent changes in the policies of the Government also increased the uncertainty among the businessmen. The instability of the economic policies also encouraged the growth of the combination movement.

## 12. Rationalization

In fact, combination is the first step towards rationalization. The growth of rationalization movement encouraged the emergence of business combinations to a great extent.

## 13. Cut of the Colossal

The mid-nineteenth century brought in its wake the cult of the colossal-respect for bigness. People began to respect big things and there was a corresponding contempt for small things. The impact of this tendency was felt in the business field also. The glamour for giant undertakings captured the minds of the industrialists. This tendency also furthered the combination movement.

### **Business Combination: Objectives**

The basic objective of combinations is the sustained profitable growth of the combining enterprises. This basic objective is realized by achieving economies of scale, reducing competition, preventing the entry of new firms and controlling the market.

#### **The objectives of combinations are:**

1. Achieving sustained growth and profits.
2. Reduction in competition.
3. Preventing the entry of new firms by creating entry barriers.
4. Achieving monopoly status.
5. Undertaking large scale production and benefiting from economies of scale.
6. Investing in common facilities and infrastructure.
7. Avoiding cut-throat competition and the evils associated with it.
8. Achieving greater financial strength and stability.
9. Investing in research and development to innovate new products.
10. Pooling of material and manpower to ensure efficiency in operations.
11. Sharing knowledge of best practices for mutual benefit.
12. Maintaining stability in prices.
13. To withstand the effects of business cycles.

### **Business Combination: Types and Forms**

#### (i) Horizontal Combinations.

It refers to combination of businesses engaged in the production of the same type of product or engaged in the same trade. For e.g. Cement companies joining together (acquisition of Gujarat Ambuja Cement by Lafarge of France) or steel manufacturers joining together (Tata Iron and Steel Co., acquiring Natsteel of Singapore) etc. It is also known as parallel or unit or trade combination.