Essay About Cooper Industries Essay, Research Paper

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OVERVIEW:

Cooper Industries is a broadly diversified manufacturer of electrical

and general industrial products, and energy related machinery and equipment.

The company operates in three different business segments with 21 separate

profit centers. These segments include electrical and electronic, commercial

and industrial, compression, drilling and energy equipment. The product line is

consisted of cheap fuses to $3 million compressor tribune sets along with

products such as hand tools and light fixtures.

The company bid a $21-a-share tender offer to acquire Champion Spark

Plug, manufacturer of auto spark plugs, as a counter offer for the Dana Corp.’s

$17.50-a-share bid. Also, in the mean time, Cooper Industries was considering a

$700 million bid for Cameron Iron Works. Even though purchasing either or both

companies will give operational and organizational advantages, there were high

financial risks involved. Undertaking both acquisitions would result in a 55% to

60% debt to capitalization ratio.

ANALYSIS:

Cooper Industries acquired more than 60 manufacturing companies over a

thirty year span in order to increase the size and the scope of the company.

Most of the acquired companies made it possible for Cooper to be independent of

the outside environment and giving full control of the manufacturing process

concerning their business while avoiding anti-trust allegations. Cooper

basically purchased every company that is vital to its energy industry and all

the side industries that effect it. From tools to fuses to cables to the

drilling equipment was manufactured and distributed by the corporation’s

divisions. Each acquisition is decided from a wish list that was closely

examined and studied. At the time of the take over, the Management Development

& Planning division would implement the corporate strategy in a period of three

to five years. This involves diversification and elimination of the products

that are poor sellers. In some cases the production plant is relocated and the

staff is reorganized for the best efficient set up. In time all these companies

are turned into profit centers.

RECOMMENDATIONS:

One of my first suggestions will be to consider Cameron Iron Works first

since all the valves and other natural gas and petroleum products will be more

beneficiary. Apparently there is more demand for Cameron’s products than the

Champions. Little adjustments in the production process along with the

‘Cooperization’ adjustment will have make the company efficient in a short

period of time. In contrast, Champion is considered to have 1950’s production

techniques and only one product line, spark plugs, which will require

tremendous changes within the company.

The other option may be to purchase both of the companies, regardless of

the financial risks involved. By allocating all the departments such as

Management Development & Planning in the process, Cooper may turn things around.

Since the beginning, Cooper’s way of acquiring companies seem to create

success stories in the end. Champion still has brand name recognition in Europe

and Asia (personal knowledge) which maybe taken advantage of. Major changes for

the American market may take place while the revenues from the overseas sales

finance the process. And once the changes are made in here, according to the

demand the product line maybe readjusted for those markets.

One other option for the Champion acquisition maybe to consider other

possible options in the automotive parts industry. There may be other companies

requiring less adjustment, and maybe turned into profit centers in less time

than Champion.

If buying both the companies is not possible at the time, then Cameron

seems like a better option giving independence to Cooper in the valve dependence.

Utilization of this company seems more of a priority at the time. However Dana

may end up buying Champion if Cooper delay the acquisition.