

B.COM
BUSINESS ORGANIZATION
UNIT - 4
BUSINESS COMBINATION

Syllabus -UNIT-4 -Business Combination

Definition - Meaning – Advantages and Limitations – Types of Combination – Chamber of Commerce: Meaning – Advantages and functions – Trade Associations: Features and functions.

Expected Learning Outcome

- ✓ Describe the feature of business combinations.
- ✓ Identify the major reasons firms combine.
- ✓ Identify the factors that managers should consider in exercising due diligence in business combinations.
- ✓ Explain n the various types of business combinations.
- ✓ Know the role of Chamber of Commerce and Trade Associations

Business Combination - Meaning

When a voluntary association of firms is formed to achieve common goals and to enjoy the monopoly advantages, that sort of initiative is called business combination. The combination may be formed by a written or oral agreement among the firms. Sometimes firms decide to merge themselves into one unit. The main object of the business combination is to achieve common economic welfare for its members. But it is considered to be unlawful if any of its objectives is against the public interest. Business combinations may be permanent or temporary.

Advantages of Business Combination

The advantages of a combination are controversial because the creation of monopoly and elimination of competition both are considered the merits and demerits of the combination.

Following are the significant merits of combination:

1. Increase in Capital

The volume of capital may be increased by the formation of a combination. The members combine their resources to conduct large size business.

2. Elimination of Competition

By the formation of combination, unnecessary competition is eliminated, and member firms earn monopoly profit.

3. Saving in Expenses

Administrative production and distribution expenses reduce due to combination.

4. Controls over Production

The combination is very effective in controlling overproduction. It helps to adjust the supply according to the demand.

5. Large Scale Marketing

In the market, competition position is strong in bargaining. So it sells the product at a higher price.

6. Experts Services

A combination can acquire the services of experienced specialists. It increases the efficiency of the combination.

7. Research Work

A combination can spend money on research work, which is very important for the business. This research work reduces its cost and increases its profit.

8. Use of Modern Technology

A combination is capable of using the latest inventions and new methods of production as a consequence of a transfer of technology. It will increase profit.

9. Stability

A combination is a more stable form of business as compared to the individuals' units. The chances of dissolution are also less than others.

10. Division of Labor

The principle of division of labor is applied in combination, which increases the production efficiency of combination.

Disadvantages of Business Combination

Following are important disadvantages of combination:

1. Creation of Monopoly

It creates a monopoly that is harmful to the people in the long run.

2. The concentration of wealth

It concentrates the wealth in a few hands and divides society into few classes, such as rich, middle, and poor.

3. Reluctant to be Accepted

The combination is disliked by the people, and it is not acceptable.

4. Changes in Friction

The chances of friction among directors and officers are bright. They quarrel with, each other for their interest

5. No Personal Contact

It is not possible to maintain direct contact between employees, creditors, and shareholders, due to this business may suffer a loss.

6. Costly Management

A combination hires costly management, which increases the cost of production.

7. Over Capitalization

There is always a danger of over-capitalization in the combination. It is harmful to the combination.

8. Misuse of Funds

The directors of the company enjoy unlimited power and misuse the capital.

9. National Interest Ignored

Generally, the combinations ignore the national interest, and they involved in such activities that are against the national interest.

TYPES OF BUSINESS COMBINATIONS

Combinations may take several forms, such as

1. Horizontal,
2. Vertical, lateral, and
3. Diagonal, circular, or maybe a mixture of two or more of these types.

Horizontal Combination

A horizontal combination comes into being when units carrying on the same trade or pursuing the same productive activity join together with a common end in view.

Example of horizontal combinations is;

- Disney's 2006 acquisition of Pixar.
- Facebook's 2012 acquisition of Instagram.

The intensity of competition is naturally reduced when several units competing in the same line of business join together. The combining units can well take advantage of the various economics associated with large scale production by making common purchases, pooling resources for research, common advertising, etc.

Vertical Combinations

Vertical integration is the combination of firms in successive stages of the same industry. It implies the integration of various processes of an industry. Vertical combinations are brought into existence with the following objects in view:

1. To eliminate the wasteful and unnecessary expenses involved in carrying on the connected processes separately.
2. To eliminate middlemen functioning between various units
3. To secure economies in marketing, advertising, and transport
4. To maintain control over the quality of raw materials and finished products.

Lateral Combination

Lateral integration refers to the combination of those firms which manufacture different kinds of products though they are 'allied in some way.'

It can be of two kinds;

- I. Convergent lateral integration, and
- II. Divergent lateral integration.

The convergent lateral combination comes into existence when different forms join together to supply goods and services to help the functioning of major undertakings.

Example: For instance, a book publishing may join with other units producing paper, doing printing work, and providing bookbinding services.

Diagonal Combination

It is also called 'Service' integration Diagonal integration comes into existence when a unit providing auxiliary goods and services to industry is combined with a unit engaged in the mainline of production, within the organization.

Example: For example, if an industrial enterprise combines with a transport company, a power station or a repairs and maintenance workshop, and makes these facilities available within the organization, it will be said to have effected diagonal integration.

Circular Combination

When firms belonging to different industries and producing altogether different products and combine under the banner of a central agency, it is called a mixed or circular combination. This is affected to ensure smooth conduct of business operations by making timely availability of auxiliary services within the organization.

Example, For example, Godrej is engaged in the manufacturing of cosmetics, electrical goods, office equipment locks, etc. The object is to secure the benefits of large-scale operations arising out of co-operation.

FORMS OF BUSINESS COMBINATIONS

Combinations take different forms that have been developed over some time.

A. Associations

1. Trade associations.
2. Chambers of commerce.
3. Informal agreements.

B. Federations

1. Formal Agreement.
2. Pools.
3. Cartels.

C. Consolidations

1. Partial consolidations
2. Trust.
3. Holding companies.
4. Community of Interest

Complete consolidations

- a) Mergers.
- b) Acquisition.
- c) Amalgamations.

Associations

Business units combine to attain some purposes without surrendering their autonomy.

1. Trade Associations

Under trade association, business units engaged in a particular trade generally come together and discuss matters for the promotion of their economic and business interest. They are generally formed on 'territory bases.

Such association is organized on a non-profit basis and is essentially educational. Sometimes the association may make representations to the government to safeguard the interests of a trade or an industry.

2. Chamber of Commerce

Chamber of commerce is voluntary associations of persons connected with commerce, trade, and industry.

These are formed with the object of promoting and protecting the interests of business and business communities in a region, country, or even in the world as a whole.

Their functions include promoting, supporting, or opposing legislative or other measures affecting the trade interests of the members, the collection and dissemination of information concerning trade, commerce, etc. to members.

They also undertake the function of referring disputes arising out of trade activities to arbitrations for settlement, performing such other things as may be conducive to the expansion of trade.

3. Informal Agreement

Informal agreements involve the exchange of promise among members regarding restriction of output, fixation of prices, etc. They are also referred to as Gentlemen's agreements. It is only the moral duty of business units to keeping the promise.

Federations

Federation's form of combination aims at rendering benefit to member-units for certain specific purposes under an agreement. Of such federations, ' Pools' and 'Cartels' are most notable.

1. Pools

It means that the members of the pooling agreement joint together to regulate the demand or supply of a product without surrendering their separate entities. The agreement may relate to the regulation of output, reallocation of output, redistribution of income, etc.

Haney defines and industrial pools as a form of a business organization established through a federation of business units whose members seek a degree of control over prices by combining some factors in the price making process in common aggregate and apportioning that aggregate among members.

2. Cartels

A pool having a common sales agency is known as Cartel. It is, thus, an output and profit pool. The object of a cartel is to eliminate competition by forming a federation of producers that pool the output, fixes the price, and sells the product. The profits reaped by cartels are distributed amongst the members – units on a pre-determined basis.

Consolidations

The last form of combination is consolidation. This form involves the highest degree of integration. The consolidation may be of two types:

Partial Consolidation

1. Trusts

Trusts may be defined as a form of a business organization through temporary consolidation in which the shareholders of the constituent organizations under a trust

agreement transfer a controlling amount of their stock to a board of trustees in exchange for a trusted certificate.

These trust certificates show their equitable interests in the income of the combinations.

Thus, trustees under the trust manage the affairs of the member concerns in the interests of the real owners, who are entitled to dividends based on trust certificates held by them.

2. Holding Companies

A holding company is a form of business organization that is created to combine industrial units by owning a controlling amount of their share capital.

Controlled companies are referred to as subsidiary companies. The subsidiaries are independent and function in their name. But they are effectively managed by the holding company.

3. Community of Interests

A Community of interest may be defined as a form of business organization, in which without any formal central administration, the business policy of several companies is controlled by a group of common stockholders or directors.

Thus, the administration of different companies is possible either through managerial integration, administrative integration, or financial integration.

Complete Consolidation

In complete consolidation, the combining units lose their entity.

It is defined as a form of business organization which is established by the outright purchase of the properties of the constituent organizations and the merging of such properties into single business units.

Complete consolidation may be of the following types:

1. Merger

A merger takes place when; two or more organizations merge, and their operations are absorbed by a news organization.

2. Acquisition

Acquisition refers to the process of acquiring a company at a price called the acquisition price or acquisition premium. The price is paid in terms of cash or acquiring the company's shares or both.

To read more about mergers and acquisitions, [click here](#).

3. Amalgamation

Amalgamation is an arrangement where two or more companies consolidate their business to form a new firm or become a subsidiary of any one of the companies.

For practical purposes, the amalgamation and merger of the terms are used interchangeably.

CAUSES/REASONS FOR BUSINESS COMBINATION

Although the business combination is primarily formed for achieving a common (single) goal, it may also be formed keeping in mind the following reasons:-

1. Elimination of Competition

Due to hard competition among the firms' rate of profit decreases. Some firms may suffer a loss also. So the industrialists feel pleasure in setting up a combination to avoid the competition.

2. To Solve Capital Problem

Small units of production face the problem of capital shortage. They cannot expand their businesses. As a result, small units may form a combination to overcome this problem.

3. To Achieve Economies

Some small units combine themselves to achieve the economies of large scale production advantage. It helps to purchase the raw materials at low prices and sell more product which would increase the profit

4. Effective Management

Generally, small units are unable to hire the services of experts and experienced managers. So small industrial units combine themselves to hire the services of effective management

5. Tariff Facilities

To compete with external firms, some industrial units combine themselves. The government also imposes heavy duties to protect domestic producers.

6. Uniform Policy

All the units adopt uniform policy due to business combinations. It regularizes the business activities of all the units.

7. Use of Technology

The business combination can use the latest technology and new methods of production because its sources are sufficient. In contrast, a single unit cannot do so.

8. To Face Crises

It is very difficult for the small industrial units to face crises in the days of inflation and deflation. So the small units combine themselves to face these problems easily.

9. Growth of Joint Stock Companies

The growth of Joint-stock companies has also made it possible for various industrial units to form combinations.

10. Status in Market

A big firm enjoys a higher status and respect than the smaller one. So, small business units prefer to combine themselves for higher status.

11. Demand and Supply Balance

A business combination is very useful in controlling the overproduction. It adjusts the supply according to the demand of the market. So overproduction cannot take place, and prices remain stable.

12. Transport and Communication Development Activities

It has made economic activities fast. Now there is close contact with a businessman with the others. So it has also contributed to the growth of combination.

13. Research Facilities

Small firms cannot set up the research department, while through business combination, these facilities can be enjoyed.

14. Economic Instability

In the case of economic and political instability, there is a chance of loss in every moment. To reduce the risk, small industrial units combine themselves.

CHAMBER OF COMMERCE

Meaning - A chamber of commerce is a voluntary association of businessmen belonging to different traders and industries. The Chamber of Commerce is formed by the several business people to the target goal achievement and which is the non-commercial organization. Chamber of commerce performs various functions for the welfare of trade and commerce of a country. It plays important role in development of industries in a country. Even professional experts like chartered accountants, financiers and other engaged in business in a particular locality, religion or country can also become the members of chamber of commerce. Its main objective is to promote the general business interests of all the members and to faster the growth of commerce and industry in a particular locality, religion or country.

Following are the Advantages of Chamber of Commerce

- (1) Conducting research and collecting statistics and other information about business and economy.
- (2) Providing technical, legal, and other useful information and advice to its members.
- (3) Publishing books, magazines and journal of business interest.
- (4) Making arrangement for education and training of members. Some chambers even conduct commercial examinations and award diplomas.
- (5) Arranging industrial exhibitions, trade fairs etc. in order to promote trade.
- (6) Advising the government in matters concerning industrial and economic development of the region.
- (7) Issuing certificate of origin to exporters
- (8) Representation of business interest and grievances before the government.
- (9) Providing a forum for discussing the common problems of business community.
- (10) Acting as arbitrators for solving problems and disputes among the members.

Functions of Chamber of Commerce

1. **Protecting the interest of the Member-** The most, important function of the Chamber of Commerce is to protect and maintain the member's interest. With this view it advises the members in business related topics. It also puts that claims of the members to the Govt. and influence the Govt. in fulfilling them.
2. **Development of trade, commerce and industry:** All the functions of the chamber of commerce result in the development of trade commerce and industry of its area. It helps the business in its area, provides advice to all with a view to developing the industrial sector of the country.

3. **Removing odd or unfair competitions-** The chamber of commerce tries to eradicate any unequal or harmful competition among the member organizations and to keep the market of that product static. This ensures the existence of small factories and supports the large organizations.
4. **Creating and Maintaining Favorable Business Environment-** One of the important functions of the chamber of commerce is to create a proper and friendly business environment and to maintain it. It discusses to the Govt and undertakes different structured steps to create a business environment.
5. **Act as a Representative-** The chamber of commerce acts as a delegate or representative of its members. It places various claims to the Govt. It also acts as a representative in law of foreign trade.
6. **Government Advisor-** The chamber of commerce advises the Govt. in case of forming the industrial law, business law, and import and export regulations, budget etc. It supplies important information about the business and commerce of the country for assistance.
7. **Developing business education and training-** To make more skilled business persons and to create new entrepreneurs, the chamber of commerce arranges various types of short term and long term courses and training programs. This helps in increasing the skill and introduction of new techniques.
8. **Act as an arbitrator:** The chamber of commerce acts as an arbitrator in case of any conflict or problem between the members. This develops a harmony among the members.
9. **Developing Foreign Trade:** The chamber of commerce attracts foreign investors by giving them various advises and counseling. It also accepts the foreign bill of exchange formed on its members.

Except these activities chamber of commerce conducts various welfare activities like establishing libraries, school, college, training centers etc.

Chamber of Commerce Formats

Chambers of commerce may follow several different formats. For example:

Regional, city, and community chambers: Focused on regional or local issues featuring cooperation with local government, but may also promote broader pro-business initiatives that cross borders, such as promoting trade between immigrant groups and their home country.

City chambers: Aim to promote a city's economic interest locally and possibly globally.

State chambers: In the U.S., these chambers focus on statewide and sometimes national advocacy, and therefore have greater influence over-regulation and legislation.

National or international chambers: Focus on advocacy or lobbying for national or broader issues.

Compulsory chambers: In some countries businesses of a certain size are required to join a chamber of commerce, which provides a degree of self-regulation, as well as promotes member businesses, supports economic development, and oversees worker training. Such chambers are popular in Europe and Japan.

Indian Chamber of Commerce (ICC)

Founded in 1925, Indian Chamber of Commerce (ICC) is the leading and only National Chamber of Commerce having headquarter in Kolkata, and one of the most pro-active and forward-looking Chambers in the country today. Its membership spans some of the most prominent and major industrial groups in India. ICC's forte is its ability to anticipate the needs of the future, respond to challenges, and prepare the stakeholders in the economy to benefit from these changes and opportunities. Set up by a group of pioneering industrialists led by Mr G D Birla, the Indian Chamber of Commerce was closely associated with the Indian Freedom Movement, as the first organised voice of indigenous Indian Industry. **ICC is the only Chamber from India to win the first prize in World Chambers Competition in Quebec, Canada.**

The Indian Chamber of Commerce **headquartered in Kolkata**, over the last few years has truly emerged as a national Chamber of repute, with **full-fledged State Offices in New Delhi, Mumbai, Guwahati, Bhubaneswar, Hyderabad, Agartala, Siliguri and Ranchi** functioning efficiently, and building meaningful synergies among Industry and Government by addressing strategic issues of national significance. The ICC has adapted to the changes in the global order and is moving ahead with confidence to meet the challenges of the 21st century.

The ICC constituents are mainly large manufacturing units with operations all over the country and abroad. A large number of corporate bodies of India form the backbone of the organization. Leading industrial promotion organizations, banks & financial institutions, as well as governmental organizations, are members of the ICC and lend a diversified membership base for the Chamber. This apart, the ICC Secretariat runs a number of important national level industry associations, as members, around the country. Some of the important Industry Associations are the Indian Foundry Association.

- The Foundry Cluster Development Association
- The Indian Sugar Mills Association,
- The West Bengal Cold Chain & Cold Storage Owners Welfare Association,
- The Indian Chemical Merchants and Manufacturers Association, and
- The Gunny Trades Association.

CONFEDERATION OF INDIAN INDUSTRY (CII)

Confederation of Indian Industry (CII) is a nongovernment business association. It was established in 1895, making it one of India's oldest trade associations. It has some 500 or so Intellectual Groups (teams, councils, task forces, think tanks etc) working on the advancement of the industry on the national and the global level. The CII aims to work with the government to make policies and implement these plans. CII engages business, political, academic, and other leaders of society to shape global, regional, and industry agendas. It is a membership-based organisation.

INTERNATIONAL CHAMBER OF COMMERCE

The International Chamber of Commerce (ICC; French: Chambre de commerce internationale) is the largest, most representative business organization in the world. Its over 45 million members in over 100 countries have interests spanning every sector of private enterprise.

ICC has three main activities:

- 1. Rule setting,**
- 2. Dispute resolution**
- 3. Policy advocacy.**

Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in thousands of transactions every day and have become part of international trade.

A world network of national committees in over 100 countries advocates business priorities at national and regional level. More than 3,000 experts drawn from ICC's member companies feed their knowledge and experience into crafting the ICC stance on specific business issues.

ICC supports the work of the United Nations, the World Trade Organization, and many other intergovernmental bodies, both international and regional, such as G20 on behalf of international business. ICC was the first organization granted general consultative status with the United Nations Economic and Social Council and UN Observer Status

TRADE ASSOCIATIONS

Trade Associations are the oldest and simplest form of combination. These are the organizations formed to serve particular branches of industry and trade and to protect their common interest.

A trade association can be defined as

Voluntary, non-profit organization for mutual protection or advantage of independent enterprises producing or distributing similar goods or services.

A trade association is an organization or group that is funded by businesses in a particular industry. The co-operative organization, committee, or associates are created by the business people engaged in the same business or industry with a view to extending their business, removing barriers, saving self-interest, and overall development. The association of this type formed by the producers or manufacturers is also known as the trade association. These are non-profit organizations whose primary purpose is to provide different learning tools for businesses in a particular industry. The main objectives of a trade association are:

1. Educating members so as to improve efficiency.
2. Preventing cut-throat or unfair competition.
3. Promoting and extending trade through 'legislative work'.

The purpose of a trade association is to set laws and provide extensive knowledge to companies within the industry

HISTORY AND EVOLUTION OF TRADE ASSOCIATIONS IN INDIA

Trade associations are not something new to India. Such associations were even formed in the last century itself. Some of the early associations include the Association of Indigo Planters (1801), The Calcutta Traders Association (1881), The Bombay Mill Owners' Associations (1886), and The Indian Mining Association (1892).

It should also be remembered that during greater part of the nineteenth century only the European Merchants formed trade associations. The Indian Merchants did not take much interest in the early days of their evolution. It was only in 1875 that the Bombay Mill Owners' Association was formed by the joint effort of the Indian and European businessmen. But the progress was slow till the early thirties of the 20th century.

After the grant of discriminative protection, a number of Indian Associations were formed in the thirties of the 20th century. A few notable associations emerged in the forties are

- Indian Mining Federation (1930),
- Indian Sugar Mills Association (1933),
- India Colliery Owners' Association (1933),
- Indian Soap Makers' Association (1934),
- Indian Paper Mills Association (1939), and
- All India Manufacturers' Association (1941).

These associations cater to the needs and causes of trade, commerce and industry on all India basis, or regional basis or local basis. Of them, only a few associations are functioning on national basis while a majority of them are confined to limited areas such as towns, cities etc. National level organization represents different sections of the industry. Local associations represent the local businessmen and the traders in common.

EATURES OF TRADE ASSOCIATIONS

For understanding the special characteristics of the trade associations, we shall briefly enlist them.

1. LOOSE FORM OF ORGANIZATION

This form of organization is so loose and informal. The membership is open to all traders and they are at liberty to quit from the association at any time they want. In other words, trade associations neither interfere in the internal management of a member unit nor impose any penalty for violating the code of business conduct. As such, they are purely voluntary associations.

2. NON-PROFIT MAKING BODIES

Trade associations do not conduct any business of their own and have no direct objective of profitability in view.

3. SCOPE OF THE ASSOCIATION

Trade association is generally formed to promote and protect the interest of the people engaged in a particular trade, industry or business.

Example: Indian Jute Mills Associations, Indian Sugar Mills Association (Industry), Grain Merchants Association (Trade) etc. These associations are national in character. The number of such national associations is very much limited. Majority of the associations are organized on local or territorial basis. Examples are: Calcutta Trader's Association, and Bombay Trader's Association.

4. SOURCE OF INCOME

The main source of income of the trade association consists of entrance and subscription fees collected from the members. The expenses of the association are met out of this income.

5. PATTERN OF ORGANIZATION

The trade associations are generally registered under the Trade Union Act or Companies Act. Again they may be formed as companies with or without share capital. If it is formed with share capital, the members should purchase the shares. Generally, these associations are formed as companies limited by guarantee. But registration under any of the above Acts is only optional.

OBJECTIVES OF THE TRADE ASSOCIATIONS

The functions of the association are generally determined by their constitution. They are formed with varied objectives and their pattern of organization also differs. Moreover, their objectives differ from association to association depending upon the type of trade or industry they represent.

However, H. Haney, a well-known author made an attempt to classify the objectives into four types, which are as follows:

1. To increase the individual efficiency through education.
2. To minimize competition or to prevent cutthroat competition.
3. To project or extent trade as a whole through legislation.
4. To develop the trade as a whole through technical work.

Besides, the associations may have other specified objectives also.

FUNCTIONS OF THE TRADE ASSOCIATIONS

To attain the above-mentioned objectives, the trade associations generally perform the following functions:

1. Assist members to adopt uniform accounting and costing methods.
2. Conduct industrial and market research, collect statistical data and make available the findings to the members.
3. Formulate a code of business conduct and help to encourage business ethics among members and put down or eliminate unfair business practices in the trade or industry concerned.
4. Conduct conferences and arrange conventions with a view to bring together the members or representatives of the trade and industry.
5. Collect and supply information to the members on matters such as prices, Government regulations, market news, taxes etc.
6. Assist in standardizing trade practices and thereby help to evolve uniform business practices.
7. Publish trade magazines and release periodic bulletins on topics of interest and thereby help to educate both the members and the general public.
8. Raising the voice of the members or representing the grievances of the members to the Government when any move to affect their interest is proposed by the Government.
9. Doing all such things as may be necessary for the extension and development of trade and industry and doing all such things, which are instrumental or incidental to the achievement of their main objectives.

Besides, a few trade associations also arrange for the settlement of trade disputes among their members, help to collect bad or irrecoverable debts etc.

REVIEW QUESTIONS

1. What is Business Combination?
2. Describe the important feature of business combinations.
3. Identify the major causes firms prefer combine.
4. Identify the factors that managers should consider in exercising due diligence In business combinations.
5. Explain n the various types of business combinations.
6. Explain the role of Chamber of Commerce.
7. What are the functions of Trade Associations

MULTIPLE CHOICE QUESTIONS

1. One of the major difficulties in improving the industrial efficiency in enterprises is:
 - a) low investment
 - b) low productivity**
 - c) ineffective marketing
 - d) poor inventory control
2. Which of the following is usually not an objective of industrial relations?
 - a) Connectedness
 - b) Collective wisdom
 - c) Conflict prevention
 - d) None of the above**
3. Economies of scale, market share dominance, and technological advances are reasons most likely to be offered to justify a _____.
 - a) financial acquisition
 - b) strategic acquisition**
 - c) divestiture
 - d) supermajority merger approval provision
4. What is a business organizational model that involves the large-scale outsourcing of business functions?
 - a) Virtual Corporation.**
 - b) Joint venture.
 - c) Corporate liquidation.
 - d) Equity carve-out.

5. Value added is:
- a) The cost saving through production and marketing efforts within the firm.
 - b) The value that a firm adds through the development of dynamic capabilities.
 - c) The value that a firm adds to bought-in materials and services through outsourcing.
 - d) The difference between the cost of inputs and the market value of outputs.**
6. Functional benchmarking involves:
- a) Benchmarking your competitors.
 - b) Benchmarking global competitors in your industry.
 - c) Benchmarking organizations with regards to specific business activities or processes.**
 - d) Benchmarking other multinational firms with similar corporate strategies or similar customers.
7. Which among the following is not concerned with Chambers of Commerce & Industry
- a) FICCI
 - b) ICICI**
 - c) ASSOCHAM
 - d) CII
8. What is a warehouse club?
- a) A storage facility rented out to small traders
 - b) A large store offering wholesale prices to members only**
 - c) An online trading house
 - d) A social club for members of the distribution trade
9. Rapid integration or interconnection between countries is known as:
- a) Privatisation
 - b) Globalisation**
 - c) Liberalisation
 - d) Socialisation
10. Two reasons for mergers and acquisitions are
- a) To increase managerial staff and to minimize economies of scale.
 - b) To reduce tax obligations and increase managerial staff.
 - c) To create seasonal trends in sales and to make better use of a new sales force.
 - d) To provide improved capacity utilization and to gain new technology.**