

Industry Restructuring: an Analysis of Potential Horizontal Mergers among European Automobile Plants

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The purpose of this paper is to analyze the potential gains obtained from mergers in the European automobile industry, at plant level. This paper also aims at examining whether overall industry performance can be improved by restructuring in the sector.

The methodology used in this study was firstly proposed by Bogetoft and Wang (2005), based on non-parametric techniques, which allows for the examination of potential gains obtained through horizontal mergers. These are further decomposed into *technical efficiency, scale and harmony effects*. Technical efficiency captures individual improvements that can be obtained independently, before merging, by adapting to best practices. In contrast, size and harmony effects show full-scale merger gains. The study concludes discussing potential plausible strategies for restructuring the European automobile industry.