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MERGERS AND TAKEOVERS AS FACTORS STIMULATING COMPANY DEVELOPMENT, ILLUSTRATED BY THE CYFROWY POLSAT S.A. COMPANY

Introduction

Companies, if they are willing to develop, must cope with the excessive amount of information and fierce competition in the rapidly changing environment. Many of them fail and disappear from the market. That, however, can be avoided by adequate reactions to the changing world. The environment in which companies operate is undergoing substantial changes. Only the ones that are responsive to these changes may remain the players on the market. Apart from monitoring the situation, company competitiveness is the factor that affects their operations. A company will not survive without elements that distinguish it from its competitors. Clearly defined objectives and methods to accomplish them in a long-term strategy will ensure expansion and development.

Development should be the main target of any organization. It can be achieved through numerous methods. One of them is merging with other entities in order to increase not just the size but rather the impact on company's environment. The competitive advantage that is gained in such a way makes it possible for the companies that merged to operate for the benefit of both the customers and themselves. A merger does not always result in a success. However, an adequate selection of a partner and a well performed merger or takeover should lead to measurable benefits.

1. Environment, competitiveness and development strategies of companies with regard to contemporary management in capital structures

Companies that aspire to be the best should continuously monitor the environment in which they operate and react adequately to any changes¹. The environment is perceived as the elements that have an impact on the functioning of organizations (cf. fig. 1). It involves both opportunities and threats². It is the aim of the company to find them and define. Several companies focus only on threats and ignore the opportunities. However, every opportunity that is ignored may become a threat. An effective adjustment of the company to the environment is an extremely valuable and desirable skill. The knowledge about factors that influence company operations is indispensable for the management to make proper decisions³.

Figure 1 presents the components of company environment. From among the elements of general environment, the socio-cultural dimension should be distinguished. Any habits, customs, standards, demographic changes are the factors that company faces every day. As a typical example of a custom in Poland is issuing paper invoices although many companies have turned to e-invoices. Every year in Poland approximately 1.5 billion invoices are issued and 8-11% are sent electronically. Annually, 255 thousand trees are cut down to issue paper invoices. In the era of environmentally –friendly life style and business such a result puts Poland last on the European list as regards the use of e-invoices. The Leviathan Confederation of Private Employers points to small companies, which are rather reluctant to changes and choose to use traditional invoices. That is the result of the mentality of people, whose conservatism and emotions affect their way of running the business. Many of them will not be convinced by the decrease of company costs and the positive effect on environment due to the introduction of e-invoices and the resulting decrease of the use of paper⁴.

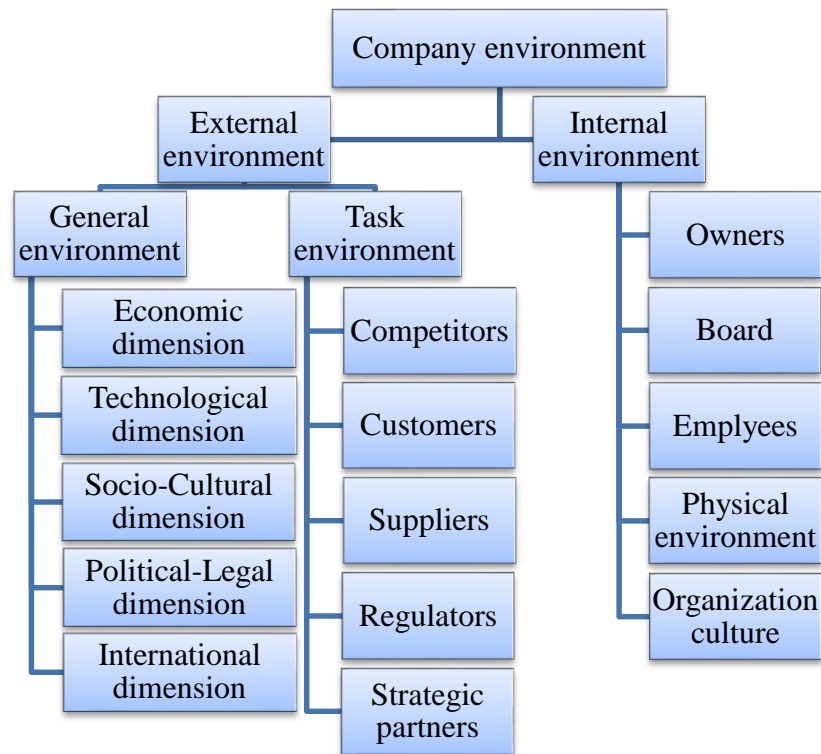
¹ E. Weiss, *Organizacja i otoczenie* [in:] E. Weiss (ed.), *Podstawy i metody zarządzania. Wybrane zagadnienia*, Vizja Press & IT, Warszawa 2008, p. 29.

² J. Beliczyński, *Organizacja w otoczeniu rynkowym jako obiekt zarządzania* [in:] A. Stabryła (ed.), *Podstawy organizacji i zarządzania. Podejścia i koncepcje badawcze*, Wydawnictwo Uniwersytetu Ekonomicznego w Krakowie, Kraków 2012, p. 33; J. A. F. Stoner, E. R. Freeman, D. R. Gilbert Jr, *Kierowanie*, PWE, Warszawa 2011, p. 105.

³ E. Weiss, *Organizacja...*, op. cit. p. 29.

⁴ K. Polak, *Elektroniczne faktury w niełasce*, „Tygodnik Biznes i Prawo” 2014, No. 3.

Figure 1. Structure of company environment



Source: R. W. Griffin, *Podstawy zarządzania organizacjami (Fundamentals of Management)*, Wydawnictwo Naukowe PWN, Warszawa 2007, pp. 73-101.

In market economy, there are numerous companies that compete against one another with the aim to gain as many customers as possible and to maintain the position on the market. They offer products or services that are more attractive as regards the price, quality or other features which may be decisive in making purchasing decisions. The struggle for the customer is won by the ones that have adequate competing skills⁵.

A competitive company is the one that has the capacity to increase the effectiveness of the products or services offered while reaching an adequate level of profitability. That is indispensable when a company aims at increasing its market share and consequently at the maximization of the profit, which is one of the main targets of company operations⁶.

The capacity to compete with other companies makes it possible for a company to use its resources fully and efficiently in order to create value both for the customers and the owners or potential shareholders. Competitiveness has been extensively defined in the

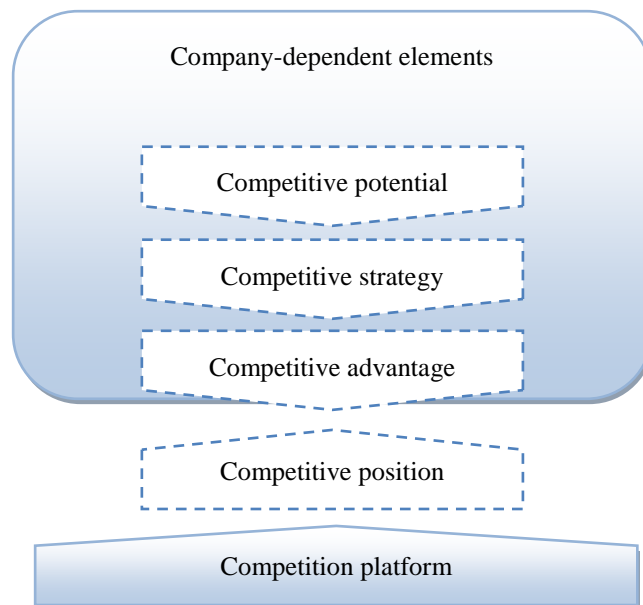
⁵ O. Flak, G. Głód, *Konkurencyjni przetrwają. O przedsiębiorstwie, metodach badania konkurencyjności i twoich szansach na sukces rynkowy*, Difin, Warszawa 2012, pp. 25-27.

⁶ Ibidem, p. 41.

literature on the subject. It consists in a long-term company development through its expansion to new markets, the increase in productivity, gaining competitive advantage, offering better products or services as regards their price or quality⁷. In other words, competitiveness is winning the battle for a customer.

In order to present the issue of competitiveness in company management, O. Flak and G. Głód worked out an Integrated Model of Company Competitiveness that takes into consideration several approaches to competitiveness and its components. The Model distinguishes 5 components, which are presented in fig.2.

Figure 2. Integrated Model of Company Competitiveness



Source: O. Flak, G. Głód, *Konkurencyjni przetrwają. O przedsiębiorstwie, metodach badania konkurencyjności twoich szansach na sukces rynkowy*, Difin, Warszawa 2012, p. 57.

Competitive potential is the first element of the model and is defined as company resources necessary to gain competitiveness and company capacities. The proper allocation of the resources and efficient management will result in the generation of adequate economic benefits, profits including⁸. Another important element is the competitive strategy, i.e. a long-term and complex concept of competing that ensures the advantage over other entities in the

⁷ Ibidem, pp. 42-43.

⁸ Ibidem, pp. 76-77.

sector. A company will be able to achieve that when it is better than its competitors in recognizing customers' needs⁹.

The combination of the potential with the strategy may become the basis for achieving competitive advantage, i.e. the third element in the model, and gaining a good position on the market. It is best to analyze that through the instruments of marketing-mix. Distribution advantage can serve as an example as its main feature is the correct choice of the method to optimize the product path from the manufacturer to the target buyer. To accomplish that, the company should consider delivery deadlines, purchasing time, availability of products and after-sales services. In the quickly developing world where people have no time for anything, the reliability and promptness of delivery are a priority. The use of the Internet for shopping is a significant incentive that cannot be ignored by any company. Mobile payment gains in significance as it makes it possible for customers to enjoy their shopping without the limitation of not having enough cash with them. That lack of limits is the chance for companies, banks and mobile phones operators to gain high profits, while for the customers it is a trap in which they are frequently caught¹⁰.

Companies willing to be successful must concentrate on their development. The lack of growth results in reducing their market share and in the case of companies entering new markets it leads to missing the chance to succeed. The development may show in two options: internal and external development. The first type of strategy is focused on generating new manufacturing and service capacities and on improving company's operations with the aim to increase its potential. The external development is based on the co-operation with other companies. The co-operation may be loose in character or close (in the case of a takeover)¹¹. The choice of the adequate development type depends on the characteristics of the sector. In making the choice, it is crucial to determine the current stage of company life cycle. For example, at the maturity stage the costs exceed the income significantly so the best way is to choose the path of internal development. That implies the strengthening of the position on the market. Other factors that should be considered are the attitude of the management and their aspirations, tactical issues and the availability of resources¹².

A. Kaleta and A. Witek-Crabb present four areas from which companies may select a strategy for themselves. They are: operations, competitive advantage, expansiveness level and

⁹ Ibidem, pp. 119.

¹⁰ Ibidem, pp. 151-169.

¹¹ W. Frąckowiak, M. Lewandowski, *Wzrost zewnętrzny przedsiębiorstwa. Teoria i praktyka* [in:] W. Frąckowiak (ed.), *Fuzje i przejęcia*, PWE, Warszawa 2009, pp. 19-20.

¹² Ibidem, pp. 20-24.

development sources. As regards operations, the company may decide either to specialize or diversify. The diversification operations makes it possible to make a profit from several sources, which reduces the risk and helps maintain optimal benefits during an economic downturn. Also concentration may support company development. Although in such cases a company concentrates on the production of particular goods, the pressure of customers on product quality and value allows the company to grow. However, companies are not forced to choose extreme options. It is possible, that combining diversification with specialization may be an optimal solution¹³. When considering competitive advantage, a company selects either a featured option or cost domination; while when analyzing the expansiveness level, the choice is between two extreme alternatives: expansion and stabilization. The division into internal and external development is equally important. For many employees, company internal development enables them independent work which is based on their point of view and convictions despite the fact that it is a successive growth. The objective of an external growth is chosen to gain more benefits due to co-operation¹⁴.

In the publication edited by A.Kaleta the issue of ambidextrous strategies is discussed¹⁵. The term “ambidextrous organizations” was first used by R.Duncan in 1976. It referred to companies that could connect two diverging company endeavours to develop. Companies face a dilemma whether to choose well practiced solutions that guarantee unquestionable short-term benefits or to turn to research, to the development based on innovativeness. However, the latter solution is related with a greater risk while benefits are not so certain. The problem may be solved by combining the exploitation with innovations. Combining contradictions requires a significant amount of effort on the part of the management and it is not always successful. Revolution does not go hand in hand with evolution. However, there are sometimes situations that may be surprising to companies¹⁶.

2. Megers and takeovers

External development consists in the co-operation with other companies. The co-operation may be close or loose in character. The first type of co-operation occurs when a

¹³ J. Chadam, *Synergia i wartość w strukturach kapitałowych*, Difin, Warszawa 2012, pp. 148-150.

¹⁴ A. Kaleta, A. Witek-Crabb [in:] A. Kaleta (ed.), *Ewolucja zarządzania strategicznego w trakcie rozwoju przedsiębiorstw*, Wydawnictwo C. H. Beck, Warszawa 2014, pp. 84-91.

¹⁵ Ibidem, pp. 94-96.

¹⁶ Ibidem.

company purchases another one. That acquisition is referred to as a merger or takeover. The definition of the process of combining companies is difficult as the literature on the subject uses the terms merger and takeover alternatively¹⁷.

Mergers and takeovers can be classified by four groups¹⁸:

- horizontal, vertical, concentric, conglomeration,
- defensive, aggressive,
- strategic, occasional,
- national, international.

A horizontal type of acquisition involves merging companies with a similar range of activities, which results in the similarity of products offered to customers. The concentric form is applied when the entities run operations that are linked geographically or technologically¹⁹.

Other forms of mergers and takeovers are related to financial problems or the aim to achieve a better market position. The decisions on mergers are often the effect of a planned strategy or an opportunity resulting from underestimating the product on sale. Due to globalization, the acquisitions are often international in character, which leads to the creation of very large organizations. However, they are more difficult to manage than national companies, which results from cultural differences or differences in legal systems²⁰.

A leverage buyout (LBO), financed by a credit line, is a frequently used method of acquiring other entities. It is done by a group of investors who take over a company by a specially founded investment company that takes a bank loan to acquire a selected company. After the operation, such a special purpose vehicle combines with the acquired company. The investors are: investment banks, boards of companies that are subjected to a takeover, the owners or investment companies that deal with mergers and then restructure the entities²¹.

The increase of the value of the invested capital is the factor that influences the will to apply LBO. That occurs due to the application of the financial lever. However, if the growth is to be significant, several conditions must be met. Firstly, the investment capital should be

¹⁷ Z. Pierścionek, *Zarządzanie strategiczne w przedsiębiorstwie*, Wydawnictwo Naukowe PWN, Warszawa 2011, pp. 420-425.

¹⁸ W. Frąckowiak, M. Lewandowski, *Fuzje i przejęcia*, W. Frąckowiak (red.), *Fuzje...*, op. cit., pp. 29-32.

¹⁹ A. Herdan, *Charakterystyka procesów łączenia się przedsiębiorstw* [in:] A. Herdan (ed.), *Fuzje, przejęcia...*, Wydawnictwo Uniwersytetu Jagiellońskiego, Kraków 2008, pp. 19-21; W. Frąckowiak, M. Lewandowski, *Fuzje...*, op. cit., pp. 29-30.

²⁰ Ibidem, pp. 29-32.

²¹ M. Lewandowski, M. Michalski *Formy nabycia przedsiębiorstw* [in:] W. Frąckowiak (ed.), *Fuzje...*, op. cit., pp. 103-104.

insignificant. Secondly, the cash flow generated by the acquired entity should be sufficient to cover the debt. Another important incentive that motivates the buyers is the lower tax to be paid due to the costs of debt service. The tax shelter enables the company to gain in value and, consequently, to increase company assets

LBO has several advantages but it also involves a substantial risk, especially in the case of companies that are in debt. When in economic downturn, the drop on sales may lead to problems with solvency and may consequently lead to bankruptcy²².

In spite of a significant risk that is involved with mergers, many companies take that step as it may be beneficial to them. One of the reasons for which companies initiate mergers and takeovers is the growth in the effectiveness of management which may be reflected in the cost and finance control, reduction of the number of employees, the sales of unnecessary assets and the change in manufacturing priorities. It may also be a chance to achieve operational synergy thanks to the benefit of scale and the supplementation of resources and capacities. The complementarity of resources is also a significant incentive as two companies with different and frequently rare resources may achieve a greater success when operating together²³.

There are also the reasons of the party to be sold. They may include a bad financial condition, which is often involved with the problems to pay off the credits and the resulting need to sell the assets. Another reason may be the strategy that assumes selling unnecessary assets. The sale may also be the result of an anti-monopoly order aiming at the protection of customers and other companies against the development of a monopoly²⁴.

Mergers and takeovers are processes consisting of several stages. Stage one consists in developing a strategy and the methods to execute it. Another stage is to identify the candidates, which is followed by the analysis of the entities in question. Their position and potentials – i.e. their resources - are determined. It is also advisable to perform an analysis of the financial situation. After the completion of those stages, a particular company should be selected. Only then due diligence should be conducted. If the candidate is verified, negotiations to conduct a merger can be initiated. After that, the process of integration with the acquired company should occur²⁵.

Another important issue is the method of financing the process. There are several sources of financing mergers and takeovers. Figure 3 presents the division of the financing

²² Ibidem, pp. 106-111.

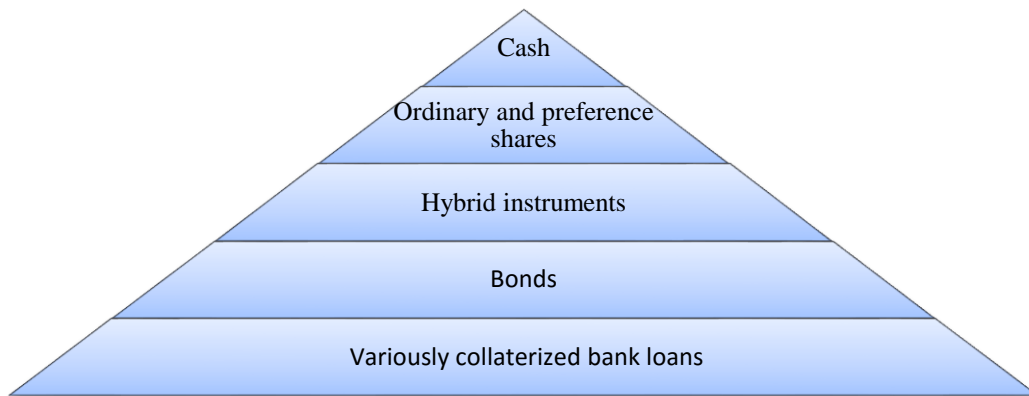
²³ M. Lewandowski, *Motywy nabywcy i sprzedawcy* [in:] W. Frąckowiak (ed.), *Fuzje...*, op. cit., pp. 32-44.

²⁴ Ibidem, pp. 44-49.

²⁵ Z. Pierścioneck, *Zarządzanie ...*, op. cit., pp. 438-441.

sources. An adequate selection of the method should be based on the capital structure, cost and the time and availability²⁶.

Fig.3. Sources financing company acquisition



Source: W. Frąckowiak, M. Stradomski, *Metody opłacenia i finansowania nabycia przedsiębiorstwa* [in:] W. Frąckowiak (ed.), *Fuzje i przejęcia*, PWE, Warszawa 2009, p. 416.

Mergers and takeovers are complex processes. That complexity involves several problems which may result in a failure. Great diligence and adequate approach to all the stages of acquisition are indispensable to make the process of a takeover or merger a success. Special attention should be paid to the integration of companies that merge. Michael Gibbs, a professor in the Chicago Booth School of Business, investigated over 550 mergers and takeovers²⁷. The results showed the difficulty to perform that process in an appropriate way. It turned out that after the merger an increase in employee turnover occurred. Many employees could not integrate with the new co-workers and a substantial number left the job either on their own will or due to a dismissal. Professor M.Gibbs' advice is to give up the merger if it involves significant integration of large groups of employees. The research showed that the more similar the companies that merge, the higher staff turnover. It also showed that a takeover of a smaller company increases the chances of success. A small company is aware of the fact that it is weaker, which has an impact on joint decision-making. Thus, it is important that a company involved in a merger and takeover should value the

²⁶ W. Frąckowiak, M. Stradomski, *Metody opłacenia i finansowania nabycia przedsiębiorstwa* [in:] W. Frąckowiak (ed.), *Fuzje...*, op. cit., pp. 420-427.

²⁷ A. Błaszczak, *Łącząc firmy, zdrowiej jest od razu bez ogródek powiedzieć, kto tu rządzi*, www.ekonomia.rp.pl/artykul/1104260.html?p=1 (Accessed: 29 August, 2014).

importance of staff analysis and before the final decision it should take into consideration whether the acquisition will not cause problems related to integration²⁸.

3. Merger of joint-stock companies as illustrated by the Cyfrowy Polsat Capital Group

In 2013 the Office of Electronic Communications (UKE) prepared a report on the telecommunication market in Poland. According to the report, the value of that market in 2013 amounted to 40.15 billion PLN. That figure represents the total amount of income made by telecommunication companies, excluding VAT. In comparison to the previous year, the figure is lower by 3.7%. The only segment which reached a growth in value was the segment of the Internet services²⁹.

The report shows that the number of the Internet users is growing. The UKE points out to the trend of tie-in sales, i.e. selling two or more services at a time in return for a lower price. Such solutions bound customers to one company, which enables the operator to increase its profits³⁰.

Such services are offered by the Cyfrowy Polsat, which - after taking over the Polkomtel, the operator of the Plus network – became the largest media-telecommunication group in this part of Europe³¹. It is capable of increasing the effectiveness of the services offered while maintaining profitability. The Cyfrowy Polsat offers its services mainly in an integrated form in order to expand its market share and maximize profits. The emphasis on long-term development through offering new services on new markets enables the Cyfrowy Polsat Group a diversification of operations and a reduction of risk. First of all, however, it will help the Group to become a stronger and more significant player on the market, largely thanks to the incorporation of the Polkomtel, the Plus network operator, to its structures.

The conditional agreement on the acquisition of the Polkomtel company was signed on 14 November and 19 December, 2013. The value of the company was 6.15 billion PLN, which was a fair price confirmed by analysts. The payment was in the form of the issue of new shares for the Metelem Holding shareholders. The assets and the liabilities of the

²⁸ Ibidem.

²⁹ Ibidem.

³⁰ Ibidem, pp. 56-57.

³¹ *Cyfrowy Polsat przejmuje Polkomtela*, pulsinwestora.pb.pl/3419897,69903,cyfrowy-polsat-przejmuje-polkomtela (Accessed: 22 October, 2014).

Company (including the debt of over 10 billion PLN) were taken over. 291 193 180 shares were issued at the issue price of 21.12 PLN each³².

Cyfrowy Polsat is a company that watches its environment very closely. The technological dimension is a significant area of operations of the Cyfrowy Polsat Group. The telecommunication sector underwent several transformations in the last few years. It was only 10 years ago when people started using mobile phones, which were big, heavy, simple and able to memorize only a few dozens of messages. Nowadays nobody can imagine everyday life without mobiles which are upgraded and modified every month. Now, mobile phones have touch screens with several functions and tools that are helpful in everyday activities. There are also ones that are pure gadgets, often completely unnecessary, but that is the result of creating customers' needs. Ten years ago, very few people expected that it would be possible to watch TV on the mobile's screen or to pay with the application of a mobile. Nowadays, everything is within easy reach only if one has a proper mobile phone. If Polsat Cyfrowy did not follow the trend in the environment and still offered mobiles with greenish screen and monophonic ringtones, it would cease to be competitive and would quickly disappear from the market. At present, it is the leader in new LTE technology.

After the merger, the Companies will be able to offer products and services of both entities that merged. According to the Cyfrowy Polsat estimates, there are almost 11 million users in 6 million households at stake. Every household has four devices to transmit images, sound or data (a TV set, mobile phone, tablet and a computer). Thus, it may be determined that the Cyfrowy Polsat Group wants to reach approximately 25 million devices³³.

The smartDome service is the flagship product of Cyfrowy Polsat. It is addressed to customers who will combine in their homes several services into one. Numerous analysts say that it cannot be copied by other operators. That integrated services, referred to as smartDom, will help Cyfrowy Polsat to become a leader in the sector, which was one of the company targets. According to the analysts, the income per customer will increase and, consequently there will be a growth in income and EBITDA³⁴.

³² *Warunkowa transakcja nabycia Metelem Holdings Limited pośrednio kontrolującej Polkomtel Sp. z o.o.*, www.cyfrowypolsat.pl/inwestor/prezentacje/index.cp (Accessed: 20 October, 2014).

³³ *Oświadczenie Zarządu Cyfrowego Polsatu dotyczące transakcji nabycia udziałów Metelem Holding Company Limited*, www.media.cyfrowypolsat.pl/pr/259657/oswiadczenie-zarzadu-cyfrowego-polsatu-dotyczace-transakcji-nabycia-udzialow-metelem-holding-company-limited (Accessed: 22 October 2014).

³⁴ *Cyfrowy Polsat faworytem wśród telekomów*, pulsinwestora.pb.pl/3789313,34071,cyfrowy-polsat-faworytem-wsrod-telekomow (Accessed: 20 November 2014).

One should also analyze the offers included in the Cyfrowy Polsat portfolio. In autumn 2014, *Plush* - a new brand targeting the young - appeared on the market. That move was the reaction to the operations of competitive companies that had turned their attention to that income-generating target group. *Plush* is an offer of a card advertised by a teddy bear. The bear encourages young customers to take advantage of services “without any consequences”. The copy refers not only to the lack of the need to sign a contract but it seduces them with freedom by offering unlimited calls, texts and Internet packages³⁵. The marketing campaign of the brand may seem controversial as it appeals to emotions, it is vulgar and glorifies a party-lifestyle. However, such elements may have an impact on young customers and attract them to the brand.

Apart from the benefits resulting from joint sales, i.e. the effect of sales synergy, other advantages could be observed. The literature on the subject provides various definitions of synergy. T.Kotarbiński presents synergy as a co-operation of entities which – thanks to their joint operations - achieve more than they would if operating separately³⁶. To make it simple, the process can be presented by the equation: $2+2=5$. The process of allocating the resources is an important factor influencing synergy³⁷. For example, in the case of the two companies in question: Cyfrowy Polsat and Polkomtel, sales synergy is visible as both companies have similar customers and thanks to the co-operation they can operate more efficiently and offer more to them. The estimates of Cyfrowy Polsat regarding the synergy effect that were made before the completion of the deal, amounted to 4 billion PLN. Half of the amount accounted for the additional income resulting from the co-operation; 1.5 billion PLN were the effect of the decrease of costs, and 0.5 billion resulted from the financial synergy. The whole amount is the sum of effects to be reached by the end of 2019. Operational synergy, which according to Cyfrowy Polsat should result in the total of 3.5 billion PLN, is the synergy that may be achieved due a better use of resources and a more advantageous allocation of costs and benefits³⁸. Financial synergy consists in an increased capacity to acquire means necessary to create new opportunities of operation³⁹. However, the whole process would not have been possible if the debut of the Cyfrowy Polsat on the stock exchange had not happened a few years ago. It was the best moment to do so, during the boom and before the crisis. As a result,

³⁵ *Polkomtel wprowadza markę dla młodych klientów Plush*, www.pb.pl/3845407,71927,polkomtel-wprowadza-marke-dla-mlodych-klientow-plush (Accessed: 20 September 2014).

³⁶ J. Chadam, *Synergia...*, op. cit., p. 60.

³⁷ *Ibidem*, p. 61.

³⁸ *Ibidem*, p. 74.

³⁹ *Ibidem*, p. 75.

a substantial amount of cash was generated, which enabled the company to run safely its operations in subsequent years.⁴⁰

Cyfrowy Polsat, thanks to the takeover of Polkomtel and the resulting synergy effects, has ensured a constant increase in value. By increasing the range of activities with new products on new markets, the company aims at raising its sales volume. That kind of operating is referred to as sales synergy. The combined resources of the companies will make it possible for the Group to investigate thoroughly the needs of customers, to offer them adequate products and to build strong company-customer relationships. What is more, such operations may result in the product synergy. The combined offer of Cyfrowy Polsat and Plus is a frequently applied marketing tool. A higher discount at the purchase of several products may maximize the income and reduce the costs⁴¹.

Cyfrowy Polsat has set itself several operational targets that it wants to complete by the end of 2016. Having reached one of them, i.e. the joint offer to the customers of both Cyfrowy Polsat and Polkomtel, the next objectives are: a joint call centre, the integration of IT systems and one sales network.

On 13 November, 2014 an extended consolidated quarterly report was published for July-September. According to the data in the report, at the end of September the number of customers amounted to 6.2 million and they were provided over 16 million different services, of which almost 75% were contracted⁴².

The analysis of financial reports included in the quarterly report testifies to a very good economic and financial situation. A few months after the completion of the transaction it is visible that the merger had a positive impact on the operations and results of the Cyfrowy Polsat Group.

When analyzing the data concerning pre-paid offers, one can see that there are 4.2 million of them. As many as 3.9 million are related to mobile phone services. However, there was a significant (14%) drop in that segment, while there was an increase in the segment of the Internet services (67%) and pay TV (16%). A single pre-paid service generates about 18 PLN⁴³. That is why Cyfrowy Polsat focuses its efforts on contract customers, who generate a much higher income. The offer of integrated services, which in Poland accounts for 25%, is the instrument that should help raise the number of that kind of customers. Such a share of

⁴⁰ T. Śpiewak, *Solorz na Plus*, Businessman.pl, pp. 16-17.

⁴¹ J. Chadam, *Synergia...*, pp. 238-245.

⁴² *Rozszerzony skonsolidowany raport kwartalny za okres trzech miesięcy zakończony 30 września 2014 roku*, www.cyfrowypolsat.pl/ir-media/3q14_sprawozdanie_PL.pdf (Accessed: 18 November 2014), p. 4.

⁴³ *Ibidem*.

integrated services, which is low in comparison to other European countries, is an opportunity for development. In Germany the share amounts to 55% and in the Netherlands it is 66%, while the EU average is 45%⁴⁴.

Due to the dynamics of the market, and its competitiveness at the same time, the market of telecommunication services requires the development of a lasting bond between a company and its customers. Customer loyalty will enable Cyfrowy Polsat to maintain its position on the market and - thanks to the merger with Polkomtel – it will ensure the acquisition of new users and will give the opportunity to provide a better joint offer, which will result in better results and a further development of the Cyfrowy Polsat S.A. Capital Group

Conclusion

The external development of companies is a significantly difficult process to conduct. Organizations that merge frequently have different objectives, missions, organizational cultures, etc. To combine so many different elements is a great challenge that does not always end in success. However, the new entity that is formed has completely new development opportunities. Better effectiveness, synergy resulting from joint operations or the increase of company value are only some of the benefits that result from close co-operation.

By the incorporation of the Plus Network operator, Cyfrowy Polsat became the biggest media company in this part of Europe, leaving behind its competitors. The Group met the expectations of customers by offering TV, the Internet, telecommunication services together with appropriate devices, electricity and banking services. It is difficult to find a similar offer on the market. A distinct offer means an added value, which leads to an income on an adequate level. The merger enabled the expansion on new markets with new products. Various distribution channels, from terrestrial television, through satellite TV to mobile technologies provide Cyfrowy Polsat with the access to an increasing number of users and, as a result, contribute to the further growth of the Group.

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Abstract

The article presents company environment and competitiveness as significant features of present-day companies. Moreover, it describes the methods of company development with a special emphasis on mergers and takeovers. The practical part presents the takeover of the Plus network operator by the Cyfrowy Polsat company.