

# Foreword

The industrial structures in Europe and the United States have changed decisively since the end of the last millennium. The increasing globalization and liberalization of markets have led firms to expand or at least to consolidate their positions in the market by the acquisition of other firms. This mainly concerns horizontal mergers among competitors in the same industry such as the "mega-mergers" between Daimler and Chrysler or between Höchst and Rhône-Poulenc.

In the theoretical literature this issue has been risen and analyzed quite early, with the result that an important research stream within industrial economics deals with the impact of horizontal mergers on the industrial structure, the competition between firms and consumer welfare. Given that many mergers hold synergies in the field of R&D, this research is especially focused on the analysis of the effects of mergers on innovation efforts of firms and the whole industry.

This is where this book starts: While most analyses focus on the cooperation of firms in the frame of process innovation, Claus van der Velden concentrates in his work on product innovation. In a microeconomic model of a patent contest he examines the effects of mergers on the innovation process and the profits of the merging firm and its competitors. In doing so he focuses on two questions: How do knowledge spillovers between firms influence their R&D costs and thus the profitability of mergers? How should a merged firm organize its R&D activities as well as the budget responsibility and profit sharing?

In his present work Claus van der Velden has excellently succeeded in embedding these questions into an economically and theoretically well established analytical frame and to furnish the answers. The work is innovative and the results exceed by far those of

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the existing model-theoretical literature. Furthermore, it enriches the empirical research in business administration by illuminating the meaning of organizational design after a merger of firms.

Therefore, the theoretically as well as the empirically interested reader may benefit from this book and I hope it will find general approval.

Prof. Dr. Peter-J. Jost