



The 8th International Forum on Strategic Technology 2013

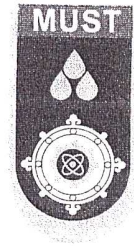
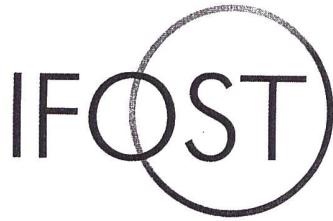
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ULAANBAATAR, MONGOLIA



The 8th International Forum on Strategic Technology 2013

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Volume II

Organized by

Mongolian University of Science and Technology

In association with

University of Ulsan (South Korea)
Novosibirsk State Technical University (Russia)
Tomsk Polytechnic University (Russia)
Harbin University of Science and Technology (China)
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ULAANBAATAR, MONGOLIA
2013

WELCOME ADDRESS

On behalf of the Mongolian University of Science and Technology and as the Chairman of the 8th International Forum on Strategic Technology (IFOST2013), I feel deeply honored to welcome all the distinguished guests, speakers and participants of the Forum such as scientists, specialists and students from University of Ulsan (South Korea), Novosibirsk State Technical University (Russia), Tomsk Polytechnic University (Russia), Harbin University of Science and Technology (China), Chittagong University of Engineering and Technology (Bangladesh), Gadjah Mada University (Indonesia) and other universities, R&D centers and Organizations from Korea, Russia, China, Taiwan, Switzerland, Japan, Czech Republic, Poland, USA and Germany.

Being the eighth forum organized by the member universities of the IFOST, it is unique not only in the sense that it enables an international conference of this scope to be linked to academia but also bridges the cooperation between academia and industry. Apart from that it even includes the attendance of policy planners on Strategic Technology. The main agenda of the IFOST-2013 is “**Advanced Technology: Research and Applications**”.

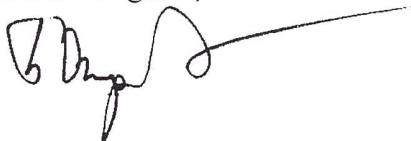
The wide spectrum of the forum objectives ranges from Advanced Materials to Nanotechnology, Applied Engineering Sciences to Biotechnology-Geology-Mining, Civil and Mechanical Engineering to Information and Communication Technology, from Power Engineering and Renewable Energy to Social and Human Sciences for Engineering.

In 2013, the Organizing Committee of the IFOST received 435 research papers dedicated to this occasion; from among which 134 oral presentations and 108 posters will be presented. All published papers can be indexed by the IEEE.

Surely this forum is important in terms of the development in science, technology, innovation and strategy, for the world today is being shaped by and relies on knowledge society that is becoming increasingly cross- and interdisciplinary.

I sincerely hope that the scope of the conference will serve the interest of the scientific community, as well as the industry and the general public. I am very glad to extend a warm welcome to all the participants and sponsors of the event and owe sincere thanks to all the people who participated in the organization of the event specially for those who supported the editor by sending feedback and assisted in technical matters as well as logistics.

With Kind Regards,



Prof. Dr. B. Ochirbat
General Chair of the IFOST2013
Vice President on Research and Technology
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TS 7-4	Effectiveness of Multimedia lessons in teaching English	687
	Navchaa A., Narantsetseg R., Otgon-Erdene Kh.	
TS 7-5	Synergetic approach to Russian studying as a foreign language	689
	Petrova S.M.	
TS 7-6	Cognitive competence of personality of the future engineer	692
	Makienko M.A., Kvesko R.B., Kornienko A.A., Kvesko S.B.	
TS 7-7	Socio-humanitarian technology as a way to identify an ethos.....	694
	Ardashkin I.B., Kvesko R.B., Ardashkina O.M.	
TS 7-8	Using Geographical Information System in training for Students-Historian at Ulyanovsk state University (Использование ГИС-технологий в Ульяновском государственном университете при подготовке студента-историка	696
	Лилатова Н., Панарин С.	
TS 7-9	The Principle of Compassion in Western and Buddhist Medical Ethics	701
	Shagdarsuren D., Damdinjav Kh.	
TS 7-10	Social work service with development direction	705
	Davaajav B., Munkhsaikhan Ch., Otgonbayar D.	
TS 7-11	Case study will be one of the contemporary methods for training	708
	Sunjidmaa A., Batkhurel G., Amarjargal T.	
TS 7-12	Challenges in Knowledge Management in Higher Education Institutes in Mongolia: A Report on Secondary Survey	710
	Pandey A., Tsendsuren G.	
TS 7-13	Demand for tourism of Mongolians: indicators of tourism demand	716
	Galiimaa N.	
TS 7-14	Current Directions and Main Results of Investigation of Posttraumatic Stress in Children in the Mongolia	721
	Nyamaa J.	
TS 7-15	Generating Public Private Partnership in Urban Transportation and its Outcomes	726
	Ganchimeg J., Bolormaa A.	
TS 7-16	Competitive advantage of Mongolian coal industry.....	731
	Burmaa S.	
TS 7-17	Survey of developments in mobile payments and current situation	735
	Ariunaa Kh.	
TS 7-18	An Application of EVT for Exchange Rate (MNT)	741
	Purevsuren J.	
TS 7-19	Using bsc method in hospital (in case of eye hospital)	746
	Garavkhuu T., Oyuntsetseg L.	
TS 7-20	Approaches of valuation theory	750
	Barsbold D.	
TS 7-21	Corporate governance and firm performance: A study of Mongolian Listed companies	755
	Enkhtuya B., Selenge Kh.	
TS 7-22	Current developments and evaluation of foreign direct investment in mongolian Market	757
	Enkhtuya B., Nergui S.	
TS 7-23	MNS ISO/IEC Quality Management Related Standards for NDT Services	762
	Tumendemberel B., Baigalimaa Ts., Oyunchimeg.	
TS 7-24	The process and recent issues of establishing Industrial Development Zones in Mongolia	765
	Galbadrakh Sosorbaram, Battsetseg Yanjmaa, Khugjmaa Dorjbat	
TS 7-25	Problems of intellectual property market in Russia.....	768
	Shishkin A., Gretchenko A.	
TS 7-26	Granger Non-Causality Test of the Inflation-GDP Growth Model in Vietnam	773
	Do Minh Kien, Zhang Wensong	
TS 7-27	Specificity of Raid in Machine-building Branch	777
	Taran Ekaterina	
TS 7-28	Integrated Planning Tools to Increase Enterprise Value	780
	Tatyana Ryzhakina, Lyudmila Beskrovnyaya	
TS 7-29	Resource allocation problem on developing markets: design issues.....	784
	Karmanskaya N.D.	

Specificity of Raid in Machine-building Branch

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Abstract—The article is devoted to the specificity of raid in machine-building branch in Russia. The author analyzes the basic ways of Russian raid development in machine-building branch and its influence on economy.

Keywords—raid, hostile takeover, machine-building branch

I. INTRODUCTION

At the development present stage the uniform understanding of a problem Russian raid and its influences on country machine-building branch is absent, therefore studying of raid is an actual scientific and applied problem. Two basic approaches to understanding of raid are revealed. According to the first, raid has destructive influence on machine-building branch, promotes criminalization and market monopolization. Other approach is reduced to positive influence of unfriendly corporate captures on economic system. Raid, from the given point of view, leads to transition of an active from the inefficient proprietor to more effective.

II. MECHANICAL ENGINEERING OF RUSSIA

A preliminary analysis revealed that the mechanical engineering of Russia represents a complex of industries, and also intellectual potential of employees of the machine-building branch making means of production, transport, consumer goods, defensive equipment.

Moreover, need to understand, that the role and value of mechanical engineering is defined, first of all, by that is the key branch of national economy closely interconnected with leading branches of economy and providing their steady functioning, filling of the consumer market, and being a basis of development of a technological kernel of the industry [1].

The major specific indexes of gross internal product of country, labor productivity in other industries of national economy, ecological strength of industrial production security and defensive capacity of the state, depend on the level of development of machine-building branch. Therefore integration

processes what be going on in this branch require an intent study. Figure 1 presents the branch specifics of processes of Mergers and acquisitions (M&A) in Russia in 2012.

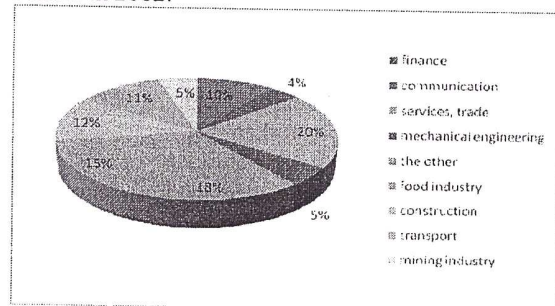


Fig. 1. Branch specifics of processes of M&A in Russia in 2012

To assess and monitor the influence on machine-building branch, knowledge of the western experience characteristics is thus required. There are several ways that two or more companies can combine their efforts. They can partner on a project, mutually agree to join forces and merge, or one company can outright acquire another company, taking over all its operations, including its holdings and debt, and sometimes replacing management with their own representatives. It's this last case of dramatic unfriendly (hostile) takeovers that is the source of much of M&A's colorful vocabulary.

III. WAYS OF RAID

Western raid allows a suitor to take over a target company whose management is unwilling to agree to a merger or takeover. A raid is considered "hostile" if the target company's board rejects the offer, but the bidder continues to pursue it, or the bidder makes the offer directly after having announced its firm intention to make an offer. In western practice a corporate raid understand hostile takeover. The hostile takeover can be conducted in several ways. A tender offer can be made where the acquiring company makes a public offer at a fixed price above the current market price. Tender offers in the United States are regulated by the Williams Act. An acquiring company can also engage in a proxy fight,

whereby it tries to persuade enough shareholders, usually a simple majority, to replace the management with a new one which will approve the takeover [2].

Another method involves quietly purchasing enough stock on the open market, known as a creeping tender offer, to effect a change in management. In all of these ways, management resists the acquisition but it is carried out anyway. The main consequence of a bid being considered hostile is practical rather than legal. If the board of the target cooperates, the bidder can conduct extensive due diligence into the affairs of the target company, providing the bidder with a comprehensive analysis of the target company's finances. In contrast, a hostile bidder will only have more limited, publicly-available information about the target company available, rendering the bidder vulnerable to hidden risks regarding the target company's finances. An additional problem is that takeovers often require loans provided by banks in order to service the offer, but banks are often less willing to back a hostile bidder because of the relative lack of information about the target available to them [3].

This is a raid attempt by a company or raider that is strongly resisted by the management and the board of directors of the target firm. These types of takeovers are usually bad news, affecting employee morale at the targeted firm, which can quickly turn to animosity against the acquiring firm.

Particular attention is paid to the effect of the dawn raid on the economy. This is a corporate action more common in the United Kingdom; however it has also occurred in the United States. During a, a firm or investor aims to buy a substantial holding in the takeover-target company's equity by instructing brokers to buy the shares as soon as the stock markets open. By getting the brokers to conduct the buying of shares in the target company (the "victim"), the acquirer (the "predator") masks its identity and thus its intent.

The acquirer then builds up a substantial stake in its target at the current stock market price. Because this is done early in the morning, the target firm usually doesn't get informed about the purchases until it is too late, and the acquirer now has controlling interest. In the United Kingdom, there are now restrictions on this practice.

One more method involves sudden attempt by one company to take over another by making a public tender offer. The name comes from the fact that these maneuvers used to be done over the weekends. This too has been restricted by the Williams Act in the United States, whereby acquisitions of 5% or more of equity must be disclosed to the Securities Exchange Commission. Takeovers are announced practically every day, but announcing them doesn't necessarily mean everything will go ahead as planned. In many

cases the target company does not want to be taken over.

A golden parachute measure discourages an unwanted takeover by offering lucrative benefits to the current top executives, who may lose their job if their company is taken over by another firm. Benefits written into the executives' contracts include items such as stock options, bonuses, liberal severance pay and so on. Golden parachutes can be worth millions of dollars and can cost the acquiring firm a lot of money and therefore act as a strong deterrent to proceeding with their takeover bid [3].

A spin-off of the term "blackmail", greenmail occurs when a large block of stock is held by an unfriendly company or raider, who then forces the target company to repurchase the stock at a substantial premium to destroy any takeover attempt.

Another method involves tactic by which the target company issues a large number of bonds that come with the guarantee that they will be redeemed at a higher price if the company is taken over. It is called macaroni defense. If a company is in danger, the redemption price of the bonds expands, kind of like macaroni in a pot. This is a highly useful tactic, but the target company must be careful it doesn't issue so much debt that it cannot make the interest payments. Takeover-target companies can also use leveraged recapitalization to make themselves less attractive to the bidding firm.

IV. INFLUENCE ON ECONOMY

The research showed that the most scientists of Russia the quite opposite points of view were formed on the estimation of influence of corporate raid on economic development. In obedience to the first, a corporate raid renders the destructive affecting production, promotes criminalization and market monopolization. As a result of such raider attack there is a capture of stranger property without the consent of shareholders and management of company-aim with the use of illegal methods.

Other look less widespread is taken to the positive affecting of raider captures economic system. A corporate raid, from this point of view, results in the transition of asset from an ineffective owner to more effective one.

According to author opinion conducting the estimation of influence of raid on economic development, it is necessary to take into account that until a corporate raid comes true with the use of the civilized methods, the effective redistribution of property takes place in most cases. For example, there is converting of ineffective functioning enterprises into effective in case of their restructuring; improvement of quality of life of employees of the reformed enterprises; creation on some enterprises of new workplaces due to the increase of efficiency of enterprises; stimulation of businessmen to

restructuring, increase of efficiency of work of company; in a number of cases improvement of town-planning and ecological situation. But it is here needed to mark that a corporate raid undertakes these functions only as a result of absence of legitimate instruments of their realization.

In most cases, however, a corporate raid inflicts an economic damage, as soon as aim capture become establishment of complete control above business, the result of that there is not creation of new national product, not positive economic and social effect, but extraction of briefly-urgent benefits, plunder of the got riches with the use of illegal methods.

To the negative consequences of corporate raid it is possible to take: shutting down of enterprises, including machine-building branch; absence of guarantees of business security; outflow of capitals for a border; decline of investment attractiveness of the Russian enterprises; slowing down of development of organizations and, in the total, economies on the whole; use of economic resources for the secondary redistribution of property in a damage to the real sector of economy; distortion of value of property institute; reduction of workplaces, worsening of situation at the market of labor force; loss of control above strategically important industries.

The essential role in development Russian raid is played also by specificity of development of economy, and feature machine-building branch. Principal causes of raid in Russia are shown: privatization, no competitiveness and a market inefficiency of overwhelming majority of the remained state industrial and agricultural enterprises, high profitableness from the given kind of activity, imperfection of the legislation, absence of independent judicial authority, high level of

corruption, unconscientiously of proprietors of the enterprises. Raid reduces investment appeal of the Russian economy, interferes with development of machine-building branch.

Machine-building branch as the backbone branch of domestic economy defining level of production and personnel capacities of the country, defense capability of the state, and also steady functioning of all industries, is the main base of lifting of economy of Russia and giving of innovative character to it. On mechanical engineering development in many respects depends - whether Russia will be able to take a leading place among the states possessing the hi-tech industry and making production, competitive in the world markets, or will turn into a raw appendage of economy of the developed countries of the world.

V. CONCLUSION

It is revealed that it is possible to solve the raid problems. First of all, the solution is to base on the economic mechanism, instead of a legal mechanism since legal measures influence strategy and tactics of captures whereas the adequate economic policy is capable to deprive of aggressors of the motivation to actions.

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