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The Impact of Mergers and Acquisitions on Business growth and Development

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Mergers and acquisitions are indications of an inorganic development process. Mergers and acquisitions are often used by conglomerates to create value. Consolidations and acquisitions have become a common corporate strategy for companies looking to expand into new business sectors or domains, obtain a competitive advantage, or acquire innovations and ranges of abilities. A new industry or market, to increase their market share and the number of customers is much easier to communicate and buy already conquered markets in the company than to create it from scratch. Mergers and acquisitions are up to those companies who wish to expand and strengthen their position in the market. An essential economic development trend nowadays has become a rapidly changing environment, to which the impression left by many factors, including changes in society, political changes, the process of globalization, which leads companies to accelerate the pace of the integration process to survive in a rapidly changing business environment. This article will provide a critical overview of the topic. The primary motivation for writing this article is to provide a rational, de-mystified perspective on mergers and acquisitions. Types of Mergers, Why Companies Engage in M&A, what are the Different Motives for Mergers, and How M&A Works as a Growth Strategy. Finally, at the ending of the article, a conclusion has also been put forward.

Keywords: *mergers and acquisitions, growth, development, strategy.*

INTRODUCTION

A business may create as time goes on as the utility of its things and organizations is seen. It may in like manner create through an inorganic cycle, addressed by a flitting augmentation in the work power, customers, establishment resources, and in this way an overall extension in the wages and advantages of the substance. Consolidations and acquisitions are appearances of an inorganic advancement process. Consolidations and Acquisitions (M&A) have been extended all through the term. On these events drifting with drawing nearer joblessness and monetary agony, the business region was by and large affected by changing the components as well. Akanlokhor said "Mergers and acquisitions, on the other hand, are a means of surviving in a down economy, involving corporate and strategic management motives on merging one firm with another. Mergers and acquisitions have been utilized to achieve firm growth and expansion policies in numerous instances."[1]

Globalization and information technologies have hastened the spread of advancements to every corner of the globe. The spread is the reason for the world becoming a single marketplace; as a result, all economic activity is realized in a single market on the earth's surface, and the region of enterprise competitiveness is decreasing. The relevance of scale firms for competitive advantage is increasing as the competitive pressure increases as the world is reacting. Growth, which is the overarching goal of businesses, shifted from being an objective to a necessity, and businesses began to function more successfully in the economic arena based on natural laws. With low-income consumers making up the bulk of the world's population, the price has become the most crucial factor in differentiating products, forcing corporations to cut costs through economies of scale.

[1] Sikirat Bakare, 'The Role of Mergers and Acquisitions in corporate growth and development (DBm thesis, Centria University of Applied Sciences 2016)

MERGERS AND ACQUISITIONS

As indicated by Jeffrey J Reuer. Oded Shenkar, Roberts Ragozzino, "International Mergers and acquisitions have become a primary mode of internationalization in recent years."[2] Consolidations and acquisitions of privately held companies create a slew of legal, business, HR, licensed innovation, and financial concerns. Understanding the aspects and difficulties that frequently arise is helpful in thoroughly investigating a firm agreement. While consolidations are defined as the unification of two or more players into a single entity, acquisitions are defined as situations in which one player buys out the other to bring the purchased component together with itself. It could be in the type of a buy, where one business purchases another, or an administration buyout, where the administration purchases the business from its proprietors.[3]

Arthur R. Wyat said "mergers otherwise known as amalgamation could be defined as a process whereby two or more companies which are previously autonomous come together under common control. The former companies thereby lose their identities to a new company formed for that purpose. Acquisitions on other hand could be defined as an act of acquiring effective control over the net assets or management of another company without any combination of companies. An acquisition or takeover could also be regarded as a series of a transaction whereby a person (i.e., individual, group of person or company) acquired control over the asset of the company either directly becoming the owner of the assets or indirectly by obtaining controls of the management of the company."[4]According to Bhattacharyya H.K, "mergers or amalgamations concerning companies means the mergers of one or more companies with another company, the company or companies which is merged being referred

[2] Jeffrey J Reuer, Oded Shenkar, Roberto Ragozzino,' Mitigating risk in international mergers and acquisitions: the role of contingent pay outs' (2004) 35 Journal of International Business Studies <https://www.researchgate.net/publication/5223075_Mitigating_Risk_in_International_Mergers_and_Acquisitions_The_Role_of_Contingent_Payouts/citation/download> accessed 21 November 2021

[3] 'Mergers and Acquisitions' (*MCA.GOV*) <https://www.mca.gov.in/MinistryV2/mergers+and+acquisitions.html> accessed 21 November 2021

[4] Arthur R. Wyat, *Critical study of accounting for business combinations; Accounting research study no. 05* (Guides, Handbooks, and Manuals. 151 1963)

to as Amalgamation Company and the company with which they merged or which is formed as a result of mergers as the amalgamated company."[5]

TYPES OF MERGERS AND ACQUISITIONS

The five most prevalent types of organization mixtures known as consolidations are conglomerate consolidations, horizontal consolidations, market augmentation consolidations, vertical consolidations, and item expansion consolidations. The language employed to describe the consolidation is influenced by the monetary capability, the cause for the business exchange, and the relationship between the blending companies.

Horizontal Merger: When two firms are in direct competition with one another, a horizontal consolidation occurs. Consolidations are also used to gain a piece of the total industry, achieve economies of scale, and capitalize on the cooperative energies of consolidations. In 2011, the merger of HP (Hewlett-Packard) and Compaq was a prominent example of a balanced merger.

Vertical Merger: When two organizations that work in a similar production network unite their efforts, this is known as vertical consolidation. The combining of organizations in an organization's assembly and delivery processes is known as vertical consolidation. The most common motivations for vertical consolidation are better control, a more noteworthy data stream along with the inventory network, and consolidation cooperative energies. In the year 2000, America Online and Time Warner merged vertically for the first time.[6]

Market Extension Mergers: When two companies that provide comparable products in different business sectors join forces, this is known as a market expansion consolidation. The main goal of a market augmentation consolidation is to ensure that the merging companies approach a larger market, which means a larger customer base.RBC Centura's acquisition of

[5] Sikirat Bakare, 'The Role of Mergers and Acquisitions in corporate growth and development (DBm thesis, Centria University of Applied Sciences 2016)

[6] 'Types of Mergers' (*Corporate finance Institute*) <https://corporatefinanceinstitute.com/resources/knowledge/deals/types-of-mergers/> accessed 22 November 2021

Eagle Bancshares Inc is an excellent example of market augmenting consolidation. Hawk Bancshares employs 283 people and is based in Atlanta, Georgia.

Product Extension Mergers: When two business associations trade in similar products and operate in the same market, this is known as an item expansion consolidation. The item expansion consolidation allows blended companies to package their products together and reach a larger audience. They will have more cash flow as a result of this. Broadcom's acquisition of Mobilink Telecom Inc. is an excellent example of a product expansion consolidation.

Conglomerate: A federation of businesses engaged in completely unrelated business activities. The two forms of combination consolidations are unadulterated aggregate consolidations and blended combination consolidations. Unadulterated aggregate consolidations bring firms that don't share anything, whereas integrated combination consolidations join organizations that are looking for item or market extension together. The Walt Disney Company and the American Broadcasting Company merged to form the Walt Disney Company and the American Broadcasting Company.[7]

WHY DO COMPANIES ENGAGE IN M&A

A few companies reach the pinnacle of their success without completing a few mergers and acquisitions. The way the finest companies in the world use teams of employees whose primary purpose is to find interesting potential acquisitions. A well-functioning consolidations and acquisitions process can be extremely beneficial to any company.

Economies of Scale: All M&A activity is supported by the promise of economies of scale. The following are some of the advantages of sizing up:

- Increased access to capital;
- reduced expenses due to increased volume;

[7] '5 Types of Company Mergers' (*MBDA.GOV*) <https://archive.mbda.gov/news/blog/2012/04/5-types-company-mergers.html> accessed 22 November 2021

- increased bargaining power with wholesalers, and that's just the beginning.

While buyers should avoid feeling obligated to participate in 'realm building,' larger organizations typically realize benefits that smaller businesses do not.

Income Enhancement: A company may discover that, despite its best efforts, a strong, sustainable, and lucrative competitive position cannot be achieved without a shift in market share. The desire to increase revenue is a primary motivation for acquisition. A combined company may be able to create more revenue than two individual businesses. Improved marketing, strategic advantage, monopoly power, and increasing market share may all contribute to increased revenue.[8]

Synergies: Synergies are sometimes represented as 'one plus one equals three,' alluding to the value created when two groups collaborate to create something essentially more stunning. The acquisition of Lucasfilm by Disney is a model. Because of the Star Wars franchise, Lucasfilm was a significant income generator at the time, but Disney can expand the client offering by adding amusement park rides, toys, and retail.

Increased Market Share: One of the most obvious inspirations for M&A is the expansion of the whole industry. Retail banks have traditionally viewed geographic impression as critical to gaining a share of the entire market, and as a result, the retail banking industry has been heavily consolidated. For example, the Spanish retail bank Santander has received a functional approach from smaller banks, supporting it in becoming one of the world's largest retail banks.

Faster Strategy Implementation: Consolidations and acquisitions may be the finest way to turn a lengthy procedure into a more manageable process. If a company wants to enter the Canadian market, it can do so with little preparation and the goal of reaching the optimum scale in five to ten years. It might, on the other hand, acquire a company, its client base,

[8] Frank Wisdom, Elizabeth Uzoamaka, Ferdinand Ngene, 'Mergers and Acquisitions as a Growth Strategy in Business Organizations: A Study of Nigeria Banking Sector' (2018) 10(6) EJBM <https://core.ac.uk/download/pdf/234628268.pdf> accessed 23 November 2021

distribution, and brand value, and profit from all of these after the deal is completed. This is especially true in sectors like new product development and innovative work, where a natural process can seldom keep up with the speed of M&A.[9]

Use Excess cash: A business may find itself with more cash than is required for current operations. It then looks for another company to purchase. This is required since cash is sterile, and if the correct use of excess cash is not made, the company may become overcapitalized. When the goal of the company is to maximize shareholder wealth, it is usually assumed that the only legitimate basis for a merger is to achieve operating economics.

DIFFERENT MOTIVES FOR MERGERS AND ACQUISITIONS

Purchasing of resources: Consolidation might be motivated by a desire to get resources that are not available through other channels. It is extremely common in M&A transactions for certain companies to organize consolidations to gain access to resources that are interesting or that take a long time to develop on the inside. Many consolidations, for example, have a common goal of gaining access to new technologies.

Increase in the monetary limit: Regardless of whether through obligation or value markets, each business has a maximum monetary limit for financing its operations. If an organization's financial limit is exceeded, it may converge with another. As a result, a combined company will have more financial resources to invest in future business development initiatives.

Value creation: To improve the abundance of their investors, a merger between two organizations might be attempted. Combining two organizations frequently results in cooperative energies that seek to improve the value of the newly formed organization. Cooperative energy fundamentally demonstrates that the combined value of two organizations is more significant than the sum of their features.

Cooperative energies can be divided into two categories:

[9] Kison Patel, '10 Benefits of Mergers and Acquisitions You Should Know' *(DealRoom,* 9 November 2021) <https://dealroom.net/blog/benefits-of-mergers-and-acquisitions> accessed 23 November 2021

Revenue cooperative energies: Synergies that significantly increase the organization's potential to generate revenue. Market expansion, product expansion, and R&D projects are just a few examples of revenue cooperative energies that can be achieved.

Cost synergies: Cooperative energies that reduce the organization's cost structure. In general, a good consolidation can result in expense reserve money, innovation, and, surprisingly, the elimination of certain expenses. These occurrences may have an impact on an organization's cost structure.

Diversification: Consolidations are carried out regularly to improve things. A corporation may use consolidation to differentiate its activities by, for example, entering new business sectors or offering new products or services. Furthermore, it is common for an organization's administrators to design a consolidation plan to distinguish threats associated with the company's operations. When consolidation is primarily motivated by risk reduction, investors aren't always satisfied. Generally, investors can identify their risks by looking at their venture portfolios, yet merging two companies is a lengthy and dangerous process.[10]

GROWTH STRATEGY AS IT RELATES TO MERGERS AND ACQUISITIONS

The world is being influenced by a movement dubbed "globalization," which can't be avoided whether it's seen positively or adversely, even though there are many different perspectives on its impacts, emergence, and content. The concept of ordinary life is influenced by national politics and international relations in a wide range of ways. Change in business practices is one of the most significant phenomena brought about by globalization. Businesses are compelled to pursue an effective growth plan to gain a share of markets that are becoming increasingly competitive, particularly as a result of globalization and technological advancements.

[10] 'Motives for mergers' (*Corporate finance Institute*) <https://corporatefinanceinstitute.com/resources/knowledge/deals/motives-for-mergers/> accessed 24 November 2021

Changes in Globalization Paradigm: Globalization, which is currently one of the most significant trends in the sector, has led organizations to discover new solutions to keep up with changing market and competition structures, as well as changes in the structure of competition. In the context of globalization, advancements in information and communication technology, as well as legal frameworks, have paved the path for firms to join associations.

Business Growth: In business, growth refers to the company's quantitative and qualitative progress. Advanced turn of events, or volumetric turn of events, refers to the quantitative expansion in limit use as represented by the organization (creation amount), deals pay, item improvement, the size of the source (number of faculty, capital size, and so on), and resource size (size in speculations). Growth, on the other hand, is an attribute that refers to the quality development of business elements.

The Reasons Pushed Business to Grow: All living things experience growth as a natural process. It is natural for a business to be formed and in the process of growing, and it is critical for its survival since a business is analogous to a living creature. Businesses are compelled to expand for a variety of reasons. The objective of business growth is to provide business development possibilities ahead of their competition, as well as to aid resistance and provide simple battles when faced with problems. Similarly, deciding to support the organization demonstrates the value placed on him by the owners and managers. To achieve business development, it is necessary to accommodate adjustments and advancements later on, in addition to having the opportunity to more likely perceive the atmosphere and work the setup requests of administrators.

Business Growth Strategies: Organizational development takes place in a variety of ways. As a result, development systems demonstrate diversity in small, medium, and large businesses. Organizations can grow by acquiring new initiatives through their internal offices or combining assets with different administrations.

Consolidations and acquisitions have been a popular business strategy for companies looking to expand into new business sectors or domains, obtain a strategic edge, or acquire new technologies and capabilities. With the influx of resigning Baby Boomers and a rapidly altering economy and commercial center, M&As are becoming increasingly popular in the expert administrations field. Consolidations and acquisitions can be classified into two types: essential and monetary. A monetary consolidation or procurement is pursued monetary purposes, as the name implies, to obtain quick cash or as a business endeavor. Consolidations and acquisitions of key companies provide a solution to a different type of business problem. Perhaps the purchaser wants to expand their product line, open new offices, enter a new market, or gain mastery and licensed innovation.[11]

When Do Mergers and Acquisitions Make Sense as a Growth Strategy?

Organizations fill a variety of roles. As a result, development tactics in small, medium, and large businesses differ. An organization's success may be aided by the acquisition of other organizations with their inward offices or the pooling of assets with different administrators.

1. Fills basic holes in assistance contributions or customer records: When the commercial center shifts due to external events or new principles and norms, a gap in an organization's critical offerings might emerge. It's a fantastic time to use an essential oil blend. Following 9/11, the public safety and security industries lacked the necessary capabilities to meet the national government's rapidly changing requirements. Organizations quickly accepted that they would be abandoned, presuming they possessed the necessary skills and experience to meet the new security requirement. Firms with significant expertise and a long list of customers were lauded and aggressively chased for securing up-and-comers seemingly out of nowhere.

2. A productive method for getting ability and licensed innovation: Many businesses are suffering from a severe lack of qualified personnel. The domains of online security, bookkeeping, and design are just a few that come to mind. Licensed invention (IP) is, without a doubt, the new currency of today's company. IP, which was once hidden and meticulously monitored, is now easily procured and traded. For some businesses, owning a company and

[11] Ibrahim AKGÖBEK, 'Mergers and Acquisitions as a Growth Strategy' (ICBEBS, Pattaya, April 2012)

its protected technology is the quickest way to establish dominance—or, at the very least, a barrier to competing attacks.

3. Opportunity to leverage synergies: An important consolidation, when done as part of a well-thought-out development system, can result in collaborations that benefit both the acquirer and the acquired. The two most common types of M&A collaborations are cost and income cooperative energies. Cost cooperative energies are the most popular method of lowering costs by combining several jobs or assets into a single entity. In a critical M&A, a few areas, such as surplus offices, labor forces, specialty units, and activity spaces, are appropriate for cost-cutting. The cutthroat power balance is shifted by income cooperative energies, allowing organizations to change market elements, sell more things, and boost value. Income cooperative energies can help businesses increase their cash flow in a variety of ways.

4. Add another strategy to the business model: A billable-hours business model is used by many professional services organizations, but it is not the only choice. Some businesses make money by charging a flat fee or offering performance incentives. It's not just about how much money you make with an effective M&A growth plan. A merger could also result in the creation of a new service, such as brokerage, insurance, or money management. If you're thinking about developing and testing a new business model, the quickest method to do so is to buy a company that is currently doing it successfully.[12]

WHEN MERGERS AND ACQUISITIONS (M&A) FAIL AS A GROWTH STRATEGY

When consolidations and acquisitions are part of a larger growth strategy, everyone wins. Problems with implementation or faults in the logic or thinking underlying a sound strategy can sometimes derail it.

- **Cultural clash:** Different organizations have distinct societies. There's nothing out of the ordinary about it. Regardless, social disparities can be irritating. Culture conflict can be

[12] Lee Frederiksen, 'Mergers and Acquisitions as Part of Your Growth Strategy (*Hingemarketing,* 1 February 2021) <https://hingemarketing.com/blog/story/mergers-and-acquisitions-as-part-of-your-growth-strategy> accessed 25 November 2021

avoided by being clear about the lifestyle you desire and utilizing all available resources to ensure you acquire it. When considering a possible merger of corporate societies, for example, training, the correct motives, and a focus on your representative image are all beneficial.

- **Loss of differentiation**: When the elements and benefits that make one firm valuable are unimportant to the next, mergers should be avoided. Rather than providing substantial resources, capabilities, or worth, the acquired or combined firm diminishes the brand and gives away the upper hand.
- **A major distraction**: Mergers and post-merger integrations are time-consuming processes that typically include the firm's most senior executives. They may be easily side-tracked by other vital but less urgent activities if they are not prepared. After the deal is done and the attention shifts to integration, the potential for diversion is greatest—and most devastating. If senior management becomes too distracted, the merger may fail, causing damage to the underlying firm.

EMERGING TRUTHS

Merger activity rose in tandem with the late-1990s technological boom. Annual transactions totaled $1.6 trillion on average. Companies were buying each other with their stock, which had been driven to excessively high levels. When the technology bubble broke in 2000, so did the amount of merger activity. It plummeted even further after September 11, 2001, terrorist attacks in the United States. Then massive corporate misconduct started to come to light. As a result of these occurrences, stock prices collapsed, and merger deals, which normally reflect stock market fluctuations, fell.

Mergers and acquisitions are once again on the rise. 2016's $3.84 trillion in worldwide M&A was a historically robust year, with multiple blockbuster mergers fuelled by a healthy economy, low-interest rates, decent credit, soaring stock prices, and cash stockpiles. Size is important when competing in the global market, but in the consolidation business, more doesn't always equal better. The review's findings reveal that enticing uber consolidations are, on average, a loss for financial supporters who own those equities. Before putting their money into the biggest consolidation gaming machine, they can find, companies should carefully weigh their alternatives. In their haste to purchase it, many buyers pay a premium that wipes out the consolidation's whole predicted monetary gain. Supervisors frequently anticipate massive collaborations that turn out to be fantastical or incomprehensible, or they purchase an organization that isn't what it appears to be on the surface, without fully understanding what they're buying.[13]Acquisition integration is both an art and a science. Acquirers frequently misjudge the price and logistical nightmare of merging operations of companies with vastly diverse cultures. As a result, they may struggle to keep key personnel on board, sales forces active, and consumers satisfied.

CONCLUSION

Mergers and acquisitions that are in line with the market's long-term development, beginning at the country's boundaries and progressing to the regional level, are pitching themselves as an unavoidable process of external growth for many organizations throughout the world. Today, it is the primary lever for large and powerful firms to achieve future strategic goals through expansion and synergy. Consolidations and acquisitions are a globally recognized trend associated with enterprise business rebuilding. They're an important feature of any healthy economy, and they're the most common way for businesses to pay back to their owners and financial backers. The desire to grow fast (rather than gradually through their assets) and to be sufficiently close to immaterial resources, such as human resources, primary capital, and client capital, are common motives for buyers to participate in M&A deals. Completing collaborations, acclimating to changes, underestimating resources, botch issues, and evaluating investment funds are just a few examples of different ideas. The decision to convert the value into cash, development enhancement and top in valuation, proprietor's retirement, and lack of access to funding is the most common reasons for a vendor to sell a business.

Mergers and acquisitions have advantages and disadvantages that should constantly be considered. Consolidations should not be done in a hurry or out of necessity, as they were

[13] 'Introduction to Business' (*BC campus*)<https://opentextbc.ca/businessopenstax/chapter/mergers-and-acquisitions/> accessed 25 November 2021

during the solidification period, but should be thoroughly inspected and completed to ensure their success. The benefits and drawbacks should be weighed, and the best solution for the company should be picked. Banks must be imaginative in their turn of events and product promotion to grow their share of the pie and execution while also increasing the financial industry's seriousness. Mergers and acquisitions come with risks that, if not managed appropriately, might lead to failure. Managers' inability to handle the difficult task of integrating two organizations with distinct procedures, accounting methods, and operating cultures, as well as the buyer's misestimation of the target firm's value, must be avoided. To ensure a successful merger and acquisition, a strategic integrated acquisition program should be implemented.