



## RESEARCH ARTICLE

### ANALYSIS OF KEY SUCCESS FACTORS IN INTERNATIONAL MERGERS AND ACQUISITIONS

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#### ABSTRACT

In the highly competitive environment, the use of international mergers and acquisitions can effectively gain the advantage and market. Through mergers and acquisitions, enterprises can quickly obtain new products, enter new markets or enter different industries to achieve new growth. Although mergers and acquisitions can enable enterprises to obtain new competitiveness and market share in a short time, patented technology, technology integration, professionals. However, there are not many successful mergers and acquisitions planned, so international mergers and acquisitions must have the worst-case evaluation, and fully respond to changes in mergers and acquisitions at any time, making mergers and acquisitions easy to succeed. A benchmark for improving management efficiency.

#### INTRODUCTION

Under the highly competitive environment, mergers and acquisitions can effectively gain the advantage and market. When the growth of enterprises is restricted, enterprises can acquire new products quickly by mergers and acquisitions, enter new markets or enter different industries to achieve new growth. Although mergers and acquisitions can enable enterprises to acquire new competitiveness and market share, patented technology, technology integration, professionals in a short time, but pre-mergers and acquisitions, integration process, follow-up adjustment is not easy to imagine, if there is a part of the pre-evaluation errors or inaccurate information, may lead to the entire merger. The failure or loss of the acquisition case may even lead to the bankruptcy of the main merger company. After the merger, the enterprise will also encounter the challenges of various problems immediately. The organization adjustment, technical integration, financial merger, process consolidation, market positioning and many other matters, the evaluation and merger strategy of the main merger company will affect the success and failure of the merger case. It is very important to evaluate the operation and decision analysis before purchase. Furthermore, in the process of mergers and acquisitions from the initial stage to the successful analysis and evaluation of Mergers and acquisitions, how to use efficient mode to improve the management of enterprises and improve efficiency and reduce operating costs,

so that enterprises after mergers and acquisitions can rapidly enhance competitiveness and maintain the existing advantages, and the domestic industry environment is becoming more and more serious, because of The operator should always grasp the trend of policies and laws so as not to make operational decisions wrong. As for the success of industrial mergers and acquisitions, the priority is to be evaluated and implemented by the acquisition teams of skilled industries, so as to accumulate the successful experience of copying mergers and acquisitions. Since there are not many successful mergers and acquisitions, the merger and acquisition operations must be evaluated in the worst case so that the mergers and acquisitions can respond to unexpected changes at any time, and it is easier to promote the success of mergers and acquisitions. Bench mark for efficiency.

#### Theoretical basis for merger and acquisition

**1. Competitive advantage theory:** Competitive advantage theory puts forward that the starting point of M&A motivation is the use of competitive advantage.

The specific reasons are as follows:

- Mergers and acquisitions originates from the pressure of competition. In the process of competition, the mergers and acquisitions side wants to improve its competitive advantage by eliminating or gaining control of the other side.
- The view of relative competitive advantage is the foundation of merger and acquisition (Mergers and

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acquisitions). Enterprises can use mergers and acquisitions to gain the competitive advantage of external relative resources.

- (c) There is a two-way choice between the practice of mergers and acquisitions and competitive advantage, through procedures and to build new competitive advantage. When choosing the target business, the mergers and acquisitions mainly aims at the specific advantages it needs.

**2. Classical economic theory:** Classical economic theory generally demonstrates the economic scale of an enterprise from the point of view of cost and depends on the minimization of its total cost. On the other hand, the theory of industrial organization demonstrates the scale economy of industry from the perspective of market structure effect. Many manufacturers in the same industry should evaluate the measurement of competitive cost and economic utility. The most important goal of mergers and acquisitions is to acquire the intellectual property rights and related assets needed by the enterprise, and to implement efficient management mode to obtain the benefits of economies of scale.

**3. Transaction cost theory:** The theory of transaction cost is that under appropriate transaction conditions, the relevant cost of an enterprise may be lower than the transaction cost in the market, and the market is replaced by the enterprise. Similarly, when the enterprise scale expands, the related cost increases at the same time. Therefore, the boundary condition of considering the merger and acquisition scale is that the new increment of the marginal related cost is equal to the increment of the enterprise marginal related cost. The reduction of marginal transaction costs of enterprises. In the case of asset particularity, the enterprises that need some intermediate products or technology investment will be inclined to merger and acquisition strategy for the enterprises that produce intermediate products, and the enterprises that are the object of transaction will be transformed into enterprises. Under the premise of separation of powers and powers, many departments operate irrelevant enterprises' economic activities, and their management costs are far lower than the market transaction costs of these irrelevant economic activities. Therefore, the capital market becomes intrinsic when the organizers of multi-sector are regarded as the internal capital market and the market coordination is replaced by management coordination. Through unified strategic decision-making, the capital from different sources can be rapidly transferred to high-profit sectors, thereby improving the efficiency of enterprise resource use. In the aspect of analysis effect, the financial theory and practical function as well as the related information processing technology promote the development of the financial theory of enterprise merger and acquisition. At the same time, it will quantify the impact of merger and acquisition on different economic factors, construct the profit and loss financial analysis, and provide an effective method to evaluate the decision-making process of enterprise merger and acquisition.

**4. Agency theory:** Agency theory puts forward agency cost from the perspective of ownership structure, which includes the contract cost between the owner and the agent, the cost of monitoring the agent, and so on. Through merger and acquisition, the agency cost will be significantly reduced. Through fair acquisition or agency contention, the incumbent managers of the company will be replaced, so the merger and

acquisition will take place. The takeover mode under the mechanism will reduce the agency cost.

**5. Undervalued theory:** The theory of undervalued holds that the main reason for mergers and acquisitions is that the value of Target Corp is seriously underestimated. There are three factors underestimated: the economic management ability of the enterprise has not fully demonstrated its potential; second, the merger and acquisition party has external information that other people do not have to understand the real value of the target company's internal information, so the merger and acquisition will bring benefits; finally, macro factors and other reasons will also cause the target enterprise asset market. There is a gap between the market value and the replacement cost. If the stock market price of the target enterprise is less than the total replacement cost of the enterprise, the opportunity of mergers and acquisitions is relatively large. From the perspective of undervaluation theory, in the era of rapid changes in high-tech, the merger and acquisition activities of related enterprises will be more frequent by taking advantage of market sales conditions and economic instability factors.

**Strategic planning process for mergers and acquisitions:** mergers and acquisitions is a major investment activity for enterprises, and therefore requires a detailed strategic plan and procedure. This paper puts forward the viewpoint of project cycle for a major investment decision of an enterprise. The pre-planning, mid-execution and final control of an investment plan can be divided into five stages, the identification stage, preparation and analysis stage, pre-evaluation stage, execution stage and in-process and post-evaluation stage.

Project cycle	Strategic planning process for international mergers and acquisitions
Plan identification stage	1. Establish the needs and motives of international mergers and acquisitions.
Preparation and analysis stage	2. Set up an international merger and acquisition team. 3. Search for international M&A targets (establish M&A target selection criteria)
Pre-evaluation stage	4. Preliminary feasibility analysis 5. Feasibility analysis of internal internationalization acquisition team. 6. Employ external experts (accountants, lawyers, etc.) to examine and evaluate.
Execution stage	7. Develop an international M&A plan. 8. Implementing international merger and acquisition plan.
In-process and post-evaluation stage	9. Track and evaluate the goals of international mergers and acquisitions.

**Key success factors in Mergers and acquisitions:** Internationalized mergers and acquisitions certainly have the above motives and interests, but there are many factors that affect the success of mergers and acquisitions. First of all, I quote important relevant literature, hoping to learn from the past and grasp the key elements of success. (Tarry, 1987) studies the case of mergers and acquisitions in the United States and concludes that a company must have the following elements to complete a successful merger and acquisition:

- Understanding the reasons for mergers and acquisitions.
- Understanding the strengths and weaknesses of the business itself.
- Guidelines for mergers and acquisitions have been established.

- (d) Having sufficient resources to complete the acquisition.
- (e) Finding a good M&A goal requires time to seek.

Wise (1984) believes that the following factors must be taken into account in the success of Mergers and acquisitions:

- (a) Confirm long-term objectives of the company.
- (b) Understand the purpose and significance of achieving long-term goals.
- (c) Identify merger proposals and achieve long-term goals.
- (d) Setting criteria for Target corporation withdrawal.
- (e) Development of Target corporation's analytical guidelines.
- (f) Proper negotiation preparation.
- (g) Preparation of integration and transfer plan after merger and acquisition.
- (h) Establishment of merger budgets and responsibility allocation.
- (i) Training of managerial leadership and control skills.

Therefore, the factors influencing the success of mergers and acquisitions are multiple. Combining with the current research results of scholars, the following factors are summarized:

### 1. The key influencing factor human capital comprehensive:

From any classical theory or management theory as well as human resource theory in economics, we all agree that the owner of human capital is the builder of wisdom and wealth, but also a key core of enterprise management, is the most important wealth of enterprises. Therefore, in the international mergers and acquisitions of enterprises, the human factor will play a vital role in the performance of mergers and acquisitions. Human capital integration plays such a pivotal role in mergers and acquisitions. What problems should human capital integration deal with in mergers and acquisitions?

**2. Cultural factors human capital groups:** Just as different countries have different unique cultures, every enterprise also has its own core culture. The formation of enterprise core culture is a set of common values constructed through many influences. Such as: different growth background, different life style, different experience and work experience. Just like getting married, when you start living together, it takes a long time to fit in, not to mention the fact that so many people in two businesses have to integrate. Common cultural values are key factors in the process of mergers and acquisitions. Because the owner of human capital is dedicated to the enterprise, at the same time, must have interdependence with all employees, mutual respect, mutual trust team spirit, so that all employees have a sense of belonging. This sense of belonging is determined by the values of human beings and the group nature of human capital. This sense of belonging and teamwork is the core culture of the enterprise, each company will have a unique and different corporate culture, so a successful international merger and acquisition must take into account the impact of corporate culture factors. If the differences in corporate culture between the two mergers and acquisitions are far apart or even incompatible with each other, it may cause huge cultural impact costs, and it will also hinder the implementation of business strategy after mergers and acquisitions to give full play to economic benefits. It will reduce the value of human capital, thereby increasing the problem of post-merger integration. mergers and acquisitions is facing failure.

Corporate core culture integration, including the differences between senior management style and employees' values and behavior patterns, is prone to internal conflicts, and mergers and acquisitions often pay little attention to how to effectively manage corporate culture conflicts in restructuring. According to the organization fit theory, there is no best organizational structure and no best corporate culture in the world. The key to success is the degree of fit between them. Therefore, in the selection of target enterprises, we must pursue the higher degree of fit of each other's corporate core culture, so that the probability of successful mergers and acquisitions can be relatively improved. For example, 90% of Emerson's more than 60 companies in the world are mergers and acquisitions. The key to the company's success is: "Merger and acquisition of companies that conform to our values and core culture." Therefore, before merger and acquisition, enterprises must understand and understand each other's business philosophy, management style, behavior mode, thinking mode and organizational process comprehensively through the multiple contacts and exchanges of experience between the two high-level personnel, and then evaluate the core culture of the enterprise is a very important process. This can help each other to predict the possible risks of cultural shocks, thereby minimizing the risks.

**3. Strengthening the incentive of human capital property rights:** Employees' knowledge and skills are in the form of tacit knowledge, and human capital has a remarkable feature, that is, the dependence of the owner, or the indivisibility with its owner. The indivisibility between human capital and its owner means that the adjustment of employee incentive mechanism after merger and acquisition is a relatively important link in human capital management. As far as the structure of human capital is concerned, the employee incentive mechanism should first deal with the entrepreneur's incentive mechanism, and then the general employee's incentive mechanism, in order to improve the incentive mechanism and create more business performance.

### Conclusion

First, in terms of cost savings, (Hymer, 1960) uses horizontal mergers and acquisitions to illustrate that such a model will improve market concentration, and then collude between the various manufacturers in the industry, resulting in market monopoly benefits. (Williamson, 1975) emphasizes the organizational form formed by compound mergers and acquisitions, which can provide effective asset allocation to higher value investment activities in its internal capital market, compared with the external capital market. (Hennart and Park, 1993) regards the firm's advantage as the object of transaction, and influences the entry mode because of the different types of advantages. More market experience, higher degree of diversification and lower R and D density are adopted as the growth mode. Secondly, from the perspective of agency theory, it is proposed that managers should use diversified mergers and acquisitions strategy to enhance the firm's earnings returns, while reducing the differences in performance and bankruptcy risk, in order to reduce their own employment risk and reward risk. (Amihud and Lve, 1981). Mueller, 1969). The hypothesis holds that mergers and acquisitions should be in line with the benefits of managers' pursuit of firm growth and expansion of firm size. From the perspective of firm growth theory, (Hennart and Park, 1993). When the supply of internal human resources is scarce, firms tend to adopt external growth of mergers and

acquisitions mode when they need manpower to expand their growth. Under the environment of highly globalized competition, international mergers and acquisitions (Mergers and acquisitions) will be a key way for enterprises to accumulate capital rapidly, possess resource advantages and expand their market territory. Multinational corporations can make good use of resources in the global scope by their competitive advantages, in order to seek the effective use of resources in the global scope to maximize profits. As China's economy is increasingly integrated into the scope of internationalization, more and more enterprises are aware of the importance of the international market. At the same time, the government also encourages enterprises to actively implement the strategy of "going out". Enterprises with certain capital strength will quickly enter the international market through international mergers and acquisitions. However, there are some relatively. However, due to the failure of many factors on the road of internationalization Mergers and acquisitions, enterprises must make clear the strategic direction of internationalization, the choice of internationalization path and the key execution mode in the process of internationalization Mergers and acquisitions. The process of mergers and acquisitions and the probability of success are very critical factors.

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