A Study on Mergers and Acquisitions

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Abstract: This paper explains the concept of mergers and acquisitions (M&A). In recent decades organizations have adopted inorganic growth through mergers and acquisitions. The review of literature is performed about mergers and acquisitions to understand the characteristics of research in M&A area. This paper is helpful for researchers to perform further studies in the area of mergers and acquisitions.

Keywords: Mergers, Acquisitions, Partnerships, Joint Ventures, Expansion, Collaboration.

I. INTRODUCTION

Organizations continuously grow for sustaining in the competitive business world. The liberations, privation and globalization (LPG) had positively influenced organizations to adopt mergers and acquisitions (M&A) strategy. Organizations merge with both domestic and cross border organizations. It is observed that in almost all the sectors like transport, communication, chemical, financial textiles, automobiles and telecom etc the mergers and acquisitions (M&A) had been implemented (Kumar, 2012). The primary advantages with M&A are cross selling, economies of scale, tax savings, and resource transfer. Some business organizations enter into foreign markets by implementing cross border mergers and acquisition (M&A) strategy. The major types of mergers are horizontal mergers, vertical mergers, congeneric mergers and conglomerate mergers. Mergers and acquisitions (M&A) is a complex activity because the organizations structure changes and there can be resistance from various stakeholders.

II. RESEARCH OBJECTIVES

- To describe the concept of mergers and acquisitions (M&A)
- To review the research in the area of mergers and acquisitions (M&A).

III. RESEARCH METHODOLOGY

The secondary data was collected from magazines, books, journals and electronic sources about mergers and acquisitions. The literature review is performed to know the existing research in the area of mergers and acquisitions. The keywords like mergers, acquisitions, takeovers, acquirer, takeover and growth strategy etc were used for finding the literature about M&A. The characteristics of research are tabulated by using data from the previous published research papers.

IV. REVIEW OF LITERATURE

Mergers and acquisitions (M&A) is an inorganic growth because organizations with in short span of time organizations grow compared to traditional growth (Leepsa & Mishra, 2012). The financial performance of organizations is uncertain after implementing mergers and acquisitions (M&A) strategy. Most of the mergers and acquisitions in India had taken place in manufacturing sector. According to Saboo and Gopi (2009) mergers and acquisitions (M&A) help businesses to gain competitive advantage. Indian companies have adopted cross border acquisitions in the recent years to enter into global market place. The financial performance of organizations does not vary with type of acquisitions whether it is domestic or cross-border. However mergers and acquisitions strategy helps organizations to enhance their market share. The financial performance of organizations can be measured by structure-conduct-performance (SCP) framework. The SCP model considers various independent factors like current market size, current market share and lagged selling intensity etc (Mishra & Chandra, 2010). Management of business organizations aim at generation of synergy after implementing mergers and acquisitions (M&A) and the synergy may be generated either in short run or long run (Kumar & Bansal, 2008).

The cross-border mergers and acquisitions are influenced by legal environment. The shareholders consider the legal environment more in cross-border mergers and acquisitions (M&A) compared to domestic ones (Feito-Ruiz & Menedez-Requejo, 2011) Mergers and acquisitions (M&A) are influenced by factors like market capital, natural resources, patents, cultural distance, government effectiveness and GDP growth etc (Deng & Yang, 2015). According to Basu et al (2008) the external growth of organizations is possible through mergers and acquisitions are often referred as inorganic growth. According to Kohli and Mann (2012) the shareholders wealth is enhanced in cross border acquisitions compared to domestic acquisitions. The financial performance of organizations is better in the long term after implementing M&A strategy (Sinha, Kaushik, & Chaudary, 2010).
TABLE I. Characteristics of Research in M&A Area

<table>
<thead>
<tr>
<th>S.No</th>
<th>Researcher</th>
<th>Parameters</th>
<th>Statistical Tools</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Leepsa &amp; Mishra, 2012)</td>
<td>Profitability ratios, liquidity ratios and leverage ratios</td>
<td>Mean, t-test, frequency</td>
</tr>
<tr>
<td>2</td>
<td>(Saboo &amp; Gopi, 2009)</td>
<td>Financial ratios</td>
<td>t-test; paired two sample for means</td>
</tr>
<tr>
<td>3</td>
<td>(Mishra &amp; Chandra, 2010)</td>
<td>Panel data estimation</td>
<td>Regression, standard deviation, range, mean, frequency</td>
</tr>
<tr>
<td>4</td>
<td>(Kumar &amp; Bansal, 2008)</td>
<td>Financial ratios</td>
<td>Correlation</td>
</tr>
<tr>
<td>5</td>
<td>(Deng &amp; Yang, 2015)</td>
<td>Market capital, natural resources, GDP growth, patents, government effectiveness, foreign reserve</td>
<td>Correlation, binominal regression, descriptive statistics</td>
</tr>
<tr>
<td>6</td>
<td>(Basu, Dastidar, &amp; Chawla, 2008)</td>
<td>Capital employed, net worth, liquidity variables, total assets</td>
<td>Discriminate analysis, logit regression</td>
</tr>
<tr>
<td>7</td>
<td>(Kohli &amp; Mann, 2012)</td>
<td>Shareholders wealth, announcement of acquisitions</td>
<td>Regression analysis</td>
</tr>
<tr>
<td>8</td>
<td>(Goyal &amp; Joshi, 2011)</td>
<td>Perception of stakeholders about M&amp;A</td>
<td>Descriptive or Conceptual paper</td>
</tr>
<tr>
<td>9</td>
<td>(Lebedev, Peng, xie, &amp; Stevens, 2015)</td>
<td>Secondary data</td>
<td>Literature review with propositions</td>
</tr>
<tr>
<td>10</td>
<td>(Sinha, Kaushik, &amp; Chaudary, 2010)</td>
<td>Return on equity, financial ratios</td>
<td>Wilcoxon on signed rank test</td>
</tr>
</tbody>
</table>

(Source: Developed by the researcher)

V. DISCUSSION

Mergers and acquisitions take place in domestic and cross-border environment. The researchers have used variety of statistical tools like multiple regression, t-test and mean to compare the financial performance of organizations before and after implementing M&A. The organizations grow externally through mergers and acquisitions. The implementation of M&A strategy is complex from various dimensions like change management, culture, financial performance etc. The shareholders are concern about M&A because it will have an impact on wealth both in the short term and long term. It is observed that both domestic and cross-border mergers and acquisitions (M&As) are viewed as similar activities by the stakeholders.

VI. CONCLUSION

The research on mergers and acquisition is vast area and many dimensions exist to understand the performance of organizations after implementing M&A strategy. This research paper is useful for academicians, researchers and finance managers. The organizational structure changes through M&A and there might be resistance from employees. The implementation of M&A strategy is time consuming because legal laws and financial accounting systems etc need to be considered while implementing M&A strategy. The review of literature in this paper gives clear picture about doing further research in M&A area.

VII. REFERENCES