The Global Financial Crisis and M&A

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Abstract

The global financial crisis is changing the landscape for mergers and acquisitions (M&A) and identifying new M&A targets that indicate a shift with significant impact to our global business practices. Even more now than ever before, companies are implementing strategies that include gaining access to new geographies. They are responding to the crisis by focusing on growth outside their home country regions, expanding their geographic diversification and investment in secondary markets. Previous M&A activity was focused in the triad of US, Europe and Japan, the world's largest consumer markets. However, as the triad's share of the global consumer market declines companies are looking to new consumer markets that are expanding and open for opportunity. Our research examines the increased complexity and challenges that cross-border acquisitions need to address in their effort to succeed globally in an environment of instability fueled by ongoing financial turmoil. New development in formulating innovative deal structures and defining creative terms is apparent. Looking deeper into the supply chain to identify acquisition targets is becoming attractive particularly in cross-border M&A to diversify risk, and maximize control, efficiencies and productivity. Increasing the influence of shareholders, maximizing legal arrangements and giving consideration to international political implications are all finding their way into the acquirer's deal structure. M&A advancement in growth markets augments global business innovation and vitality in challenging economic conditions. Cross-border M&A is contributing to the change into our macro global political, social and economic integration.

Keywords: global financial crisis, globalization, global M&A, acquisition integration, market strategies, cross-border M&A

1. Introduction

1.1 Strategic Acquisitions

Traditional mergers and acquisition deals in business are strategic transactions targeting companies that present opportunity for financial growth and greater market share. M&A activity has become common in today's economic environment and can vary in size from very small businesses to enterprise corporations. A company acts as seller or buyer for each transactional exchange and represents their interests depending on their position in a deal.

Establishing presence in foreign, mostly emerging countries, affords companies a strategic advantage by accelerating their growth in pursuit of business development outside their current markets while providing diversification benefits. Due to increased production and market globalization this has even become an imperative for maintaining competitive advantage by removing the barriers that used to protect isolated geographic locations.

1.2 Cross-Border Transactions

Complexity and risk is increased as cross-border acquisitions are challenged in their effort to succeed in a global environment of instability fueled by ongoing financial turmoil. The upside for opportunity is increased, as well. Surveys and interviews revealed unique non-traditional strategies, new patterns in corporate diversification and

creatively structured transactions in cross-border M&A of all size businesses. New insights offer that the financial crisis highlights the value proposition offered by cross-border acquisitions and changes the landscape of M&A to include variations on the traditional motivation, typical reasoning and standard process of mergers and acquisition.

2. Method

The researchers evaluated market and industry data to understand the investment and venture models used over a decade of M&A strategies. Our research paper shares how the effects of the global financial crisis are uncovering new M&A targets, and changing the related acquisition process and integration activities.

2.1 Data Gathering and Analysis

Analysis was made on the empirical research to identify multiple factors of cross-border acquisition design strategy, including the critical success factors that influence success or failure of outcome. The insight from the analysis of the M&A market since the start of the millenium was considered in formulation of 40 survey questions designed to gain more understanding of patterns and trends in activity that may not have been evident in previous data analysis phase. Surveys were distributed online to 62 participants with 55 percent response rate.

2.2 Participants

Follow-on in-depth interviews were held with 25 percent of survey respondents including international business owners and global strategy executives involved in M&A activity, deal transaction management executives, investment bankers and private equity professionals focused on global M&A transactions.

3. Origins of M&A

M&A has evolved since its origins in the early 1900s. M&A began on a domestic scale when companies bought in their own market to increase share and make operational efficiencies. The activity originated as a means for companies to consolidate and join forces to strengthen through size within a common industry, therewith increasing productivity and efficiency in their business operations. Multinational corporations expanded their international footprint through M&A, though still largely acquiring homogenous companies headquartered in their own domestic market. The advancement in technology, communication, travel and transportation offered an opportunity for truly global business expansion and the upturn in cross-border M&A is cultivated by companies who want to increase their market diversity and global positioning.

4. M&A Strategy for Growth

The nature of M&A has grown beyond a consolidation tactic to include strategic growth, expansion and innovation (Maney, et al, 2011). When the economy is good the average transaction deal price, meaning the price paid for a company is equal to or above market value. The volume of deals increases in good economic conditions as a favorable means for growth to complement organic expansion. In harsh economic conditions, there is a decrease in average transactional deal price and volume. Does this present a window of opportunity for emerging markets?

4.1 Going Global

There are linkages between real economic conditions across countries. We observe that when major markets perform well they tend to have a positive effect on other countries, as in the example of a rising tide lifting all boats, and vice versa. Economic performance in any country will vary based on both domestic and international factors so it is important to note that economic performances will not be perfectly correlated across countries. This creates a potential for benefiting from international diversification and spreading assets across the globe to protect investments as they will not rise and fall together.

However, in examining recent data, it appears that the major global powers (e.g. US, Europe) have steadily exhibited closely correlated market activity. This correlation is more evident in financial markets. In fact, anyone who follows financial headlines closely may note that on any given day a sell-off in the US equity markets the day before has spread to Asia and Europe. This is due to financial markets typically being the first to react to economic news. These recent studies further indicate that national economies, particularly North America and Europe, have become much more closely linked, not only because of growing international trade and investment flows, but also in terms of growing international financial transactions. The current volume of world trade in 2012 is about 30 percent of the World GDP, up from 24 percent in 2001.

4.2 Influences in Market Integration

Influences contributing to an increased general level of correlation among markets and market integration

include the:

- Development of global and multinational companies and organizations
- Advances in information technology
- Deregulation of the financial systems of the major industrialized countries
- Explosive growth in international capital flows
- Abolishment of foreign exchange controls.

Many of the world's leading companies have operations scattered around the globe. Declining incomes and consumption spending in the US and Europe has provided motivation behind their expansion to Asia, Middle-East and South America. Similarly, emerging market players like Tata Motors, Mittal Steel, Samsung or Cemex need consumers in US and Europe. While revenue growth of many US multinationals in the last decade came mainly from emerging markets, emerging market multinationals have also been gaining market shares in US and Europe.

4.3 Developed Versus Emerging Markets as Growth Targets

A key outcome of globalization is the elimination of barriers among the countries. Companies that used to hide behind barriers have to come out and compete vigorously in order to survive. Witness the US automobile industry's 'friendly' environment prior to strong challenges by the Japanese, the Germans, and more recently, by the Koreans. Partly in response to growing competition in the industry, US auto manufacturers sought to establish presence new growth markets. Again, such markets include China, India, Brazil and other emerging countries while the traditional markets of US, Europe and Japan are characterized by declining demand.

Table 1. Developed and emerging market characteristics: (Adapted from Crossan, M. & Apaydin, M., 2008)

Developed Markets	**Emerging Markets**
1. Relatively low economic growth rates	High economic growth rates
2. Low inflation	High inflation
3. Stable institutional structure and regulations	Immature or Unstable institutional structure and regulations
4. High information availability and reliability	Low information availability
5. High urbanization but low or negative population growth rates	Low urbanization and high population growth
6. High per capita income and high internet penetration	Low per capita income and low internet penetration but increasing
7. Small changes in individual economic status	Large change in individual economic status

Description: A simple comparison of the developed (US, Europe and Japan) versus emerging markets is useful when assessing growth strategies. Developed market characteristics are listed below with an observation that the emerging market characteristics are as simple as taking the applied attributes and reversing them.

High growth rates and a bourgeoning middle class lead to new markets. Highly volatile institutional structures and regulations can imply major uncertainty among the key characteristics of emerging markets. It is also important to note that while many developed countries are more or less homogeneous as a group, emerging markets usually exhibit large differences in their development even within the same geographic regions. Therefore, one should analyze and compare such variables as GDP growth, inflation, GDP per capita, savings as a percentage of GDP, population growth, internet penetration, information availability and institutional stability.

4.4 Modes of Entry

Comparing four different modes of entry (Stähler, Ryan & Raff, 2007) Exporting, Licensing, Joint Venture and FDI (both Greenfield and M&A), in terms of Financial, Managerial and Technological (and other) factors, scholars of international business would argue that these different modes of entry carry different advantages and disadvantages, as shared in the table below.

Table 2. Four different modes of entry

Modes of Entry	Exporting	Licensing	Joint Venture	FD Investment
Financial				
Capital Requirement	Low	Zero	Medium	High
Profit Potential to Investor	Medium	Low	Medium	High
Financial Risk	Low	Low	Medium	High
Managerial				
Management Requirement	Low	Low	Medium	High
Operational Decisiveness	Medium	High	Low	High
Speed of Market Entry	Low	High	High	Medium
Technological				
Access to Customer Feedback	Low	Low	Medium	High
Technological Risk	Medium	High	Medium	Low
Other				
Ability to Cope with High Tariffs	Low	High	High	High
Ability to Exploit High Economies of Scale	High	Low	Medium	Medium

Description: These modes of entry may be further classified as non-equity based (exports, licensing) or equity-based (Greenfield , M&A, Joint Venture) represented by a different level of controls and a different level of resource commitment. The key is that the entry mode must fit in with the company's present competitive and financial situation.

5. Foreign Market Entry Considerations

Companies looking to make a decision on foreign market entry should first ask what accounts for their success at home, and then try to replicate those critical success factors abroad. Historically, most multinational enterprises started with Greenfield (wholly owned) investments in emerging markets. Only later, did they change their FDI strategy in favor of acquisitions. GE is a good example.

5.1 Competition to Invest

As indicated earlier, most emerging markets are characterized by an untapped market, rapid market growth conditions, and cheap but good quality labor. These factors ignite fierce competition among companies from the developed world to invest in emerging markets. However, inadequate infrastructure, local legislation, and protection of intellectual property present risk into the business model.

So, the choice of entry mode has changed as conditions in emerging markets have improved which itself was a result of investment in infrastructure and legal reforms. These reforms, in particular, have had the effect of lowering uncertainty associated in operating in emerging markets. Furthermore, there are many advantages of acquisition strategies. These include first mover advantage, the potential to exploit the acquired company's core competencies, local knowledge and networks, and leveraging the acquired company to handle national rules and regulations.

5.2 Risks and Benefits

On the other hand, disadvantages of acquisition strategy include value destruction of the original firm, potential for a cultural conflict, and owner power struggles regarding the company strategy and ability to influence future objectives. As with other business endeavors the risk of economic and financial benefits may take a longer time to be recognized and may never actually materialize.

Clearly, uncertainty is a major factor in making M &A decisions. However, not all emerging markets present major risks due to uncertainty. As emerging markets undertake liberal reforms and improve their infrastructure they reduce the element of uncertainty greatly as we present in the following examples.

5.3 HSBC Acquisition of Demirbank, Turkey

HSBC's acquired Demirbank, a major bank in Turkey in October 2001, after opening its first office a decade earlier (http://www.hsbc.com/1/2/about/network/europe/turkey). An analysis conducted by HSBC identified the following (Crossan, M. & Apaydin, M., 2008):

5.3.1 Strengths

- Economic growth and stability is likely to continue (Indeed, it has)
- Rapid growth in consumer lending (Yes, it has happened. In fact, it is now considered a problem)
- Lower risk of non-performing loans as banks can still be selective due to significant under penetration of the market
- Government committed to economic reform
- Small domestic banks compared with global players

5.3.2 Weaknesses

- Change in ownership of major banks may result in destabilization

5.3.3 Opportunities

- Privatization
- Increased M&A activity in the financial sector
- Record levels of capital inflows

5.3.4 Threats

- Risk of increased non-performing loans if lending boom occurs
- Political unrest is an ongoing issue in Turkey

5.3.5 Banking Industry Analysis

Following the quick SWOT analysis, HSBC conducted further analysis of the banking industry utilizing Porter's (1980) five forces model.

Competition: Moderate as the players can charge very high interest rates, engage in non-price competition, experience a wave of consolidations but still remain reasonably fragmented.

Supplier power: Low since equipment and infrastructure suppliers provide relatively common goods. Capital providers may have more power but given overall liquidity and banks' ratings they are not a powerful bunch.

Buyer power: Low power

Threat of new entrants: High due to low barriers to entry. This is so because no propriety technology is involved and brand is not expensive to build. Both domestic and foreign new players are likely.

Threat of substitutes: Low since cash is mostly the substitute.

Based on the results of the above five forces analysis, clearly, this is an attractive industry. Furthermore, if one compares the high-growth emerging Turkish financial services industry with a stagnating but highly competitive industry in the developed world, the case for an M & A is made provided that the instability and uncertainty of the Turkish market can be mitigated. Indeed, the outcome was that while HSBC lost billions in the US due to its exposure to subprime loans, because of its earlier acquisition in the US of Household, it continued to make money in its operations in Turkey and other emerging markets. This fact argues in favor of diversification.

5.4 Carlsberg Acquisition of Local Breweries in China

Another example is Carlsberg, (Hansen, M. W., Moller-Larsen, M., & Pedersen, T., 2011) who acquired many local breweries in China in the last decade. Carlsberg evaluated the Chinese market to be very attractive for acquisition since China has:

- The second largest economy
- Excellent purchasing power with large number of customers
- Experienced Strong economic growth despite global financial crisis
- Increasingly competent local industries

However, considerations must be taken into account for issues that may arise due to:

- Different culture and consumer behavior
- Extremely price sensitive
- Less customer loyalty

5.4.1 Beer Industry Analysis

Porter's (1980) differentiation or focus strategies may work well in western, developed markets but perhaps may not be suitable for assessing emerging markets, especially China. The key marketing challenge for Carlsberg is to maintain its value proposition as a quality beer while responding to local demands. The five forces industry analysis resulted in the following observations:

- Competition: High, although Carlsberg holds a strong position
- Supplier power: High as increased price of glass and aluminum force companies to seek economies of scale
- Buyer power: Low
- Threat of new entrants: Medium with high entry barriers due to product differentiation, language barriers and informal networks
- Threat of substitutes: Low to Medium

Political and regulatory industry factors include the power of local governments, economic with a growth rate that continues to increase and socio-cultural based on the critical influence of informal networks.

The beer industry was dominated by four major players who accounted for 50 percent of the market share. The industry was experiencing strong consolidation (M&A) activity, and was saturated by western markets. The assessment was that while it might prove lucrative to move into emerging markets, the risk remained high and the options were to enter first and bear such risk but gain first mover advantage or wait until the markets were more established but lose first mover advantage.

In such situations, many firms decide to move early and take the risk but only the market leader or runner up makes money. In this case, a critical factor for success is early entrants must commit substantial resources and make a large scale commitment to gain as a market leader since being one of many first movers no longer guarantees the desired results.

5.4.2 Positive Results

Acquisition results in China were so positive that financially Carlsberg experienced little fallout from the economic crisis. Beer consumption grew in China. Carlsberg Chill was the highest growth brand and opened the door for the introduction of a new Carlsberg light beer in 2009, followed by continued acquisitions of local brands. Carlsberg made two more new investments in India and one in Vietnam, with stronger business revenue results from Asia and lower revenues from western countries. The Asian division of the business now accounts for 13 percent of Carlsberg's volume.

Both of the above cases, Carlsberg's results in China and HSBC's outcome in Turkey, provide evidence that diversification by expansion in emerging markets can be a significant and powerful growth strategy.

6. A Shift in Foreign Direct Investments (FDI)

Research shows that the simple predictive behavior of FDI (foreign direct investments) markets may be changing as resourcefulness and ingenuity become necessary due to business conditions in this current global crisis.

The International Monetary Fund (http://www.imf.org/external/index.htm) refers to the crisis of 2008-2009 as the Great Recession that drove struggling industries to consolidate in the economic downturn. This century's recession changed the distribution of wealth in the world and the cash-rich entities are distributed along with a shift in locations for potential growth. Traditional financial flow of money rapidly expanded cross-border deal making beyond the US and Europe to include emerging markets such as the critical growth BRIC countries Brazil, Russia, India, and China. Cross-border activity increased and businesses with cash flow and wealth are developing new strategies to increase international investment for innovation, growth, and expansion.

6.1 Investing for Growth

Cash-rich companies have two choices. They can hold their money or invest for growth. The interest rate return for holding the cash is minimal, but keeping the funds on hand may provide security and protect against risk, albeit at the expense of pursuing opportunity. More companies are seeking the second choice to invest the money in opportunities to expand globally and put their money to work in the form of new business through introduction in new markets.

At the same time, emerging economies are investing and growing strong businesses that are looking to partner or be acquired by larger companies as part of their strategic expansion. These complementary conditions present a winning equation for buyers and sellers.

In 2011, a company leading with M&A for strategic innovation and growth is a sign of healthy valuation, likely a cash-rich firm with assets representative of a stronger than average performance forecast for the company. In other words, an acquiring company is looking to invest in new business from a position of strength. Cash-rich companies will have more opportunity and advantage acquiring companies with a shortage of cash and borrowing is expensive due to high interest rates.

6.2 Currency Exchange

In the volatile world of foreign exchange, appreciating currencies provide additional advantages, as much as 20-30 percent, for the acquisition price of companies in the relatively weaker currencies. Some earlier examples were when Japanese companies' made highly visible acquisitions of prized real estate, as well as financial institutions, in the US during the 1980's. A was primary factor was due to the Yen's strength to the US dollar's weakness. More recently, the weaker US dollar has attracted investment, and M &A activity, from Brazil, India and China.

7. Cross-border M&A Trends during the Financial Crisis

Growth in the number of firms worldwide operating in international markets and the integration of financial and product markets, including cross-border mergers and acquisitions have been an important driving force to propel globalization (Dos Santos, Errunza, & Miller, 2008). The new millennium brought globalization to the forefront and cross-border activities spread in all areas of business including M&A. 2000 was a peak for the M&A cycle of the late 1990s with a new wave of M&A showing upturn again in 2003 resulting five years of constant growth from through 2007.

7.1 Confident Markets

During this time, consumer confidence was growing and companies of all sizes and across multiple industries were building confidence and following in the footsteps of the market leaders in their industry who were experiencing growth and expansion by securing new markets and expanding initially through global mega-deals (greater than 10 Billion USD) but more frequently acquisitions were recorded for small and medium businesses.

Perceived barriers were dropping and FDI was increasing as manufacturing increased in China and outsourcing services migrated to India. Small and medium businesses identified joint ventures and pursued M&A targets in the same fashion as the market leaders. International expansion and markets conditions seemed to be prospering.

In changing conditions, smaller organizations monitor activities of the giants in their industry sector to imitate those higher-reputation organizations as they adopt new strategies and establish new behaviors in pursuing gains and competitive advantage. Large enterprises were making the news and profiting from mega-deals that were game changers across markets and industries. They made it fashionable (Abrahamson, 1991) to adopt an M&A strategy and were imitated in practice by small and medium-size enterprises.

IBM adopted an acquisition strategy and spent 40 Billion USD on more than 160 acquisitions that included a few large deals but most deals were made with small and medium companies who brought innovative technologies into the IBM portfolio (Maney, et al, 2011). International acquisitions contributed to significant increase in M&A and by 2005, the growth resulted in cross-border, global market investments outside the home countries being 30 percentof all M&A activity.

7.2 Regulations and Policies

Another milestone to improve potential cross-border M&A momentum in growth markets, particularly China, came in December 2006 when the OECD published Recent Development in China's Policies Towards Cross-border Mergers and Acquisitions Supplement (http://www.oecd.org/document/59/0,3746,en_2649_34529562_36481787_1_1_1_34529562,00.html) enforcing new regulations that allow "the acquisition of any equity interests held by shareholders of a Chinese domestic company through payment of equity interests held by shareholders of an overseas company or additional stocks issued by the overseas company".

7.3 Sub-Prime Impact

As the decade progressed, overall M&A activity was trending up. However, when initial signs of the sub-prime crisis appeared lending slowed and dried up sources of funding for deals and transactions slowing M&A activity but not before recording almost 40 percent of 2007 M&A as cross-border. This trend marked a new milestone in

market shift. When the sub-prime lending crisis hit fully in 2008 the ripple effect on the markets resulted in global economic instability and an ailing credit market. Strapped investors began shopping their companies to exit parts of their portfolio and get much needed cash. They were willing to negotiate deals at market value or below across all sectors and industries but buyers were limited.

One seasoned investment banker interviewed shared the following, "It was a confusing period, unlike any other we have experienced prior to this time. Financial giants were failing so global investors and private equity stakeholders were monitoring the markets and holding back while assessing risk versus opportunity'. Companies in growth markets of Asia and the Middle East started making strategic moves with significant cross-border acquisitions as seen when Corum, based in UK was acquired by Tata Steel in India. In telecom sector, Hitchison Essar of India bought UK Vodaphone. Europe became a prime a target for growth economies to expand their reach. As countries became members of the EU their perceived risk diminished and they became targets for investment. When Bulgaria joined the Economic Union in 2007, AIG Capital Partners jumped to act in this new target region when they acquired the national Bulgarian Telecommunication Company (BTC). This triggered a record increase in M&A investment activities in Bulgaria for the year, marking another milestone revealing the trend to seek out new cross-border target countries.

By 2008, the economic downturn had an extreme effect on the markets. Banks were not lending to buyers. With the failure of Lehman Brothers and many other financial institutions struggling to stay in business, lending had diminished to lowest levels since and not even domestic deals were happening. Major deals happened that were advantageous for market leaders but transactions were down 30 percent from the previous year. Smaller companies were frozen and only a few larger companies made opportunistic acquisitions for consolidation and gaining new markets by acquiring within their core industries. Examples of this were InBev acquisition of Anheuser-Busch 60.4 billion dollar bid, Bank of America took on Merrill Lynch 48.8 billion dollars, Roche Holding Switzerland purchased Genentech Inc for 43.7 billion dollars.

Following two years of downturn in M&A activity, 2010 brought renewed increase in cross-border M&A. Thomson Reuters reported emerging markets accounted for 33 percent of M&A in full-year 2010. China's investment transactions across all industries including auto, solar, wind, internet and telecom markets saw a quick recovery environment. The financial world was watching cash-rich China make strategic plays during the global crisis for mass expansion across continents.

8. New Creative and Innovative Approaches for M&A

From crisis comes change and new behaviors. New participants, creative and innovative approaches and new industries and deal targets are designed to make M&A work for new reasons to support hyper competitive global resource re-balancing.

China leads the world's economic recovery buying into Europe where sovereign-debt has affected the weakened economy. In natural resources, new models for deal structures are being created supporting an innovative acquisition approach. These include off-take arrangements and investor acquisition of a significant stake in a public company for direct access to the resources. This type of acquisition arrangement allows the acquirer to share the underlying assets.

Asian countries are investing and increasing domestic M&A to grow regionally in China as well as other countries in Asia. However, intra-Asian cultural differences pose more challenge in some settings, and companies in Japan and Korea may be rendered less attractive for acquisition than geographically distant targets. Korea has consolidated so extensively through domestic acquisitions that the larger Korean companies have no choice but to extend their boundaries, adopt a fresh perspective on cultural diversity, and open their M&A strategy to target cross-border opportunities for any continued growth if they want to participate on a global scale.

8.1 Global Collaboration

Cross-border M&A is a key element to geographic diversification, an opportunity for growth outside a company's home country into secondary markets. Key to the success of cross-border expansion is global collaboration (Dos Santos, Errunza, & Miller, 2008). Companies are tracking both macro- and micro-economic conditions an adopting new approaches, building new strategies for expansion than in previous M&A. Our research found that Asian investors are acquiring and holding for long-term financial return, understanding that in the short term they get fast access to new markets through established companies even if performance does not return immediate financial returns.

8.2 New Industry Targets

Industries not previously a focus of M&A such as natural resources, have pioneered M&A transaction innovation with unique structuring of deals including 'partial acquisition' of a public company through significant investment that, in turn, provides priority access to the resources for the acquirer in their supply chain. Japan did this on a moderate scale in electronics industry but China has ameliorated the model to reduce their cost of goods sold, increase power over their suppliers and established pricing models to control competitors access to the materials.

As we are seeing in Africa, Latin America and parts of Asia companies are acquiring diverse work forces to control the labor and specific industry skills in some regions. The acquiring company is buying worker capacity then proceeds to educate, builds skill and offer retention bonuses that make it valuable for the employees to stay.

8.3 Tactical Acquisition Benefits

Building the business globally by leveraging strong worldwide sales forces to sell locally in part provides a tactical response to the economic shifts the crisis has created. Establishing presence in foreign countries affords companies a strategic advantage by accelerating their growth in pursuit of business development outside their current markets. IBM's purchase of ILOG, France, in 2008 gave ILOG instant access to international sales engine. Clients benefitted from having the innovative technology ILOG invented, now supported by the stability and credibility of IBM. In doing this, ILOG had access to new markets and IBM added to their technology offering in the business-rules management products (Maney et al, 2011).

9. New Processes for M&A

In every crisis, change is a given. In this current financial crisis what change is the question looking for an answer. Understanding the motivation of buyers and sellers (Graebner, Eisenhart & Roundy, 2010) is significant in determining success based on value of competitive advantage from acquired products, innovations and future product development potential (Graebner, Eisenhart & Roundy, 2010).

Small and medium businesses may pursue a strategic model and design growth with private equity and mergers and acquisition considering the opportunity in the current global environment. Understanding valuation and negotiation including key success determinants for structuring a deal are critical to small and medium enterprises who may find themselves negotiating with larger, enterprise players.

9.1 Government Stakeholders

Cross-border M&A requires additional attention starting with the global attention on foreign acquisitions from governments, regulators and shareholders. The position of investment bankers interviewed held that investors and acquirers need to be rigorous, yet creative and flexible, in structuring transactions that will satisfy the legal and political aspects of their deals. Transaction contracts for cross-border include complexities such as adopting the existing terms and conditions of the human resources, tax implications and regulations as well as corporate governance of the foreign entity.

9.2 Competition or Collaboration

Our position cross-border M&A is a good growth opportunity to spearhead investment and develop globally unified strategies, partnerships, cooperatives in the expansion of a country's economy and cross-border trade and expansion. Price, values and strategies are aligned in the current economic climate and the landscape is fertile to see more success in global M&A enabling companies to unlock the synergistic potential of its acquisitions and thus, to increase its performance to higher levels than before. Current M&A activity represents fair pricing and the deals are creating positive financial value cross-borders for both the acquirer and sellers.

10. Conclusion

The financial crisis continues to affect global markets. Sovereign-debt ridden countries are bankrupt, growing budget deficits impact confidence and spending, banking systems are increasingly vulnerable and the global financial sector is in need of great reform. Despair under these conditions plagues the world economy. How can we address these threats to global stability as opportunity? What actions do we take on a global scale?

Change in power and influence of countries is happening at a rapid pace. Yet, key indicators suggest that developing economies will take years to scale and converge to be in a position to overtake the power and influence of current wealth nations (Brakman & Van Marrewijk, 2008). Can cross-border M&A accelerate their pace? Does cross-border M&A pose an opportunity for growth nations while offering a solution toward global economic recovery?

10.1 Building on Diversity of Cross Border M&A

Globalization is strengthened by cross-border M&A and transforming the global marketplace with wide-ranging impact on the people of the world creating a unified community. In addition to creating economic growth and increasing global prosperity, more companies adopting global strategy build a deeper commitment to global stewardship and this will result in a heightened interest to reach global peace. Expansion of corporate and private capital investment across borders raises the attention level and priority to exert influence to protect global investments and affect change of economic, social, and political reform. The authors suggest an economic outcome of the increased global integration is global citizenship. As a result of cross-border M&A global citizens will influence governments in preventing any future major wars to protect their systems, processes and people assets. While regional disputes may cause small outbreaks of disruption that need to be mediated, no major wars will be initiated.

Is cross-border M&A the market force to realize Adam Smith's "invisible hand" (Smith, 1776) is at work to ensure the self-interests of world economies actually serve the common good? Cross-border M&A is a motivator for people to put aside their differences and embrace their diversity. It serves countries well to put aside their opposition and build democracy for the greater good with globally integrated programs for economic, social and political coordination. The global financial crisis must be solved through cross-border investment as we are seeing with the Euro market. Cross-border M&A will be a key factor in building the global economy again and in doing so the investment bridge created between old and new markets will force governments to act responsibly in building new and improved global relations.

10.2 Building Global Equalibrium, Partnering and Peace

Could even more potential be possible if cross-border M&A transactions are designed and related programs are architected to promote a longer term goal of global peace? Governments can establish regionalized initiatives that increase integration where improvement in economic, political, and social relations would increase prosperity and augment the ongoing economic momentum generated by global business. Could such actions accelerate the attainment of equality amongst nations and plot a roadmap leading to world peace?

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