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INTERNATIONAL M&A STRATEGIES AS A FACTOR IN STRENGTHENING THE COMPETITIVENESS OF TNC

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Abstract

In today's globalized economy, international mergers and acquisitions (M&A) have become an essential strategic tool for transnational corporations (TNCs) seeking to strengthen their competitiveness. These deals allow companies to quickly expand their presence in new markets, gain access to new technologies, reduce costs through economies of scale, and integrate supply chains. This article will examine successful merger cases of giant companies that confirm how mergers enhance market competitiveness.

Keywords

International mergers and acquisitions (M&A), Transnational corporations (TNC), Horizontal mergers, Vertical mergers, Conglomerate mergers, Competitive advantages, Diversification.

Problem statement

Transnational corporations face significant challenges in today's globalized and highly competitive world. They constantly need to improve and strengthen their positions in international markets. The growing global competition forces TNCs to seek effective ways to maintain and expand their market share, increase operational efficiency, and reduce costs. In this context, international mergers and acquisitions play an essential role as powerful tools for achieving companies' strategic goals.

International mergers and acquisitions are vital tools in addressing these challenges. They enable TNCs to quickly and efficiently expand their presence in new markets, integrate new technologies and knowledge, increase production scales, and reduce costs. M&A also contributes to increasing TNCs' competitiveness by allowing them to access new resources, expand their customer base, and strengthen their market position. Thus, M&A becomes crucial in ensuring sustainable development and growth for TNCs in the global economy.

Relevance of the chosen topic

The modern international mergers and acquisitions market demonstrates a high level of activity and dynamism. Significant growth in M&A deals is observed across various economic sectors, such as technology, healthcare,

and financial services. Mergers and acquisitions are becoming increasingly complex and large-scale, requiring companies to engage in detailed planning and adopt a strategic approach to implementing these deals. International M&A plays an essential role in developing the global economy, contributing to increased business process efficiency and integrating new technologies. For TNCs, M&A becomes a key factor in enhancing competitiveness, enabling them to strengthen their market positions, optimize costs, and expand their product and service offerings. Mergers and acquisitions also foster the formation of new business models, enhancing companies' flexibility and adaptability to changing market conditions.

Analysis of recent research and publications

The issues of evaluating the effectiveness of merger and acquisition processes and their nature have been explored in the works of foreign scholars such as T. Copeland, J. Murin, J. Sinkey, R. Shamgunov, A. Berger, S. Timme, D. Humphrey, A. Berley, R. Brealey, S. Myers, T. Grandi, S. Valdaytsev, A. Damodaran, and D. Yendovetsky. The processes of mergers and acquisitions as a factor in enhancing the competitiveness of TNCs have been highlighted in the works of domestic scholars such as Z. Vasylenko, O. Vasyurenko, S. Voitko, V. G. Herasymchuk, I. Ivasiv, H. Karcheva, O. Korenieva, I. Liutyi, O. Okhrimenko, N. Tkachuk, V. Zelnuik, N. Shulha, O. Chub, and others.

Purpose of the article

The primary goal of this research is to analyze various strategies for international mergers and acquisitions (M&A) and their impact on the competitiveness of transnational corporations (TNCs). The research aims to identify the key factors influencing the success of M&A deals and assess how these deals can contribute to strengthening the market positions of TNCs.

Presentation of the main research material and results obtained

Mergers and acquisitions are important economic processes that include the transfer of corporate control through the purchase or exchange of assets. This mechanism of asset consolidation allows companies to enlarge their business, creating larger and more competitive organizations. (Kozlova, 2021) Today, mergers and acquisitions are one of the most common development strategies used even by successful companies. A striking example is the acquisition of Pixar Animation by The Walt Disney Company.

Scientists identify several key factors contributing to modern mergers and acquisitions.

First, the globalization of economic relations has been reflected in international and national law. In particular, the liberalization of trade regimes and foreign direct investment, economic integration at the regional and state levels, the activities of the World Trade Organization (WTO), and privatization processes contribute to the activation of M&A deals.

Second, the liberalization of cross-border capital movement has opened up opportunities for foreign investors to acquire securities. This stimulated the financing of international mergers and acquisitions, mainly through share exchanges. The activation of market intermediaries and new financial instruments has created fundamentally new opportunities for cross-border loans, credits, and investments.

Third, the importance of research and development activities and increased risks in the field of research and development stimulate companies to merge and acquire. Reduced transportation and communication costs contribute to expanding companies' markets beyond national boundaries, ensuring access to international markets. (Kozlova, 2021)

Let us consider in more detail the strategies of international M&A. International mergers and acquisitions (M&A) are essential for transnational corporations (TNCs) in strengthening their competitiveness in the global market. There are several main M&A strategies, each with unique characteristics and goals.

Horizontal mergers and acquisitions. Horizontal mergers occur between companies operating in the same industry and at the same level of the production chain. This strategy allows companies to increase market share, reduce competition, and achieve economies of scale. An example of this strategy is the 2015 merger of Kraft Foods and Heinz, which created one of the world's largest food companies, allowing them to jointly benefit from synergistic effects and reduce costs.

Vertical mergers and acquisitions. Vertical mergers occur between companies at different levels of the same production chain. This can be a merger with a supplier or distributor. Such a strategy helps improve control over the supply chain and reduces production and logistics costs. For example, Amazon's acquisition of Whole Foods in 2017 allowed Amazon to integrate its online platforms with physical stores, improving logistics efficiency and expanding its influence in the food market.

Conglomerate mergers and acquisitions. Conglomerate mergers occur between companies operating in different industries. The main goal of such a strategy is to diversify the business and reduce risks associated with market fluctuations in one industry.

Each strategy has its own key success factors.

Horizontal mergers and acquisitions:

- Increased production volumes allow for reducing average costs.
- Growing market share allows for setting more favorable prices and reducing competition.
- Process optimization and resource pooling allow for achieving higher efficiency.

Vertical mergers and acquisitions:

- Improved coordination between different stages of production and supply.
- Reduced logistics and transportation costs, lower raw material costs.
- Increased control over product and service quality.

Conglomerate mergers and acquisitions:

- Reduced dependence on a single industry and distribution of risks across different sectors.
- A balanced portfolio of assets ensures stable income and increases investment attractiveness.
- Mutual exchange of technologies and innovations between different industries.

Territorial analysis of transnational corporations' (TNCs) activities in the M&A market shows that companies from North America and Europe are the most active in this segment. These regions are leaders among sellers of their assets and buyers of foreign companies.

North America, particularly the United States, is leading in the M&A market. In 2015, American companies accounted for half of the total volume of merger and acquisition deals, amounting to 2.5 trillion US dollars. Some of the largest deals were Charter's acquisition of cable companies Time Warner Cable and Bright House for \$90 billion and mergers in the high-tech sector, where semiconductor manufacturer Avago bought Broadcom for \$37 billion. The activity of American TNCs can be explained by their significant capital investments, global presence, and specialization in innovative activities.

In second place in terms of the number of M&A deals are companies from European countries, which account for 27% of the total volume of mergers and acquisitions. One of the largest deals was the British company BG Group's acquisition of \$74 billion by the European Royal Dutch Shell. Despite some economic weakness in the Eurozone, which prompts some companies to engage in less risky and smaller deals, countries such as Germany and the United Kingdom remain leaders in the M&A market. A revival in the European mergers and acquisitions market is expected thanks to significant private and public companies seeking expansion and foreign investors with unrestricted funds to invest in healthy assets. (Levkivskyi, 2016)

Since 2000, about 790,000 M&A deals have been concluded, with a total estimated value exceeding \$57 trillion. In 2018, deals decreased by 8% (about 49,000 transactions) compared to 2017, but the total value of deals increased by 4%, reaching approximately \$3.8 trillion. (Institute for Mergers, Acquisitions, and Alliances [IMAA], n.d.)

The content of the deal between Walt Disney and 21st Century Fox in 2017 is one of the most significant examples of successful mergers and acquisitions in the last twenty years. Thanks to this deal, the Walt Disney Company significantly strengthened its market position.

After completing the deal, Disney gained control over the 20th Century Fox film studio, FX and National Geographic cable channels, and international assets such as Star India. In addition, Disney strengthened its influence in the streaming video service Hulu, increasing its stake in this company. The acquired assets and content of 21st Century Fox had a strategic goal of strengthening Disney's position against the streaming service Netflix and creating advantages over competitors such as Warner Media and Apple.

As can be seen from the graph (see Fig. 1), the deal became a crucial factor in increasing the competitiveness of The Walt Disney Company. After a slight decrease in profit in 2017 (by \$495 million), the company's profit grew by almost \$14.5 billion over the next two years. This demonstrates the synergy effect and increased shareholder confidence in the company.

According to Comscore data, Disney and Fox controlled about 51.54% of the international market share in 2019, of which Fox accounted for 8.58%, and 38% of the American film market. This gave The Walt Disney Company a significant advantage over competitors. It is worth noting that M&A deals are part of the company's constant development strategy, and in this area, Disney is considered one of the most aggressive buyers.

For example, in 2006, Walt Disney Pictures acquired Pixar Animation Studios for \$7.4 billion. This allowed the company to eliminate a severe competitor and increase profit opportunities. Pixar Studio continued its activities but now has more significant resources. At the same time, the market maintained the illusion of a wide choice, and the conglomerate received maximum benefit from the diversity of offered products.

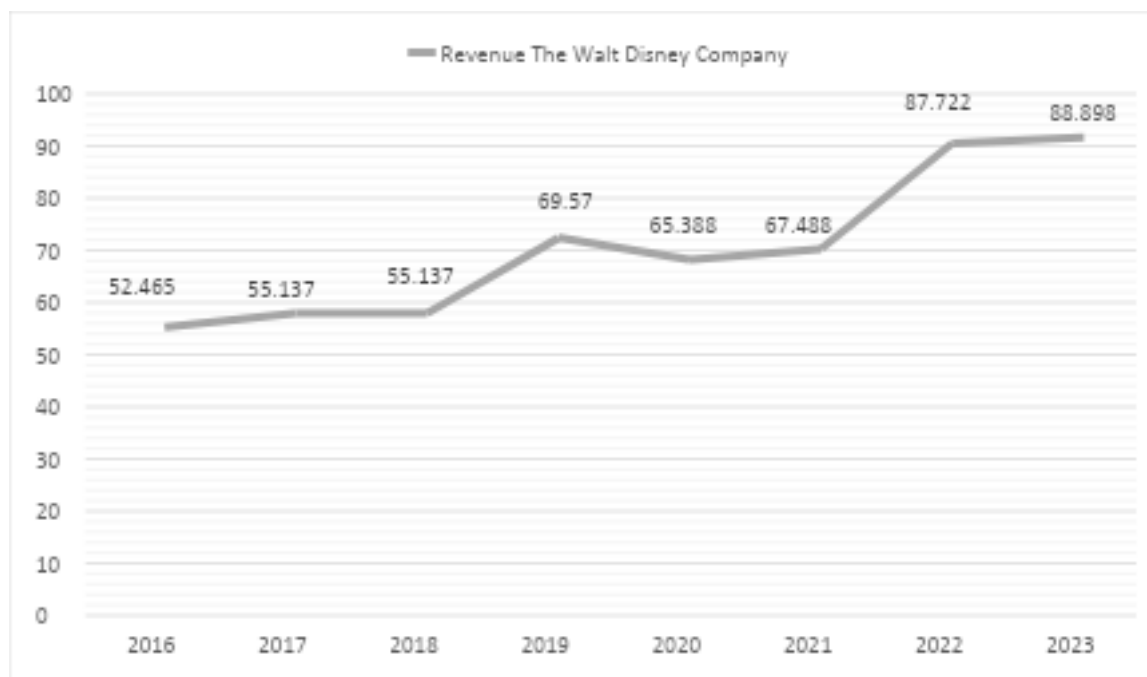


Fig. 1: How The Walt Disney Company's profit changed in the period 2016-2023 (billion USD)
 Source: (The Walt Disney Company, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023)

In 2009, Disney acquired Marvel Studios for \$4.24 billion. By 2010, the company had occupied about 50% of the comics market, and according to the Statista portal, films with Marvel characters had brought Disney \$4.42 billion in 2019. Marvel's profit accounted for 15% of The Walt Disney Company's total profit in 2019.

Additionally, in 2012, Disney concluded a deal worth \$4 billion to acquire the film company Lucasfilm, which gave the conglomerate rights to about 17,000 characters.

The merger and acquisition strategy implemented by The Walt Disney Company is a vivid example of successful corporate growth and business diversification. The company's consistent acquisition of leading studios - Pixar Animation Studios (2006), Marvel Studios (2009), and Lucasfilm (2012) - demonstrates a balanced approach to expanding the media empire. It is particularly noteworthy how Disney managed not just to absorb these companies, but to multiply their value through brand synergy and production scaling. For example, the \$4.24 billion investment in Marvel Studios brought significant dividends - in 2019 alone, Marvel films generated \$4.42 billion in revenue, which accounted for 15% of Disney's total profit. This strategy allowed the company not only to expand its portfolio of intellectual property to thousands of characters but also to create a powerful entertainment ecosystem where each acquired asset strengthens the conglomerate's overall market position. The success of these mergers is confirmed by both financial indicators and the strengthening of Disney's position as a global leader in the entertainment industry.

Analyzing the mechanisms of crisis management through the prism of corporate mergers and acquisitions, I consider it appropriate to examine in detail the unique case of cooperation between automotive giants Daewoo and General Motors, which became a striking example of effective restructuring in conditions of deep financial crisis.

In the late 1990s, the South Korean conglomerate Daewoo, one of Asia's most powerful industrial holdings, faced an unprecedented crisis caused by a complex of macroeconomic and management factors. The Asian financial crisis of 1997-1998, which provoked a large-scale devaluation of the region's national currencies and a fall in consumer demand, became a catalyst for revealing systemic problems in the company's business model. According to financial analysts of that period, Daewoo's aggressive expansion policy, based on attracting significant credit resources, proved to be particularly vulnerable in conditions of sharp changes in the macroeconomic environment. The company's accumulated debt reached a critical level of \$80 billion, which virtually paralyzed the conglomerate's operational activities. (Ostapenko, 2018)

The subsequent process of Daewoo's restructuring is of particular scientific interest, which demonstrates the effectiveness of a selective approach to corporate acquisitions.

The American automotive giant, guided by economic efficiency and strategic planning principles, developed an innovative model of partial acquisition, which envisaged careful auditing and selection of Daewoo's

most promising production capacities. The creation of the new business unit GM-DAT resulted from a deep analysis of the operational efficiency of various divisions of the South Korean company. The new enterprise included three of the most modern production complexes - two in South Korea and one in Vietnam- and an extensive network of nine regional distribution centres in Western Europe and Puerto Rico.

It is worth noting that the success of this restructuring is confirmed not only by financial indicators but also by long-term strategic advantages that both parties received. General Motors significantly strengthened its position in the Asian market, gaining access to developed production infrastructure and established distribution channels. At the same time, the preserved Daewoo assets received new life thanks to integration into GM's global production network, which allowed the preservation of thousands of jobs and production potential.

From the perspective of crisis management theory, this example illustrates the effectiveness of the "controlled disintegration" strategy, where a financially unstable company, instead of complete liquidation, undergoes a restructuring process through partial acquisition of the most viable assets by a strategic investor. This approach allows for minimizing the adverse socio-economic consequences of corporate bankruptcies and creates prerequisites for restoring business activity at a qualitatively new level.

An additional argument in favour of the effectiveness of such a restructuring model is that it allows for preserving accumulated technological competencies and human capital, which would be irretrievably lost in the case of complete liquidation of the company. Harvard Business School research shows that preserving key competencies in corporate restructurings is critical for the industry's long-term competitiveness.

Thus, the Daewoo-General Motors case represents a complex example of successful crisis management through selective acquisition, demonstrating the effectiveness of a balanced approach to corporate restructuring in conditions of deep financial crisis. This experience is precious for developing strategies for managing crises in the corporate sector and can be adapted to various industry contexts.

Conclusions

The conducted research on international mergers and acquisitions (M&A) strategies and their impact on the competitiveness of transnational corporations allows us to draw important theoretical and practical conclusions. Analysis of global trends in the M&A market indicates a steady growth in both quantitative and value indicators of deals, demonstrating the growing role of M&A as a vital tool for corporate development in the modern business environment. This emphasizes the importance of integration processes for ensuring the long-term success of corporations in the global economy.

The modern market for corporate mergers and acquisitions is characterized by a qualitative transformation of approaches to deal implementation. While mechanical asset consolidation previously prevailed, there is now a tendency towards the formation of complex strategic alliances with deep integration of business processes and corporate cultures. The technological factor is also gaining increasing importance in M&A deals, especially in the context of the digital transformation of traditional economic sectors, which increases the requirements for market participants regarding flexibility and adaptation to new realities.

The experience of companies such as The Walt Disney Company and Daewoo demonstrates that the success of modern M&A deals increasingly depends on qualitative indicators of integration and the ability to develop acquired assets effectively. At the same time, the cultural compatibility of merging companies, as well as the ability to harmoniously integrate corporate values and practices, gains particular importance. This emphasizes the importance of financial benefits, human capital management, and corporate cultures.

Moreover, in the long term, we can predict further evolution of forms and methods of M&A deals. In particular, the development of innovative financial instruments, the growing role of ESG factors in assessing potential acquisition targets, and the formation of new models of corporate integration are expected. The ability of companies to effectively manage not only the financial aspects of deals but also technological resources, human capital, and reputational assets will become critically important for successful development in the global economy.

A key challenge in the future will remain the management of post-integration processes, which often determine the long-term success of the deal. Successful implementation of M&A strategies will require companies to take a comprehensive approach to evaluating potential acquisition targets, creating effective integration management mechanisms, and implementing systems for early detection and prevention of risks. An important factor will also be balancing all stakeholders' interests, ensuring the merged companies' sustainable development.

Additionally, the M&A market is increasingly influenced by the regulatory environment and geopolitical factors. Many countries are introducing stricter checks on deals involving strategic industries or international transactions involving large transnational corporations. This requires a deeper analysis of regulatory requirements and legal risk management.

In addition to financial results, companies must consider environmental, social, and governance (ESG)

factors when carrying out M&A deals. Investors and stakeholders are paying more attention to how companies involved in M&A adhere to the principles of sustainable development and corporate social responsibility. This confirms the importance of integrating financial and operational aspects and social and environmental factors that ensure sustainable business development in the future.

Thus, the further development of the M&A market will require corporations to take a more balanced and strategic approach to mergers and acquisitions and continuously improve integration process management tools. Success in this path will largely depend on the ability of companies to combine financial, operational, technological, and human aspects into a single balanced corporate development strategy, ensuring long-term competitiveness in the global market.

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