

The Butterfly Effect of Merger and Acquisition: Evidence from Different Merger Cases

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Abstract: This paper mainly discusses the introduction of mergers and acquisitions, as well as the intention and strategic purpose of mergers and acquisitions. Companies aim at economic benefits and other benefits, which are mainly divided into cost and efficiency, market and competition, management and shareholder relations, and then elaborate on the risks and challenges, including the cultural integration of companies after mergers and acquisitions. The complexity of post-merger integration, as well as special anti-monopoly examples are discussed. Finally, the impact of mergers on the market and economy is summarized. Mainly in order to explore in today's society, mergers and acquisitions related companies will have a butterfly effect on society, hoping to discover the mystery of finance. Investors should pay attention to the quality of M&A targets, market environment and capital allocation, and do a good job in risk management and exit strategies. Enterprise leaders should formulate a clear M&A strategy, reasonably evaluate the value, and do a good job of enterprise integration after M&A. Policy regulators should optimize the approval system to balance market competition and national interests.

Keywords: Motivation, Ambition, Risk factors, Impact.

1. Introduction

First of all, the reorganization and merger of cultural enterprises mainly include horizontal merger, vertical merger and mixed merger. Enhancing the competitiveness of our country's cultural industries should give priority to cultivating competitive cultural enterprise groups, vigorously promote restructuring, merger and acquisition of cultural enterprises promote production efficiency to raise and cost to decrease realize economies of scale in cultural industries [1]. Secondly, from the perspective of market, M&A can rapidly improve the market share of enterprises and enhance their market competitiveness and dominant position. However, it also has negative effects, such as excessive merger and acquisition will lead to market monopoly, which is not conducive to the welfare of consumers. Finally, from the aspect of resource integration and synergy effect, M&A can optimize the allocation of enterprises and enhance overall competitiveness. According to the research report of Tianfeng Securities, the driving mode of economic development has changed, from quantitative development in the past to the key stage of quality driving. In the future, four important M&A trends are worth paying attention to: first, the offshore M&A of manufacturing enterprises; Second, science and technology enterprises merge small science and technology enterprises; Third, horizontal mergers and acquisitions of cyclical enterprises; Fourth, vertical mergers and acquisitions of consumer enterprises [2]. But it needs proper integration. The main questions are: How does M&A affect market

competitiveness? How to overcome the integration of culture and structure after merger and acquisition?

According to the World Bank, a third of Chinese companies' outbound investments lose money, while globally, 65% of cross-border partnerships end in failure, with 85% of CEOs admitting that differences in management style and company culture are the main reasons for failed mergers and acquisitions [3]. This shows that the impact of M&A on market competitiveness is not only the success of the M&A company itself, but also whether the integration of management culture can be completed [3]. On this basis, only by having a thorough understanding of different cultural differences can this paper anticipate potential conflicts and make plans in advance. Secondly, trust and communication should be established, and a joint management team should be formed to formulate a clear management plan and pay attention to human resource management. In this way, uncertainty can be reduced, employee adaptation and work integration can be accelerated, misunderstandings can be reduced, and cooperation can be promoted.

2. The Motivation and Strategic Objectives of M&A

2.1. Cost and Efficiency

Then the paper will interpret and analyze the motivation of M&A and its strategic objectives. First, is cost reduction and efficiency improvement. For example, Pixar has advanced 3D animation technology and an innovative creative team, and Disney acquired these resources through acquisition, thus improving its own technical level in the field of animation production. Also, Disney has a strong global distribution network and brand influence, and Pixar's films can reach global audiences more efficiently through Disney's channels. So Disney and Pixar were able to achieve economies of scale by merging. What also important is that Optimize the animation production process through mergers and acquisitions to improve the efficiency of content creation.

With the rapid development of film, more and more enterprises enter the film and television industry. In order to maintain competitiveness in the increasingly incentivization market, film companies take various countermeasures, one of which is mergers and acquisitions to carry out industrial integration. Through the acquisition of small companies in the same industry and the reconfiguration of similar production factors of developing companies, a complete industrial chain is formed to enhance their own strength. Mergers and acquisitions are to better face challenges, but it does not mean that all mergers and acquisitions can be successful. Only when resources are allocated and optimized reasonably can they be considered successful, and whether synergies are produced is an important basis for judging their success. At the beginning of the 21st century, Disney, once the hegemon of 2D animation, faced a challenge. Under the impact of 3D animation, the company's animation production could not keep up with the development needs, resulting in the gradual loss of its dominance in the animation market. In order to keep up with the pace of Hollywood animation industry, Disney chose merger and acquisition to restore animation production and enhance its core competitiveness. The purpose of expanding market share [4]. It can be seen that a company's reasonable selection and optimization of resources is very important. In the case of mergers and acquisitions, not only the economic benefits are increased to the maximum, but also a lot of practical problems are solved, such as technology, talent, cooperation and so on.

2.2. Market Expansion and Competitive

Secondly, is market expansion and competitive advantage. WhatsApp had more than 1 billion active users before the acquisition and has continued to grow since. By integrating WhatsApp's massive user base, Facebook expanded its user base and further solidified its leading position in the global social

media space. By the way, WhatsApp has a broad user base in emerging markets (India, Brazil, etc.), which are also key markets for Facebook's future growth [5].

2.3. Management and Shareholder Interest

By buying WhatsApp, Zuckerberg and the company are targeting the 1 billion people connected to the mobile messaging network. This shows that WhatsApp is not simply the saviour of Facebook's messaging service, but more importantly its brand and what it can offer. Facebook says its purpose is to empower people on Earth and make the world more open and connected. Today, Facebook has three branded products to improve consumers' lives and bring the world closer together. For Facebook, WhatsApp strengthened its competitiveness in mobile messaging, while Instagram laid the foundation for it in the photo-processing market. One obvious point: Facebook increasingly knows how to build multi-brand suites [5].

Furthermore, Management and shareholder interest considerations is also one of the factors. In the corporate governance structure, the status and importance of major shareholders and management are self-evident, and their behavior is also concerned by all sectors of society. Due to the highly dispersed ownership structure of listed companies in the United States, there is a conflict of interest between management and shareholders, and the management may sacrifice the interests of shareholders for its own interests. By the late 1990s, with the progress of research, more and more scholars have found that in most countries and regions other than the United States and the United Kingdom, the ownership structure of companies is relatively concentrated, especially in emerging markets, where the ownership of companies is more concentrated in the hands of major shareholders. Large shareholders may deplete the value of the company or the interests of minority shareholders for their own interests. Therefore, the focus of research has gradually shifted to the agency problem between large shareholders and small shareholders. In the practice of enterprise management, the hollowing out behavior of major shareholders and the self-interested behavior of management may coexist. Therefore, in recent years, the research on the influence of major shareholders' evisceration and management's self-interested behavior on corporate value and minority shareholders' interests has become a hot topic [6]. In the western corporate governance practice, the compensation of the chairman is generally lower than that of the general manager, while the compensation structure of China's private enterprises shows the opposite characteristics. Major shareholders of private enterprises usually hold and maintain important proprietary assets, which enables them to use the chairman's compensation as a restraint and incentive tool for management compensation [7].

3. Challenges and Risks of M&A

3.1. Institutional conflicts

Firstly, In China, a very important aspect of enterprise merger and acquisition is as an important measure of economic restructuring and strategic restructuring of state-owned assets. Therefore, the root of the cultural conflict between the two sides of the merger and acquisition is often reflected in the institutional conflict it is prominently manifested in the merger and reorganization of enterprises of different ownership, especially when private enterprises merge and reorganize large and medium-sized state-owned enterprises, the cultural conflict brought by the two sides due to the differences in the system is even difficult to be cured. A typical example of this is the failure of Zhejiang Kangbei Group, a private enterprise, to acquire Zhejiang Phoenix, an old state-owned listed company. After Zhejiang Kangenbei Group acquired Zhejiang Phoenix in the form of shell listing, it once injected a lot of high-quality assets into Zhejiang Phoenix, but the employees of Zhejiang Phoenix still have a sense of superiority of the boss of state-owned enterprises in their psychology, and they simply look down on the Kangenbei Group developed from small street factories. The communication and

coordination among employees have serious problems. The management culture and behavior mode of the original two enterprises did not change correspondingly, and the two cultures had serious conflicts in the process of asset reorganization. As a result, the operating conditions of Zhejiang Phoenix did not improve due to the acquisition [8]. It can be seen that, in order to reasonably master and utilize their own operating model, they should make reasonable adjustments to the acquired company in various aspects, starting from the cultural characteristics, the strategy and development of enterprise M&A, and the preferred operating model of the leaders themselves. In China, in addition to the above influencing factors, it will also be affected by special institutional factors [8]. For example, some employees of state-owned enterprises will have some conflicting ideas after their enterprises are merged by non-state-owned enterprises, which increases the difficulty of cultural integration. Therefore, in China, it is more necessary to "analyze the situation on a case-by-case basis", to choose different models. Some successful mergers in China have proved the need for diversification of models from practice. Haier Group has a high quality and strong culture, and often to "shock fish" - hardware is good, software is not good enterprise as the object of merger, so the adoption of absorbing cultural integration mode has won many battles. Similarly, when Nanjiang Group merged Yongjia Valve Factory considering that it was not well known as a new private enterprise and its management was not standardized, while Yongjia Valve Factory had advantages in brand, standardized management, technical personnel and plant, etc., it decided to adopt the penetration and integration mode of cultural integration and achieved good performance as well. It is noteworthy that with the transformation of Chinese enterprise management from traditional management to modern management after the merger and reorganization of enterprises, on the basis of both cultural inheritance and fusion, it will be an inevitable choice for the reform and development of Chinese enterprises to reproduce excellent modern enterprise culture, through innovation [8].

3.2. Financial and Operational Risks

Also, the financial and operational risks is also the challenge that be needed to face. For example, Nokia's acquisition of Siemens' handset business overestimated synergies and failed to anticipate changes in market demand, leading to losses. With the arrival of the new era, smart phones were gradually popularized at that time, and the mobile signal was gradually stronger. Apple launched iPhone in 2007, and later, with the gradual emergence of Android system, mobile phones gradually replaced Nokia. There is also the role of emerging markets, with affordable mobile devices in countries such as Asia and Africa driving demand. Nokia failed to adapt to these changes in time, relying too heavily on its traditional phone market and ignoring the rapid rise of smartphones. This slow response to changes in the market weakened its competitiveness in mobile devices and eventually led to the acquisition of its handset business by Microsoft.

3.3. Long-term interests

Complexity of post-acquisition integration (PMI) is also needed to face. The merger of AOL and Time Warner, due to the failure to integrate effectively, resulted in huge financial losses. Business resource integration. When AOL merged with Time Warner, it described a wonderful prospect for Internet users: computers, television, music, magazines and movies would all be shared over the Web. However, in fact, the merged company is still basically a segmented state in terms of business before the merger, and there are very few businesses that penetrate each other. Due to the limitations of network bandwidth, transmission and other technical aspects, even if America Online has such powerful content resources as Time Warner, it is difficult to convert it into high revenue. Nor has Time Warner established a successful monetization model by selling its content to consumers through AOL's web service. The group originally wanted to use the cross-media advertising business as a

"cash cow", planning to combine the traditional media business such as magazines, books, cable services, and animation with the new economy operating model of AOL Web services, but later found that AOL only acted as an online marketing machine for various products of Time Warner. In the face of foreign customers, the respective advertising departments of the media can not cooperate from the overall situation, only for the interests of the department to fight, inefficient, resulting in customers are not willing to renew the contract when the contract expires, or greatly reduce the contract amount [9]. It can be seen that within the company, the integration and work coordination between different departments are equally important. The management should not only focus on their own interests, but should consider the long-term development and practical interests of the company, seek benefits and value for the company, and enhance the power of sustainable development.

3.4. Case

Microsoft's antitrust case with the U.S. Department of Justice, where Microsoft is under pressure from regulators over its market dominance. Microsoft has long dominated the market for operating systems and office software. Previously, Microsoft was the subject of an antitrust investigation for its monopolistic behavior in the operating system market. The current investigation could involve Microsoft's market practices in other areas and whether it used its market position to limit competition. And Microsoft Azure is one of the world's leading cloud computing services. One focus of the FTC's investigation is Microsoft's business practices in cloud computing, specifically whether its software licensing policies are unfair competition. There have been reports that Microsoft could discourage customers from migrating data from Azure to other platforms through restrictive licensing agreements, or overcharge for subscription renewals. These actions may be seen as abusing market position and limiting the development of competitors. Microsoft's investments and partnerships in AI have also drawn the attention of regulators. The FTC is reviewing Microsoft's partnership with Open AI, as well as Microsoft's \$650 million investment in AI startup Inflection AI. Regulators are concerned that these partnerships could give Microsoft too much market power and stifle competition and innovation in AI. Overall, the regulator's investigation is aimed at ensuring that Microsoft's market practices do not harm industry competition and consumer interests. The findings could have far-reaching implications for Microsoft's business operations and the broader technology industry.

4. The impact of M&A on economy and industry

4.1. Market Competition

Firstly, is the impact on market competition. For example, after the merger of Disney and Pixar, the impact on the animation industry formed a market leadership position and further consolidated competitiveness.

Disney forged a partnership with Pixar early in its difficult transition. In 1989, when Paper 16 was making *The Little Mermaid*, it introduced Pixar's CAPS system (computer animation production system) to speed up production. CAPS system can integrate animation characters, background and special effects, and show the final animation effect through video form; In addition, the system can also provide automatic color function, the perfect replacement for traditional animation celluloid film. The CAPS system can not only greatly improve the productivity of animation production, but also significantly reduce the increasing cost of manual painting. 18 Jeffery Katzenberg, then the head of Disney's animation division, saw the potential of the small company through contact with Pixar and invited John Lasseter, then Pixar's creative head, to return to Disney, but Lasseter's desire to return to Disney to make animated feature films was not satisfied, so he declined the offer. In 1991, Katzenberg, the head of Disney's animation division, surprised everyone by signing a contract with Pixar to make three full-length animated films. It was a very advanced decision, because not many people believed

that computer-generated animated features could work. After much heated negotiations, Katzenberg finally agreed to increase Pixar's share, giving it 10 to 15 percent and ownership of the software that developed the film. Disney financed the production and owned the rights to the film, which meant that it had the right to develop a sequel to the film without going through Pixar, as well as all of the profits from the audiovisual product¹⁹. It was a temporary win-win agreement for both sides, Disney found a new way to develop content is king, and Pixar solved the problem of financing at the same time, the problem of sustainable development [4].

4.2. Synergy Effect

It also brings a series of synergies to both companies. Create an open and equal working environment and build a culture of mutual trust and efficiency. Also, they respect the autonomy of creatives, introduce different team working styles, and combine them together. They also research and fieldwork models are emphasized, rewrite the play, and establish an internal screening mechanism. Improving 3D technology level, Enriching role dimensions, and also Improving narrative technique, which is the collaborative aspect of production. They have also achieved results in operational collaboration, such as increasing market share, enriching the content of theme parks, and boosting the sales of derivative goods. Disney is the same, as a large media company famous for its quality content, the exploration of film content production is obvious to all. The first sound animation, the first color animated feature film, the first widescreen animation, the success of these classic works, after countless careful consideration, repeated consideration, and strong faith and creativity. Will show a different style from The Times. After the severe impact of computer animation, the company's sustainable development ability was restored through strategic activities of merger and acquisition [4]. At the same time, mergers and acquisitions can provide a new source of funds for the technological transformation of state-owned enterprises, promote the advancement of technology and industrial upgrading, and promote the transformation of state-owned enterprises' mechanisms, so that domestic enterprises can participate in the international division of labor more effectively, and cultivate senior technology and management talents [10].

5. Conclusion

This paper refers to some literature to give practical examples and consider the motivation and strategic objectives of M&A from the perspectives of cost and benefit, market, and the relationship between managers and shareholders. In terms of the challenges and risks of M&A, there are the integration of corporate culture, financial and operational risks, and the complexity of post-M&A integration. Antitrust is also a practical example. In terms of the impact of M&A on the market and economy, a specific analysis of market competition is made through the examples of Disney and Pixar. The main research direction is to take mergers and acquisition as the center, and carry out diversified development around this topic, explaining the impact of merger and acquisition on different aspects. How does M&A affect market competitiveness? How to overcome the integration of culture and structure after merger and acquisition? For investors, it is particularly important to pay attention to whether the M&A target is in line with the development trend of the investment industry and evaluate its core competitiveness, giving priority to enterprises with large market share and high brand awareness in order to reduce market integration costs. For enterprise leaders, it is necessary to clarify the objectives of M&A, so as to formulate appropriate and correct strategies, and reasonably evaluate the value of the enterprise. The M&A price should not only be based on book assets, but also consider factors such as brand value, customer resources and market potential, so as to avoid excessive premium and choose reasonable M&A modes (mainly horizontal, vertical and mixed M&A). From the perspective of policy supervision, the approval system should be optimized to

balance market competition and national interests and promote the development of a healthy merger and acquisition market.

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