

Analysis of the problems and countermeasures existing in the process of enterprise merger and reorganization

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Abstract: With the rapid development of social economy, more and more enterprises with the help of the capital market to become stronger and bigger, and constantly improve the value of enterprises. The merger and reorganization of an enterprise is the optimal allocation of resources, and also the best way to rapidly expand the company and enhance its strength, so that the company can achieve higher profits in a short period of time. At the present stage, although mergers and acquisitions have become a trend of rapid development of enterprises, enterprises are affected by many uncertain factors in the process of cross-border mergers and acquisitions, and are faced with multiple risks, which will not only directly affect the success of mergers and acquisitions activities of enterprises, but also affect the subsequent development of enterprises. Therefore, this paper takes "enterprise merger and reorganization" as the research object, analyzes the problems existing in the process of enterprise merger and reorganization, combined with the factors of the problem, targeted to formulate reasonable suggestions and measures.

1. Introduction

With the rapid development of the market, many enterprises began to look for a more reasonable way to upgrade on the road of development, and enterprise mergers and acquisitions have become the focus of attention. In the face of increasingly fierce market environment, in order to improve international competitiveness, overseas merger and reorganization have become the most important means of capital. Cross-border industrial mergers and acquisitions, on the one hand, is to explore a new model of industrial "going out", on the other hand, it is to expand the international market. At this time, if the enterprise wants to be invincible in the competition like bamboo shoots after a spring rain, it should combine its own actual situation, so that the overall income of the new enterprise exceeds the sum of the original two enterprises, and produce the effect of $1 + 1 > 2$. However, in the process of practice, enterprises should combine their own problems, analyze the advantages and disadvantages, and develop a reasonable optimization path of merger and reorganization.

2. Analysis of the development status of enterprise merger and reorganization

With the accelerated development of the global economic integration process, the exchanges between enterprises of various countries are increasingly close. In order to achieve the great goal of

transnational diversification development, more and more multinational companies join the wave of cross-border mergers and acquisitions. The merger and acquisition of Chinese enterprises started late, but with the development of the capital market, its scale and intensity showed a trend of gradual enhancement. Since 2014, China's M & A market has developed rapidly, reaching new highs in the number and scale of transactions, and has become the second largest M & A market in the world after the United States^[1].

According to Bain & Company's Global M & A Market Outlook 2022, global deals in 2021 totaled \$5.9 trillion. Driven by record valuations, strategic deals such as company deals and additional deals were worth \$3.8 trillion, up 47% from 2020. In strategic mergers and acquisitions, some areas are clearly growing faster than others. Technology assets, in particular, are decoupled from the overall M & A market. Buyers are willing to pay, both in technology and healthcare, a premium for high-profit, high-growth assets. According to the Securities Times, since 2021, China's listed companies have acquired 3,673 times, the transaction amount reached 1.9 trillion yuan, the transaction scale ranks the top in the world. Mergers and acquisitions of listed companies account for about 60% of the total domestic mergers and acquisitions.

At the same time, combined with the industry information of mergers and acquisitions, the manufacturing industry occupies a large proportion in mergers and acquisitions, accounting for more than 60% of the total transaction volume and 53.97% of the total transaction volume. In manufacturing, computers, communications and electronic equipment manufacturing led the list, followed by electrical machinery and equipment manufacturing, and again by chemical raw materials and chemical products manufacturing. Many traditional manufacturing industries hope to introduce new high-tech and Internet elements to improve their competitiveness and sustainability.

At present, mergers and acquisitions have both merger acquisitions, and holding mergers and acquisitions. Merger acquisition belongs to horizontal merger and acquisition, the purpose is to expand the scale, and holding merger and acquisition in vertical merger and acquisition, to expand the upstream and downstream industrial chain or strengthen diversification; and reverse merger and acquisition, more common in listed companies to inject new business content, new industry or industry highlights^[2].

In general, mergers and acquisitions have gradually developed into an effective way for the rapid growth of enterprises. Through mergers and acquisitions, they can effectively meet the needs of enterprises to pursue economies of scale and obtain monopoly profits, obtain better talents and advanced technologies, and combine with capital operation to obtain long-term development opportunities. But at the same time, we also find that not all enterprises will succeed through mergers and acquisitions. Some mergers and acquisitions fail at different stages, and some enterprises fail after mergers and acquisitions, leading to the failure of restructuring.

3. Problems existing in the process of enterprise merger and reorganization

The fundamental motivation of enterprise merger and reorganization lies in the development and appreciation, but the development of merger and reorganization is also faced with many problems. In the process of merger and reorganization, due to information asymmetry, uncertain external environment, complex operation and management activities, insufficient grasp of target enterprises, lack of long-term planning and scientific layout, unable to effectively integrate merger and reorganization, resulting in low efficiency of merger and reorganization, hindering the development of merger and reorganization.

3.1. Problems existing in mergers and acquisitions of enterprises

In the process of merger and reorganization of enterprises, it is necessary to analyze the purpose

of merger and acquisition thoroughly and resolve the contradictions according to local conditions. However, for many listed enterprises, in the process of merger and reorganization, there are mainly the following problems. First of all, the payment method of enterprise mergers and acquisitions is single. Compared with developed countries, there are fewer corresponding financial instruments, narrow financing channels, complicated procedures for stock issuance, and higher cost. Simple cash payment can no longer meet the needs of mergers and acquisitions, which limits the long-term development of mergers and acquisitions. Secondly, the due diligence in the early stage of merger and reorganization is perfect, and the information distortion leads to decision-making mistakes. The general procedure of enterprise merger and reorganization is due diligence in the early stage, project approval at the meeting, second due diligence, reported to the board of directors for decision, and reported to the shareholders' meeting for approval after the decision is passed. However, if the early due diligence is not detailed, the information will not be complete, and the decision in the later stage will be unfair, creating the unreasonable merger and reorganization of enterprises. Finally, the cultural differences between enterprises are obvious after the reorganization and merger. Due to different cultural backgrounds, the composition of senior leaders, changes in the organizational structure of the company and the review of rules and regulations are all different. If the organizational structure of the enterprise is not adjusted in time, it is easy to hinder the development of the enterprise.

3.2. Risks existing in enterprise merger and reorganization

Political and legal risks. It mainly includes the attitude of local governments towards mergers and acquisitions, restrictions on foreign capital (including funds from different regions or different countries) entering the securities market, policies and legal restrictions and regulations.

Financial audit risk. Mainly false financial statements, the asset quality overvalued, concealing a lot of debt, pending litigation, undisclosed guarantee matters, etc., or the evaluation value of reinvestment, financing risk, payment risk control, as well as the capital of enterprise financial knowledge reserve problem, local managers personal will and so on various aspects of the influence. In addition, if there is any omission in the early due diligence, the financial audit information of the merger enterprises is asymmetric, it is difficult to make an appropriate financial judgment. After the merger and reorganization, serious financial risks will be left, which will eventually lead to financial audit risks, and the development difficulties after the merger and acquisition.

Cultural risk. Whether the merger and reorganization of multinational enterprises or domestic enterprises will involve the cultural restructuring of the enterprises themselves. Different enterprises will have self culture atmosphere, enterprise merger, acquisition and reorganization, there must be a long-term run-in, finally achieve the consistency of the enterprise culture and values, but in period will have a certain contradiction, may appear method way, may be inconsistent management, which need to develop effective cultural integration scheme, so as to achieve the cultural unity after the merger, acquisition and reorganization.

Business risk. Insufficient preparation before the implementation of the merger and acquisition, resulting in the omission or incorrect prediction of the merger and acquisition plan planning.

Integrate the restructuring risk. The target enterprise has problems such as fierce cultural conflict, chaotic management, departure of excellent talents and loss of quality customers, which are not conducive to long-term development and progress^[3].

4. Countermeasures analysis of enterprise merger and reorganization

4.1. Formulate clear targets for merger and reorganization

Enterprises should first formulate feasible, clear and clear merger and reorganization goals, and then talk with the core management to determine the profit and reward methods after the merger and acquisition. After success, we need to negotiate with the shareholders to buy the company, carefully study the development prospects and potential of the acquired object, and handle all the relationships well. For enterprises, merger and reorganization itself is the basis of transformation and upgrading and resource integration, which can increase the value of merger and reorganization, correctly determine the merger and reorganization strategy, and maximize the potential.

4.2. Choose the right time for merger and reorganization

Especially in the process of cross-border merger and reorganization, it should meet the requirements of the "going out" development strategy of China's cultural industry. Purchase the company's operating situation and financial situation is not very good, to choose the right time, reduce obstacles, do a good job of safety investigation. At the same time, the buyer should also according to the actual situation, according to the experience of merger and reorganization, put forward the reasons for the obstacles, carefully choose the way of merger and acquisition, maintain a good economic situation, but also need to pay attention to avoid international trade barriers. More attention needs to be paid to avoid international trade barriers. With the support of local government and oneself, it is necessary to implement RMB merger loan and US dollar loan, reasonably avoid local policies, and apply for a guarantee letter. According to the requirements of these contents, the buyer should effectively reduce trade barriers, improve the speed of the next payment, only after determining all the links barrier-free, can the next step of merger and reorganization be carried out.

4.3. Adopt advanced management mode

For enterprise merger and reorganization, it is not only the basis for the expansion of enterprise scale, but also the use of different ways of information communication. At the same time, the channel of information transmission should also change. After the merger and reorganization, enterprises need the existing enterprise environment, effectively improve the management system, and optimize the operation measures. According to financial decisions, enterprises should integrate their development strategies, coordinate differences, analyze flexible space and implement business environment. In terms of management, according to the actual situation, the incentive and individual linked, do a good job of relevant management coordination content, but also need to use information way, real-time monitoring of the cost of merger and reorganization enterprises.^[4]

4.4. Formulate a detailed and rigorous early due diligence plan to eliminate the distortion of due diligence information

Preliminary due diligence refers to that in the early stage of merger and reorganization, enterprises need to carry out comprehensive and detailed due diligence investigation in finance, business, management and other aspects of multiple projects, so as to obtain first-hand detailed information and to form an investigation report on the basis of due diligence. The merger and reorganization plan of an enterprise is a decision made in the information of the investigation report. Only with thorough due diligence can the decision mistakes be avoided. For example, in 2014, the Chinese government and regulatory authorities intensively issued a number of policy documents to

encourage mergers and acquisitions of listed companies, in order to enhance market vitality and strengthen industrial integration, thus opening a wave of mergers and acquisitions of listed companies. Pan Cunjun, a Chinese certified public accountant, asset appraiser, Chinese certified tax agent, and international certified internal auditor, led Wanda Film through mergers and acquisitions at home and abroad worth more than 20 billion yuan after it successfully went public in early 2015. As wanda film of listed companies such as chief accountants, Pan Cunjun in foreign mergers and acquisitions of listed companies, lead the team to target financial due diligence, the acquisition target possible financial risk analysis and prompt, make Suggestions to solve related problems, and acquisition decision for customers to provide comprehensive information support, effectively guarantee the accuracy of the customer mergers and acquisitions decisions. During due diligence, according to the characteristics of the merger and acquisition project, Pan analyzed the different purpose and demands of customers in the merger and acquisition, and studied the effect of due diligence in the different stages of the merger, and help customers in the middle of the merger, and made a detailed investigation and analysis on the real situation of the target enterprise, make suggestions to solve the related issues, follow up the problems, check and rectify, and solve the problems. The successful completion of the above work also needs to rely on the in-depth understanding of the industry, develop a comprehensive and thorough due diligence plan, and supported by rich knowledge of finance, taxation, law, management and other related knowledge. Through the above work in various stages of the merger and acquisition, he successfully helped customers to prevent the financial and related risks in the process of the merger and acquisition, successfully completed the merger and acquisition negotiation and delivery, and provided support for the business and financial integration after the merger and acquisition.

4.5. Pay attention to the integration and innovation of corporate culture

For enterprises, it is necessary to achieve the strategic goals set and expected according to the reality. For many mergers and acquisitions enterprises, the reason why the subsequent development cannot be well implemented is mostly due to the inadequate integration of culture. For an enterprise, merger and reorganization need to build the appropriate enterprise culture, in the process of production and operation, to establish the appropriate cultural consciousness and moral standards, to form a stable and natural cultural phenomenon, to find the soul of the enterprise. In the process of merger and reorganization, it is necessary to find out the value differences and cultural differences, reduce the internal contradictions of enterprises, and minimize the possible hidden dangers in the future. For example, in the process of merger and reorganization, Wanda respects the cultural advantages of the acquisition enterprise and retains its own strategy to minimize the pressure of cultural integration and reduce conflicts^[4].

4.6. Implement a win-win localization and talent strategy

For the merger and reorganization of multinational enterprises, it is necessary to adapt to the local economic and cultural environment to the maximum extent on the basis of the operation of multinational enterprises, so that the choice of materials, the choice of employees and the development of new technologies, so as to extend to the direction of win-win. In the integration of personnel, enterprises need to have their own characteristics. M & an enterprises should be familiar with the internal situation of the enterprise and the local market environment, rather than take over by their own people. To maintain long-term stability, they should use the management team of the M & A enterprises, eliminate their sense of crisis to the greatest extent, and do a good job of emotional stability. In addition, enterprises should also find ways to retain the management, mobilize the enthusiasm of everyone, and establish a reasonable incentive system.

To sum up, if enterprises want to merger and reorganization, they first need to have clear development goals, choose clear objects of merger and reorganization, study themselves and the objects of merger and reorganization, choose the appropriate merger and reorganization methods and methods, do a good job in early due diligence, choose the appropriate timing of merger and reorganization, and make timely and quick decisions. In the process of merger and reorganization, it is also necessary to strengthen the integration of corporate culture, eliminate the hidden dangers between enterprises, find their own advantages and disadvantages, and complete the integration and innovation of culture. Late also need to strengthen the integration of personnel and talent cultivation, combining with the enterprise's own characteristics to develop a suitable for enterprise development of localization talent strategy, efforts to make the existing enterprises and social and economic development better integration, to strengthen research and development and technology innovation, improve the independent research and development system, standardize research and development process standard, attaches great importance to the cultivation of high and new technology personnel and introduction, thus to the goal of merger, acquisition and reorganization^[5].

5. Conclusion

In short, enterprises should comprehensively identify and evaluate all kinds of risks in the process of merger and reorganization, and take effective measures to prevent and control them. By perfecting the financial due diligence, formulate reasonable valuation, spread pay risk, improve the transparency of information disclosure, work, enterprises in mergers and acquisitions, need to accurately grasp the value of the target location, customs, and can understand and respect cultural differences, from the merger, acquisition and reorganization target, timing, barriers, management mode, cultural integration, innovation, localization strategy, talent pertinence, merger, acquisition and reorganization measures, so as to reduce the risk index of merger, acquisition and reorganization, increase the success rate of mergers and acquisitions. In addition, the enterprise also needs to constantly adjust and optimize the development strategy to ensure that the merger and reorganization are consistent with the long-term development goals of the enterprise, so as to promote the sustainable development of the enterprise.

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