

Evaluate the effect of
mergers in business in
the last ten years



The effect of mergers in business in the last ten years The fluctuations in world economy in the past decade affected almost all types of business badly not only in U. S. but all over the world. Even the multi billionaire companies found it difficult, to exist in the market. The companies are looking for alternate solutions. Some of them looking for diversification, some others went for mergers with counterparts. Merging with a competitor is the last option normally the companies undertake. But the effect of this merging process has to be analysed properly.

“ Practically every industry in America has been affected -- from telecommunications to banking and from aerospace to accounting. The strength of this trend is shown by the fact that the total dollar value of the mergers in 1997 was about 50 percent higher than those in 1996, itself a record year. Companies are combining to create new entities on a scale larger than anything before, reflecting a growing belief among Government regulators, and many business executives, that big business is not necessarily bad”(LESLIE WAYNE WAVE OF MERGERS IS RECASTING FACE OF BUSINESS IN U. S. Top of Form

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Most of the mergers in the United States have involved domestic corporations. But there have also been an increasing number of deals between American and overseas companies. And a similar wave of mergers is taking place abroad, with European and Asian companies seeking dominant roles in the global economy

“ The EC Merger Regulation and the U. S. Clayton Act, as interpreted and <https://assignbuster.com/evaluate-the-effect-of-mergers-in-businessin-the-last-ten-years/>

applied, clearly recognize that mergers that place a firm in a position where it can raise price without a sufficient threat from an existing challenger, assuming there are significant barriers to entry, can be anti-competitive. Indeed, the U. S. has been slightly more inclined in recent years to challenge mergers because they "tend to create a monopoly" and therefore produce anti-consumer and anti-competitive unilateral effects than was the case previously". (Robert Pitofsky(1)Chairman, Federal Trade Commission <http://www.ftc.gov/speeches/pitofsky/pitintermergers.shtm>) . Mergers and acquisitions are fundamentally dynamic events that may involve significant changes in the business focus of the consolidating institutions. Indeed, when some companies in an industry merge, others come under pressure to do the same to remain competitive. When two companies merged together, their monopoly, their market share and the competitive capacity will increase. This will be a headache for the other companies in the same line. They will also think in terms of merging with some other like companies in order to survive.

Mergers and acquisition can be a benefit for employees of the smaller organization since they will get their salary structure revised in most cases and will get all the other facilities offered to the employees of that company. But at the same time merging can cause fears of losing jobs also.

In the U. S., as in Europe, most merger challenges are settled by agreements that involve restructuring; relatively few are litigated in court. Merger restructuring to address competitive problems and preserve otherwise legitimate proposals is an accepted part of antitrust but some of the restructuring proposals that we have seen in the United States are more extensive and complicated in recent years than any seen before since the <https://assignbuster.com/evaluate-the-effect-of-mergers-in-business-in-the-last-ten-years/>

effectiveness of restructuring is such a critical part of merger policy.

The effects of mergers and acquisitions on small business lending depend on the type of M&A, size of institutions involved, intrastate versus interstate nature, and many other factors. In some mergers, small organization has changed hands without becoming further removed from the center of decision making or assuming a lesser role in the new organization. In many other cases, however, the ownership of the organization has shifted to distant locations and become junior partners in large organizations. The merger/acquisition activities occurring in the banking industry have raised concerns of reduced availability of credit to small businesses. While conventional wisdom assumes that most mergers consist of larger banks with relatively few small business loans acquiring smaller target banks that primarily lend to the small business sector, the reality is quite different. In almost half the acquisition observations in this study, the acquirer had a larger portfolio share of small business loans than its target(s).

Online Sources

1. LESLIE WAYNE WAVE OF MERGERS IS RECASTING FACE OF BUSINESS IN U.S. Top of Form
2. Published: January 19, 1998 <http://query.nytimes.com/gst/fullpage.html?res=9F0CE0DA1238F93AA25752C0A96E958260>
- 2 Robert Pitofsky(1)Chairman, Federal Trade Commission <http://www.ftc.gov/speeches/pitofsky/pitintermergers.shtm> .