Merger versus ipo or acquisition

Business

Mergers, Acquisition and IPO: Opportunities and Threats to Each of the Approaches Details: al Affiliation:

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Public Sales through IPO

According to the orthodox economic theorists, IPOs provide businesses with greater liquidity as compared to merger and acquisitions. Kulder Fine Foods will be better positioned to reallocate its resources much more efficiently and reap from greater commercial benefits as a result of the media attention commonly given to companies going public (Burton & Prasad, 1997). An IPO liberalizes the activities of a firm by opening up the " windows of opportunity" available in the public as well as in the international market (Behenke & Hultenschmidt, 2006). In particular, an IPO for Kudler has the possibilities of doubling its revenues due to existence of a much expanded capital base. However, the company is bound by regulatory restrictions to seek prior permission to conduct this exercise; a permission that might be granted or otherwise rejected under strict terms of engagements. Another threat lies in the management of the many stocks. The company may get locked up in meeting the expectation of the public market both in the short term and into the unforeseeable future before embarking on a meaningful journey of expansion (Burton & Prasad, 1997).

Private Sales through Mergers and Acquisitions

Kudler Fine Foods also has the option of expanding its operations through mergers or opting to acquire another firm within its line of operations. Noteworthy, these two options possess more or less similar opportunities and challenges. In fact, the special alchemy of a merger and/or an acquisition is that a combined effort is greater than the sum of individuals' efforts (King, Slotegraaf & Kesner, 2008). Accordingly, it would be more valuable for Kudler Fine Foods to seek the services of another company than function as an individual entity. Merging with a company offering delivery services has the possibilities of giving Kudler Fine Foods a competitive advantage over other similar businesses in the market. Additionally, such a combined effort would set the company on a cost saving path related to the management of the delivery services of its food delicacies. Whichever option between a merger or an acquisition, the resultant company would give Kudler Company a synergetic competitive strength to function efficiently and the capacity to acquire a greater market share with a re-doubled effect of generating more revenues.

On the negative side, mergers and acquisition provide narrower market opportunities compared to an IPO. They are not only less efficient in market pricing, but they may also result into one or both parties losing vital control of key operational elements deemed appropriate by either side. Accordingly, the company with an upper hand may convincingly persuade the other into adopting a new business strategy, which may effectively block plans of its new partner. Moreover, the sheer enlargement of managerial aspects as a result of an acquisition or a merger may impose new strains hitherto unknown to the two entities. The chances of managers from both firms coping successfully with the added burden of accommodating different cultures may be a difficult task on both companies (Straub, 2007). Notwithstanding the foregoing, change may be met with resistance by those lacking the appetite for change (King, Slotegraaf & Kesner, 2008).

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