Orginal scientific work
UDK 336.71:005
DOI 10.7251/SVR1510016A

SOCIO-ECONOMIC DEVELOPMENT CHALLENGES BY APPLYING CROSS-BORDER MERGERS AND ACQUISITIONS

Assistant profesor Vaso Arsenović, PhD[1]

Independent University Banja Luka

Abstract: During the last three decades there has been a significant business globalization. The reason for this is searching for new sources of competitive advantage, market deregulation, the pace of change at the global level, the processes of transition and privatization, restructuring, strategic intent to meet the needs of a greater number of consumers around the world and others. In such a constellation of relations, the importance got an external method of growth companies or business combinations - mergers and acquisitions. How did the increase in the volume of implemented business integration at the national level, such as at the international level cross-border merger, acquisition and takeover of enterprises, as a form of internationalization, has experienced expansion and led to an increase in the share of mergers and acquisitions as a form of foreign direct investment.

Through mergers and acquisitions are expected to enterprises correct errors and eliminate parallelism in the way of doing business in the previous period. On the other hand, it is necessary that at the macro level balance between a large (giant) company and the existence of small (individual) business, because both types of enterprises can contribute to the promotion of economic activities. Effective and efficient national economic policy, with an adequate legal framework, and a strategy that promotes competition, innovation, infrastructure development, human capital and a proactive and interactive management, which provide growth companies through the application of business combination, result in the creation of competitive advantage at the national level. Companies from certain branches which are, respecting the principles of market economy, through mergers and acquisitions generated a competitive advantage in the domestic market, it can, through exports and foreign direct investment, of which the highest value representing the cross-border integration, achieved at the international level. The consequence of this is to improve the relative position of the country compared to other countries, and competitive advantage of the national economy at the international level. The state is to the benefit of improving the position of the company on an international scale translate into improving its economic and political situation and the situation of its population, and other components of the community.

Key words: *mergers and acquisitions, internationalization, foreign direct investment, competitive advantage.*

---

[1] vaso.arsenovic@nubl.org

1. INTRODUCTION

Business combinations – mergers and acquisitions or external growth method, as a way of unifying the control activities and activities that were previously independent businesses, aim to establish better management, create the necessary resources (critical mass of resources), to strengthen bargaining position, correct the mistakes of the past, align businesses and ensure the creation of additional values for shareholders and other stakeholders.

Realization of company growth through mergers and acquisitions has become widespread in the last twenty years. And before that, companies located in the United States (US) had largely based growth on their various forms of business combinations. By the fourth wave of business combinations (1983–1989), the external method of growth had largely been bonded for the territory of the US and companies from the US, as well as companies from United Kingdom (UK). What was the primacy of external growth in companies from the US, data showed that up to fourth wave between 80% and 90% of the realized value of the business combination related to companies from the US, while the rest consisted, for the most part, the integration of companies from the region of Great Britain, and to a lesser extent, companies in other geographic areas. On one side there are areas that have always been attractive for mergers and acquisitions (especially in the area of North America and the UK), while on the other side there are markets that are expanding, that are opened to the world by adopting business principles that apply to the market economy. First of all it refers to countries in transition (countries of Eastern and South-Eastern Europe and the Russian Federation) and the countries that have been, in the past decade, achieving significant growth rates of gross domestic product (GDP), such as Brazil, India and China.[2]

Increasing the attractiveness of mergers and acquisitions certainly contributed the creation of a single, mutual market within Europe – the European Union (EU). The emergence of the EU as a political and economic union of states, led to the harmonization of national legislation which enabled the smooth flow of people, goods and capital among member states. When it comes to the EU and companies operating on the territory of the EU, the companies have received the same treatment, which means that they are allowed to operate under the same conditions on the markets of other EU countries. This, despite the introduction of a common currency (the euro), resulted in the sudden expansion of the application of the external growth measures by companies located in the EU. Also, in the first decade of the XXI century there has been an increase in business combinations in Asia and the Pacific. Deregulation in certain economic sectors in the territory of the US and Europe, plans of a creation of a unified Europe, strengthening the role of capital market in Europe and others had the effect that companies located in Europe become an important player when it comes to the merger, acquisition and takeover. From the fourth wave of mergers and acquisitions, the participation of companies from Europe, either companies that bough one

[2] Arsenović, V. (2010): *Izazovi, značaj i elementi strategije implementacije eksternog metoda rasta preduzeća*, doktorska disertacija, Slobomir P Univerzitet, Slobomir, Bijeljina, s. 71.

another, either those that are have been purchased, growed. From this period strengthening of process of internationalization of business through cross-border business combination comes, or participation of mergers and acquisitions as a form of *foreign direct investment* (FDI) increases significantly.

Optics of the socio-economic dimensions of success in carrying out mergers and acquisitions can be seen through three relevant areas: 1) the acquisition and maintenance of the earning capacity of an enterprise, 2) the impact on the economic conditions and 3) contribution to the achievement of social objectives (strengthening the competitiveness of the national economy, import substitution, employment, improving the standards and quality of life etc.). In further focus will be precisely dedicated to answer the question how an implementation of mergers and acquisitions affect the economic conditions in the country, what is the role of the internationalization of the businesses through business combinations in orded to strengthen economic activity and how this method of growth can lead to improvement of the relative position of one country compared to other country, and competitive advantage of the national economy in an international level and, therefore, improvement of its economic and political position and the position of its population, and other components of the social community. Finally, it is expected to give an answer to the question of the future attractiveness of cross-border business combinations and their contribution to achieving economic and social..

2. THE CHALLENGES OF INTERNATIONALIZATION OF BUSINESS AND REALIZATION OF MERGERS AND ACQUISITIONS AT THE INTERNATIONAL LEVEL

Companies must not "*stand and tap in place*" – they must continually look for the ways that enable them to effectively and efficiently employ their capital. One of such ways is the internationalization of the business. The internationalization of business means that the business expansion beyond the borders of the state to one or more different foreign markets. In modern business conditions, internationalization is a condition for growth and development. Management of the company does not raise a question of whether or not to expand the business geographically, but deals with the question which method allows a successful internationalization of the business that gains a competitive advantage in foreign markets. In the conditions of globalization, the expansion of the business across borders countries and participation in international flow of labor, capital, goods and services is a prerequisite for effective and efficient operation of an enterprise. If the company is not expanding its operations outside the country, the company may be faced with a large number of foreign competitors who have been engaged in the process of internationalization and thus threaten the market position of a given company. On the other hand, company can test gained competitive advantage at the international level and thus realize the power companies and the efficient use of resources.[3] Also, the company gets a new experience that can be used in the future performance on the domestic and foreign markets.

[3] In order for a company to be competitive at the international level, it is considered that it must first be established or become competitive on the domestic.

In order to gain a competitive advantage, implementing the strategy of internationalization of business requires a planned approach through he fundamental research of relevant factors that determine the potential of foreign markets and business conditions in them. It means to give answers to the following strategic questions:[4]

1) *On what national markets be oriented*? The answer to this question implies to consider the attractiveness of foreign markets to the degree of country risk, size and degree of market coverage, the degree of market stability, the conditions of entry, the intensity of competition. Accordingly, management may decide to gradually internationalize operations (one foreign market by one) or to carry out simultaneous entry of several foreign markets.

2) *When to go on a chosen foreign market*? In order to give an answer to this question analysis of the relevant factors is required – the stage and the intensity of the development of foreign markets, the intention of entering the competition etc. The analysis should enable the company to enter too late (when the foreign market has already been occupied by the competition), or when the foreign market is still underdeveloped.

3) *With which offer the partie is concerned to enter the market*? Here it comes to understanding the scope and structure of demand in the country, the nature of the elasticity of demand in certain instruments of the marketing mix etc. Relevant analysis should point out to the degree of width and depth of the production program, what number of lines and the model number of the product should be offered to customers in the foreign market.

4) *Which form of international business should be used to enter the foreign market*? Companies who have available various forms of conducting international business activities: various variants of export arrangements, licensing, franchising, loan arrangements, consortia, leasing, joint venture and other forms of strategic business alliances, direct investments in building its own manufacturing and sales facilities or through mergers and acquisition (establishment of enterprises purchasing and / or taking over of foreign companies).[5] The analysis should show which form of internationalization, with financial, market, legal and economic point of view, is the most appropriate.[6]

5) *What strategy of internationalization to prefer*? The answer to this question implies that the management decides whether company to accept ethnocentric strategy and whether to have the focus of foreign markets that are

[4] Todorović, J., Đuranović, D. (2004): *Osnovi menadžmenta,* Slobomir, Slobomir P Univerzitet, s. 98-100.

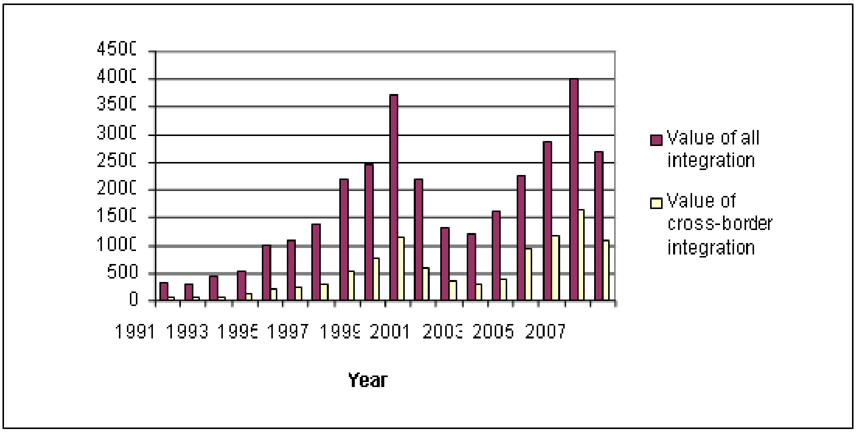
[5] If the company intends topermanently extend its business to market of a particular region or country, it must own a company in this market. Only in this way the company can ensure the long-term presence in the international market, and thereby effectively implement the strategy of geographical expansion of the market.

[6] A significant number of research indicates that in the early stages of internationalization of the business,the best results can be achieved through joint ventures and that after taking a stable position on foreign markets the company may decide to build its own production and sales facilities and/or to complete the purchase or to takeover the companies in foreign markets.

very similar to domestic, or to prefer polycentric strategy and accept differences among markets and, consequently, differentiate marketing performance, or to determine for geocentric orientation whereby through standardization of products or offers, try to relativize and overcome the differences between the market and on this basis to achieve effects of scale economies.

6) *What are the critical factors for the implementation of the internalization strategy*? The success of the internationalization of the business depends on the consideration of factors that are critical to the success of internationalization. In the focus of management should be placed level of country risk, corporate and universal culture, characteristics of market segments, the ability to accept multiculturalism, the intensity of competition and etc.

Chart 1 – Value of business combination at the global level and value of cross-border integration in the period 1991– 2008 (in billion USD)



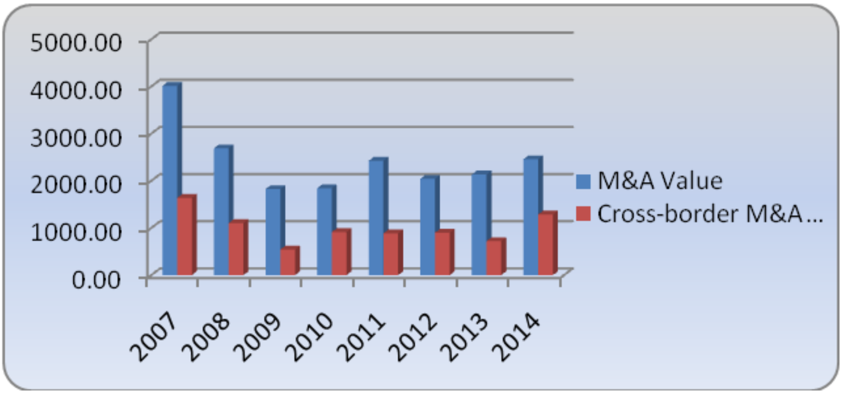
Source: World Investment Report 2000, 2003, 2005, 2006, 2008, UNCTAD, European Economy, Supplement A, Economic trends, M&A,1999-2001, European Commission Directorate-General for Economic and Financial Affairs, M&A Review, 1998-2009, Thomson Reuters.

In modern business conditions, internationalization is a condition for growth and development. During the last three decades there has been a significant globalization, and internationalization of business. The reason for this is the quest for new sources of the competitive advantage, market deregulation, the pace of change at the global level, the processes of transition and privatization, restructuring, strategic intent to meet the needs of a greater number of consumers around the globe etc. In such a constellation of relations, growth of enterprises through mergers and acquisitions gained significance. How has the volume of implemented business integration at the national level increased, the international level cross-border merger, acquisition and takeover increased as well, as one form of internationalization, experienced expansion and led to an increase in the share of mergers and acquisitions as a form of foreign direct investment. The scope of increasing international mergers,

mergers and acquisitions are shown by the data presented in the following charts.[7]

According to datafrom the Chart 1, the total value of cross-border integration in 1991 was about 80.713 billion USD or about 24% of the total realized external growth around the world, while in 2007 it achieved the highest value of completed cross-border integration – over 1,637 billion USD or something more than 40% of the total value of completed mega business combinations i.e. mergers and acquisitions around the world.

Chart 2 – The value of business combinations on a global level and value of cross-border integration in the period 2007-2014 (in billion USD)



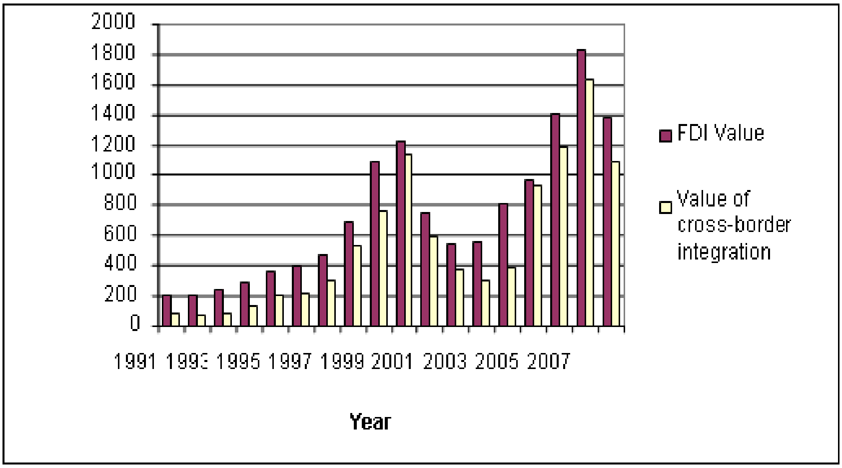
Source: World Investment Report 2010, 2012, 2014, UNCTAD, M&A Review, 2008-2014,Thomson Reuters.

Impact of the financial crisis in 2008 was felt in the field of business combinations. There was a decline in the value of realized business combinations on a global level, and consequently the value of cross-border mergers and acquisitions. According to data from the Chart 2, the total value of integration in 2014 amounted to 2,456.67 billion USD, while in the same year cross-border integration had the value of about 1,285 billion, or slightly more than 52% of the total value of completed mega mergers and acquisitions on the global level.

[7] Relevant sources based on which the graphs are displayed: *World Investment Report 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014,* UNCTAD, European Economy, Supplement A, Economic Trends, Mergers and Acquisitions, *European Commission Directorate-General for Economic and Financial Affairs,* No. 2, February 1999 http://europa.eu.int/comm/dg02/publication2894_en.pdf (accessed 24.04.2015.), European Economy, Supplement A, Economic Trends, Mergers and Acquisitions, *European Commission Directorate-General for Economic and Financial Affairs,* No. 5/6 November 2000, http://europa.eu.int/comm/ economy_finance / publication2673_en.pdf (accessed 04.24.2015.), European Economy, Supplement A, Economic Trends, Mergers and Acquisitions, *European Commission Directorate-General for Economic and Financial Affairs,* No. 12, December 2001 http://europa.eu.int/comm/economy_finance/publication2404_en.pdf (accessed 24.04.2015) and the documents received from representatives of Thomson Financial i.e. Thomson Reuters, *M&A Review 1998-2009* and *M&A Review 2010 -2014*

In the observed period, with the internationalization business growing through mergers and acquisitions of companies in other countries, comes to an increase in the external growth measures as a form of foreign direct investment. The values of cross-border investments and the value of net FDI are shown in Charts 3 and 4. As shown in Chart 3, in the period between 1991 and 2008 there was an increase in the share of international (cross-border) mergers and acquisitions in the amount of FDI. The highest value of FDI was recorded in 2007 (1,833.32 billion USD). With a value of 1637.10 billion USD cross-border business combinations in that year took part in the total value of FDI with 89.30%. The lowest participation was achieved in 1993 – 34.30%. In that year cross-border integration had the value of 83.06 billion USD, while the value of FDI stood at 200.45 billion USD.

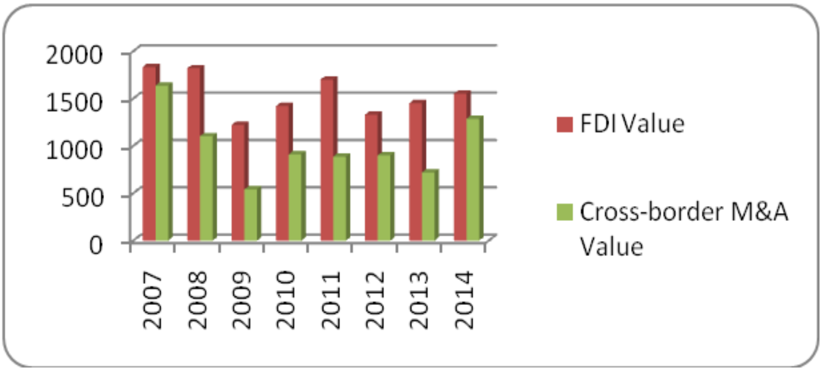
Chart 3 – The value of foreign direct investment at the global level and value of cross-border integration in the period 1991–2008 (in billion USD)



Source: World Investment Report 2000, 2003, 2005, 2006, 2008, UNCTAD, European Economy, Supplement A, Economic trends, M&A,1999-2001, European Commission Directorate-General for Economic and Financial Affairs, M&A Review, 1998-2009, Thomson Reuters

According to datafrom the Chart 4, in the period from 2008 until the end of 2014 there was a decline in the value of FDI compared to 2007. The lowest value was recorded in 2009 – 1,221.84 billion USD. In that year, the share of cross-border integration in FDI amounted to approximately 44.27% and had the lowest amount – 540.9 billion USD. FDI growth was recorded in year 2010 and 2011. Then FDI dropped in 2012. The total value of FDI in 2014 amounted to 1,550 billion USD, while in the same year carried out cross-border integration had the value of about 82.90% of the total value of foreign direct investment at the global level – the value of cross-border mergers and acquisitions was approximately 1,285.9 billion USD (which is also represented an increase of 78% compared to the year 2013). In the period 2010–2012 stability of cross-border integration (approximately 900 billion USD) was marked.

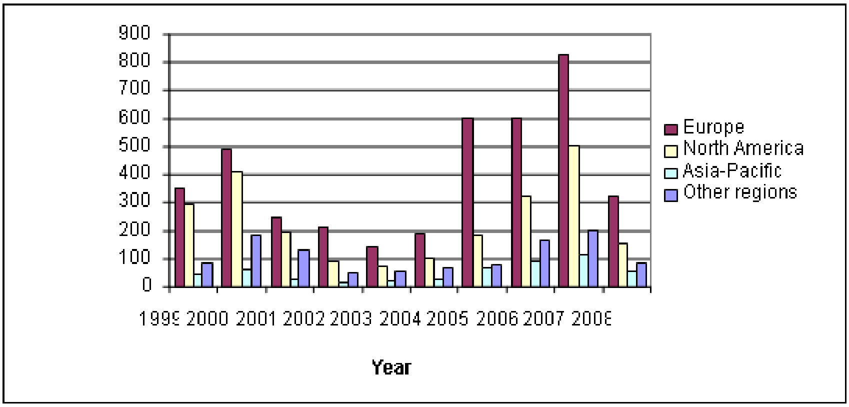
Chart 4 – The value of foreign direct investment at the global level and value of cross-border integration in the period 2007-2014 (in billionUSD)



Source: World Investment Report 2010, 2012, 2014, UNCTAD, M&A Review, 2008-2014,Thomson Reuters.

When it comes to geographic areas and external growth activities at the international level, based on Chart 5 it can be seen that the greatest value of cross-border integration is realized in the Europe area. This value in 2007 amounted to 824.98 billion USD, representing approximately 50.40% of the total value of all cross-border integration.

Chart 5 – The value of cross-border implementation of the external growth in the regions of the world in the period 1999–2008



Source: *World Investment Report 2000, 2003, 2005, 2006, 2008*, UNCTAD, *M&A Review, 1998-2009*, Thomson Reuters.

Several factors contributed to the fact that since 1990 the number and value of cross-border mergers and acquisitions within Europe from year to year has recorded a significant increase. The first reason for this was the deregulation of the financial services market, and the second is the introduction of a mutual currency – the euro. It is possible that companies within the EU become attractive to other companies in the Union, but also for other multinational and transnational companies, especially from the area of the US. As a third reason can be cited privatization of many state and socially-owned enterprises in countries with transitional economies in Central and Eastern Europe.

The present data clearly show that, despite a significant level of risk that carries with it, the internationalization of business through mergers and acquisitions has become "*the basic characteristics of the global business environment*" and that it would pose in the future. When it comes to the realization of the business combination at the international level, a company that opts for this strategy must bear in mind that there may be significant and unavoidable differences in the regulations governing this area in the country where the company operates targeted, tax and accounting treatment integration, political stability, economic situation, consumer attitude towards foreign enterprises, consumers' habits, language, culture, etc. These and other elements determine the scope and the quality and success of the implementation of various forms of integrations at the international level.

Although there are limiting factors, numerous benefits of internationalization of business through cross-border transactions are evident, such as providing access to new markets, opportunities to increase revenues and profits, the stabilization of supply sources and strengthening external flexibility, gaining international management know-how, realization of economies of scale and economies of large. The implementation of cross-border mergers and acquisitions requires a careful analysis of the resource capabilities of the company itself and the attractiveness of foreign markets, as well as a relevant analysis of candidates for a merger, acquisition or purchase.[8] Depending on the strategic objectives, the company can provide the control and ownership of foreign companies in several ways. They are mainly concernes: the purchase of shares of a foreign partner in a joint venture; connection, ie. purchase of the company or takeover of the entire foreign company. Purchase or takeover of a foreign company provides a quick entry and quick positioning into foreign markets, usage of existing marketing channels, coming into possession of skilled labor, well-known brands products, control of operations etc.

Efficacy of mergers and acquisitions at the international level, as noted, depends on a significant number of factors, a comprehensive analysis and qualitative realization of integration. If we analyze the forms and types of cross-border integration that were implemented in the previous period, it is possible to put forward the following positions, which are reflected in the following:

1) The greatest potential for business combinations has companies that share similar or complementary activities in key areas (eg. in the production, marketing and research and development);

[8] The analysis should show whether the basic conditions for the implementation of cross-border integration fulfilled, as follows: 1) state their legislation does not restrict mergers and acquisitions, 2) in a foreign country there are companies that are attractive for purchase or takeover, and 3) that there is readiness and the interest of foreign companies for integration.

2) When companies have a similar "*core business*" they have better opportunities to achieve economies of scale and economies of large in different activities in the value chain;
3) When companies possess complementary assets and significant complementary technology and manufacturing know-how greater opportunities are providedin realization of synergies or creatingin extra value.

The strategy of internationalization of the business through mergers and acquisitions carries significant managerial and organizational problems, which are related to the coordination of business affiliates in foreign countries.[9] This strategy may create a problem of harmonizing different styles of management, harmonizing different organizational cultures and behaviors of employees of merged companies. In addition, it is also a risky method of growth than are the various forms of partnerships with foreign companies. All these difficulties that the company which carried out cross-border integration is facing should not "darkened" the basic sense of entering the foreign market, and that is to achieve synergies, to meet the highest standards of market needs to be better than the competition and that, accordingly to, create additional value for owners and provide conditions for further growth and development.

3. THE POSSIBILITY OF PROVIDING COMPETITIVE ADVANTAGES OF THE NATIONAL ECONOMY AT THE INTERNATIONAL LEVEL THROUGH MERGERS AND ACQUISITIONS

In the conditions of globalization, securing national competitive advantages is of great importance for increasing the quality of life in the country. The competitive advantage of the national economy is the ability of a country to produce and distribute goods and services in the international economy in competition with goods and services produced in other countries and to do so in a way that leads to an increase in living standards in the country concerned. There is no country which has the advantage in all products. However, gaining a competitive advantage in certain goods or services often leads to greater opportunities to gain advantages in associated products or branches of activity.[10]

When talking about the realization of competitive advantages of the national economy it is viewed through the prism of certain indicators. How much national competitive advantage is accomplished in the production and distribution of certain goods and services, the analysis of past and current

[9] Often problems arise in providing quality management of subsidiaries and quality performance of activities of the local workforce. Also, there is a problem in the relations between parent and subsidiary companies in terms of the level of strategic and operational responsibilities, profit distribution, the level of investment, supporting the parent company in providing the use of its image, technology transfer, the creation and implementation of marketing etc. Details appear in Rakita, B. (2003): *Međunarodni menadžment,* Beograd, Ekonomski fakultet, p. 215.

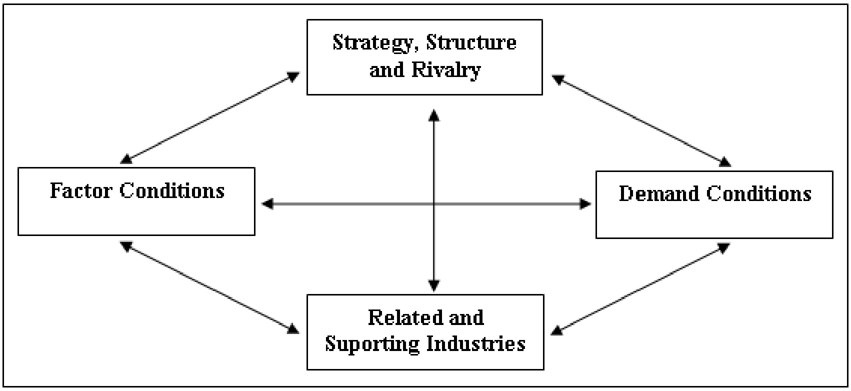
[10] According to Milisavljević, M., Todorović, J. (2000): *Marketing strategija*, Beograd, Ekonomski fakultet i Institut za tržišna istraživanja, p. 227.

position of the state in the world economy will show. As a relative indicator can be taken: realized volume and realized value of exports and imports; the goals of foreign policy; extent of import substitution; improvementof the relative position of the country compared to other countries and others. These indicators of the relative position of the country or its economy can not be changed. However, how much is actually been realized and improved in the competitive advantage of a nation's economy criteria such as gross domestic product (GDP) per capita, standard of living and quality of life will show.

On the international level one country to another does not compete with each other, but companies from different countries do, a significant precondition for the development of national competitive advantage is the existence of high-quality, proactivist and interactivist oriented management – management that is focused on dynamism and flexibility, investment in people, innovation, taking risks, creating partnerships, capacity development, merging with other companies, acquisition or purchase of other companies, etc. To ensure that the management company is competitive at the international level it is considered to be the company that first has to become competitive in the domestic market. Porter's analysis of the international success of companies in various industries showed that companies create and maintain a competitive advantage on a global scale, but that success is primarily due to the fact that these companies, thanks to the management, as well as other factors, became successful at the national level, ie. in the domestic market. Precisely, the domestic market and the its conditions should be dynamic, challenging and stimulating for the company so that it can to constantly innovate, develop its competence and strengthen the competitive advantage that leads to successful business internationally. As is presented in Figure 1, the determinants that affect the national advantage in certain industries can be classified into four groups of attributes: 1) factor conditions and national positions in production factors (level of qualification, development of infrastructure in order to compete in local industry, the development of financial market, ets.); 2) conditions of demand (the character of the domestic demand for products / services sectors, sophistication of customers, etc.); 3) related and supporting sectors (presence or absence of a branch that suppliers and other industries that are internationally competitive, the state of innovation in these branches, etc.); 4) strategy, structure and rivalry of companies, or the way in which businesses create, organize and how are they managed (state of development of management systems, business forms, etc.).

Through the interaction of these risk factors and the active role of the state it is expected to create an environment that fosters a healthy competitive struggle, growth and development, raising the ability of companies to a higher level and, on that basis, gaining competence which companies can capitalize on the international level. Therefore, the future strategy of economic growth and development of a national economy should be based on the construction of high standards and conditions for the operation of an enterprise. In market conditions where the condition of survival of businesses is their innovativeness, their effectiveness and efficiency, their ability to develop key competences, their ability to develop new competitive strategies, etc. comes strengthening the competitive struggle. Through this struggle the level of development of given branche at the national level is raised. On the other hand, it is led to the creation and improvement of the factors through which competitive advantage in international trade is gained. "*Permanently maintaining a competitive advantage in the international economy is not possible if in the national economy stimulates that drive innovation and increase productivity are not working*."[11]

Figure 1 – The determinants of national advantage



Source: Porter, M. E. (1998): The Competitive Advantage of Nations, New York, The Free Press, p. 72.

Mergers and acquisitions can contribute securing competitive advantages of the national economy at the international level. Specifically, in an effort to optimize its size and structure activities with the requirements of the market, technological and social economic conditions, comes to a reverse split of the company. Through business combinations the company increases its size by connecting with other companies or buys them or takes over. It is expected that this integration will lead to synergies ie. increasing the value of the combined business entity, realizing economies of scale and economy of large, the internalization of business operations, ease of entry to new markets and new branches of activity, improving research and development, improving the distribution of products and the learning and development of new know-how. Due to the effects arising from the economies of scale the company will be able to improve price competitiveness, profitability and market value. The basis for value creation in this case consists of complementarity and effective use of combined resources, mutual exchange of technology or ability, elimination of various forms of inefficiency, etc. Also, integrated companies may produce a specific product or group of products cheaper than they would be able to produce as separate companies if each of them produced one product to a lesser extent, a company that was created through external growth, due to cross-sell products and using unique sales channels, can achieve higher sales

[11] According to Milisavljević, M., Todorovic, J., *op.cit.*, p. 232.

volume of products integrated enterprises and, consequently, increase, the amount of profit. Research and development are very important for the future growth and development of a large number of companies. Developing new products, processes or technologies allows an enterprise to maintain its competitive position. Through business combinations it is possible to ensure that the company reduces the level of risk associated with the development of new products, new technologies and reduces the costs of developing new products or new processes and technologies.[12] Some integrations were made in order to gain skills (know-how) that the company had not possessed or were guided by combining complementary resources. [13]

If, according to the previously well-thought-out plan, successfully implemented method of external growth of the company is realised, the consequence of this growth is to create a company that, in addition to what has already become larger, and it has become a production and sales more efficient, cost-competitive, market and financially powerful research and development powerful and resource, especially in knowledge, richer. The existence of such, large enterprises in certain branches of activity is the assumption of efficient use of existing and introduction of new techniques and technologies and the introduction of new products. The competition between these companies leads to further processes of realization of external growth and raises efficiency and creates greater economic benefits and strengthens the national economy.[14] Companies that on a sound market principles and adequate business environment created by the country, through mergers and acquisitions gained a competitive advantage in the domestic market can achieve that at the international level also and in at least two ways: 1) export of goods and / or technology to foreign markets and 2) internationalization through direct investment in the form of mergers or acquisitions of foreign companies. Export of products[15] in which the companies of one country have a

[12] For example, external growth strategies can be used to achieve the special technological skills. Research shows that in this way the company can expand basic knowledge and reduce inertness.

[13] One must not ignore the role of *clusters* in achieving competitiveness of the national economy. Clusters have the opportunity to develop their specific mix of competitive advantages, based on locally developed knowledge, interpersonal relationships, cultural heritage and other local characteristics and competitive advantages, and put into operation the success of the national economy on the international market. On the other hand, linking businesses through capital leads to creating a holding company or group. From these complex forms of companies are expected to take advantage of the speed of the allocation of resources (capital) in lucrative areas, redeployment and / or the introduction of new organizational parts, possession of funds for research and development activities and thus to make effective and efficient business related enterprises and contribute to strengthening the economy.

[14] Of course, the country needs to realize that it is the size of companies that, at the same time, ensures the existence of dynamism and competition in the domestic market and the competitiveness of national enterprises at the international level.

[15] Especially if these products are sophisticated and if in itself have a significant research and development know-how.

competitive advantage compared to companies from other countries will come to improvement of the position of the national economy at the international level, and raise of the competitiveness of its economy and the growth of social standards. On the other hand, if the company managed through external growth achieved efficient production and sale in the domestic market, and achieved competitive advantage, it may be an incentive to use an established business model for business expansion beyond the country's borders and the establishment of the same or similar business model on an international level. Thus, the tried and tested "recipes" for business growth and development in a market, in this case national, can be applied to a profitable business in other markets. This means that the company will carry out external growth through merger or acquisition of companies in other countries. In this way, through direct investment in an international scope ie. the integration across national borders, it is expected that the company further improves its efficiency in production, marketing, procurement, innovation or technology transfer or provides additional sources of gaining competitive advantages and increasing the value of companies and leads to the improvement of the relative position of the mother country in relation to other countries.

CONCLUSION

The expansion of mergers and acquisitions is evident in all countries with developed market economies and developed financial market. How did the increase in the volume of implemented business integration at the national level happened as well as didin the international level business combination. In the last two years the share of cross-border integration in the value of totaly realized external growth increased significantly. In addition, during the same period, the business combinations between companies on an international level represented the main item of direct foreign investment - more than three quarters of all FDI made cross-border integrations. These data suggest that the internationalization of the business through mergers and acquisitions has become "*the basic characteristics of the global business environment*" and that it would be in the future as well.

The increase in international mergers and acquisitions under globalization impactor is evident. Border markets, goods and capital, and optimum for employing technologies are moved so that management, in an effort to ensure sustainable growth, must operate with more varieties to achieve economies of scale and economies of large. In addition, it will permanently be faced with a dilemma how to in terms of diversity, which includes multiculturalism, realize cost-effective production. In other words, the real problem will be how to reconcile the diversification and mass production, and market segmentation and economies of scale, differentiation and standardization of products, etc. However, the success of the internationalization of the business depends on the consideration of factors that are critical to the success of internationalization. In the focus of management should be placed level of country risk, corporate and universal culture of target companies, characteristics of market segments, the ability to accept multiculturalism, the intensity of competition, etc.

Effective and efficient national economic policy and strategy that promotes competition, innovation, infrastructure development, human capital, etc. and a proactive and interactive management, which provides growth companies through the implementation of mergers and acquisitions has resulted in the creation of competitive advantage at the national level. Companies from certain branches which, taking into account the principles of market economy, achievedthrough external growth competitive advantage in the domestic market, can, through exports and direct investment, achieve that at the international level. The consequence of this is to improve the relative position of the mother country compared to other countries, and competitive advantage of the national economy at the international level. A measure of this is the growth of living standards. It is on the state that these benefits of improving the position of the companies on an international scale, convert into the improvement of its economic and political situation and the situation of its population, and other components of the community.

DRUŠTVENO-EKONOMSKI IZAZOVI RAZVOJA PRIMJENOM PREKOGRANIČNIH MERDŽERA I AKVIZICIJA

Doc. dr Vaso Arsenović

Apstrakt: Tokom poslednje tri decenije došlo je do značajne globalizacija poslovanja. Razlog za to je traganje za novim izvorima konkurentske prednosti, deregulacija tržišta, brzina promjena na globalnom nivou, procesi tranzicije i privatizacije, restrukturiranje, strategijska namjera da se zadovoljavaju potrebe što većeg broja potrošača širom svijeta i dr. U takvoj konstelaciji odnosa na značaju je dobio i eksterni metod rasta preduzeća, odnosno poslovne kombinacije – merdžeri i akvizicije. Kako je došlo do povećanja obima realizovanih poslovnih integracija na nacionalnom nivou, tako su i na međunarodnom nivou prekogranična spajanja, kupovine i preuzimanja preduzeća, kao jedan od oblika internacionalizacije, doživjela ekspanziju i dovela do porasta učešća merdžera i akvizicija kao oblika stranih direktnih investicija.

Kroz merdžere i akvizicije se očekuje da preduzeća isprave greške i eliminišu paralelizam u načinu privređivanja u prethodnom periodu. S druge strane, potrebno je da se na makro nivou balansira između nastanka velikih (džinovskih) preduzeća i postojanja malih (individualnih) biznisa jer obje vrste preduzeća mogu da doprinesu unapređenju privredne aktivnosti. Efektivna i efikasna nacionalna ekonomska politika, uz adekvatnu zakonsku regulativu, i strategija koja

pospješuje konkurenciju, inovativnost, razvoj infrastrukture, ljudskog kapitala i proaktivan i interaktivan menadžment, koji rast preduzeća obezbjeđuju kroz primjenu poslovnih kombinacija, imaju za rezultat kreiranje konkurentske prednosti na nacionalnom nivou. Preduzeća iz određenih grana koja su, uvažavajući principe tržišnog privređivanja, kroz merdžere i akvizicije ostvarila konkurentsku prednost na domaćem tržištu, to mogu, kroz izvoz i strane direktne investicije, čiju najveću vrijednost predstavljaju prekogranične integracije, ostvariti i na međunarodnom nivou. Posledica toga jeste poboljšanje relativnog položaja matične države u odnosu na druge države, odnosno ostvarivanje konkurentske prednosti nacionalne ekonomije na međunarodnom nivou. Na državi je da ove koristi od poboljšanja položaja preduzeća u međunarodnim razmjerama pretoči u poboljšanje njenog ekonomskog i političkog položaja i položaja njenog stanovništva i drugih komponenti društvene zajednice.

Ključne riječi: *merdžeri i akvizicije, internacionalizacija, strane direktne investicije, konkurentska prednost.*

REFERENCES

1. Arsenović, V. (2010): *Izazovi, značaj i elementi strategije implementacije eksternog metoda rasta preduzeća*, doktorska disertacija, Slobomir P Univerzitet, Slobomir, Bijeljina.
2. European Economy, Supplement A, Economic trends, Mergers and Acquisitions, *European Commission Directorate-General for Economic and Financial Affairs*, No. 2, February 1999.
3. European Economy, Supplement A, Economic trends, Mergers and Acquisitions, *European Commission Directorate-General for Economic and Financial Affairs,* No. 5/6, November 2000.
4. European Economy, Supplement A, Economic trends, Mergers and Acquisitions, *European Commission Directorate-General for Economic and Financial Affairs,* No. 12, December 2001.
5. *M&A Review 1998-2009,* Thomson Reuters.
6. *M&A Review 2010,* Thomson Reuters.
7. *M&A Review 2011,* Thomson Reuters.
8. *M&A Review 2012,* Thomson Reuters.
9. *M&A Review 2013,* Thomson Reuters.
10. *M&A Review 2014,* Thomson Reuters.
11. Milisavljević, M., Todorović, J. (2000): *Marketing strategija*, Beograd, Ekonomski fakultet i Institut za tržišna istraživanja.
12. Porter, M. E. (1998): *The Competitive Advantage of Nations,* New York, The Free Press.
13. Rakita, B. (2003): *Međunarodni menadžment,* Beograd, Ekonomski fakultet.
14. Todorović, J., Đuranović, D. (2004): *Osnovi menadžmenta,* Slobomir, Slobomir P Univerzitet.
15. *World Investment Report 2000,* UNCTAD.
16. *World Investment Report 2003,* UNCTAD.
17. *World Investment Report 2005,* UNCTAD.
18. *World Investment Report 2006,* UNCTAD.
19. *World Investment Report 2008,* UNCTAD.
20. *World Investment Report 2010,* UNCTAD.
21. *World Investment Report 2012,* UNCTAD.
22. *World Investment Report 2014,* UNCTAD.
23. http://europa.eu
24. http://unctad.org