

Integration of Innovative Enterprise Mergers and Acquisitions from the Perspective of Business Model Innovation

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Abstract: Aiming at the problems of low profitability, low resource utilization rate, low degree of system optimization and low degree of employee identification in the process of merger and integration of innovation-oriented enterprises, this paper uses two methods of common law and business model innovation perspective to compare the profitability, resource utilization, system optimization and employee identification of two innovation-oriented enterprises before and after merger and integration. From the perspective of business model innovation, the overall resource utilization rate of M company's M&A within 5 months is about 12.29% higher than the general method of M company's M&A within 5 months. From the perspective of business model innovation, the overall resource utilization rate of enterprise N after 5 months of merger and integration is about 12.58% higher than that of enterprise N after 5 months of merger and integration under the ordinary method, with higher profitability, higher degree of system optimization and higher employee recognition. The introduction of business model innovation perspective in the merger and integration of innovative enterprises can improve the profitability of enterprises, resource utilization, and system optimization and employee identification. It can be seen that business model innovation can better solve the merger and integration problem of innovative enterprises, so that innovative enterprises can get better development.

Keywords: Business Model, Innovative Companies, Mergers and Acquisitions, Integration Issues

1. Introduction

Corporate mergers and acquisitions are a high-risk and high return business activity, and many companies want to achieve their corporate goals through mergers and acquisitions. Although today's wave of mergers and acquisitions is surging, the success rate of mergers and acquisitions transactions is not high [1-3]. The main reason for the failure of enterprise mergers and acquisitions is the neglect of the integration ability in the process of enterprise mergers and acquisitions. For a company that is about to implement a merger and acquisition strategy, cultivating its merger and acquisition integration ability is more important than cultivating its financial strength [4-6]. This article explained the importance and necessity of studying the integration of innovative enterprise mergers and acquisitions, and provided a detailed introduction to the perspective of business model innovation. This article also compared and explained the different research solutions for the integration of innovative enterprise mergers and acquisitions from the perspective of ordinary methods and business model innovation. This article is based on the perspective of business model innovation. Compared to ordinary methods, this method can promote better solutions to the integration problem of innovative enterprise mergers and acquisitions.

2. Integration Issues in Innovative Enterprise Mergers and Acquisitions

In the fierce market competition, a company can only survive through sustained growth. Generally, there are two ways for a company to grow: one is through self-rolling growth, and the other is through outward expansion, which is the implementation of mergers and acquisitions. Enterprise merger and acquisition is a behavior that accompanies the birth and development of enterprises. It is a product of socialized production [7], a product of market competition, an effective way to improve the efficiency of social resource utilization, and an important force in promoting social development. Enterprise merger

and acquisition is a general term for enterprise mergers and acquisitions. In a mature economic operation system, there are more and more mergers and acquisitions activities between companies. It has become an important feature of the normal metabolism of an economic unit in the process of rapid economic development [8]. In the process of gradually constructing and improving the modern enterprise system, enterprise mergers and acquisitions are an effective way of capital management. It plays an important role in enhancing the competitiveness of enterprises, promoting the adjustment of industrial structure, and optimizing the allocation of social resources. Before conducting mergers and acquisitions, companies often conduct a series of feasibility analyses, which are often based on limited knowledge and understanding of the target company. The analysis criteria are difficult to match with the reality after the acquisition, which means that expectations before the acquisition often need to be adjusted and changed according to the actual situation. To adapt to this change, the post-acquisition integration process should be quite flexible. Successful M&A integration involves setting goals and reconfiguring the cultural system to align it with business objectives.

Integration is a relatively new concept in enterprise mergers and acquisitions. Integration in mergers and acquisitions generally refers to the systematic arrangement of assets, personnel, and other business elements after the acquiring company obtains ownership, capital, or operational control of the target company. This allows the merged company to organize its operations according to the specific goals, policies, and strategies of the merger. In mergers and acquisitions, integration is usually defined as the merger of two companies into a single entity, guided by the strategic vision and perspective of the management of the acquiring company on the nature of the business after the transaction. Merger and acquisition is an activity involving the merger of several companies, while integration is the process of adjusting the various components of a company to integrate them. The purpose of merger and acquisition is to expand its scale by utilizing the target company to achieve commercial goals. Therefore, obtaining control over the target company through a series of procedures is only half of the acquisition target. Once acquired, the target company must be integrated to align its operations with the company's overall strategy and operations. M&A decision-makers need to simultaneously understand the strategic logic and effectiveness of M&A measures. The true key to successful M&A lies in how to implement the measures, and cultural integration between the acquiring party and the acquired party remains the key to successful M&A. Figure 1 shows the types of innovative enterprise mergers and acquisitions integration.

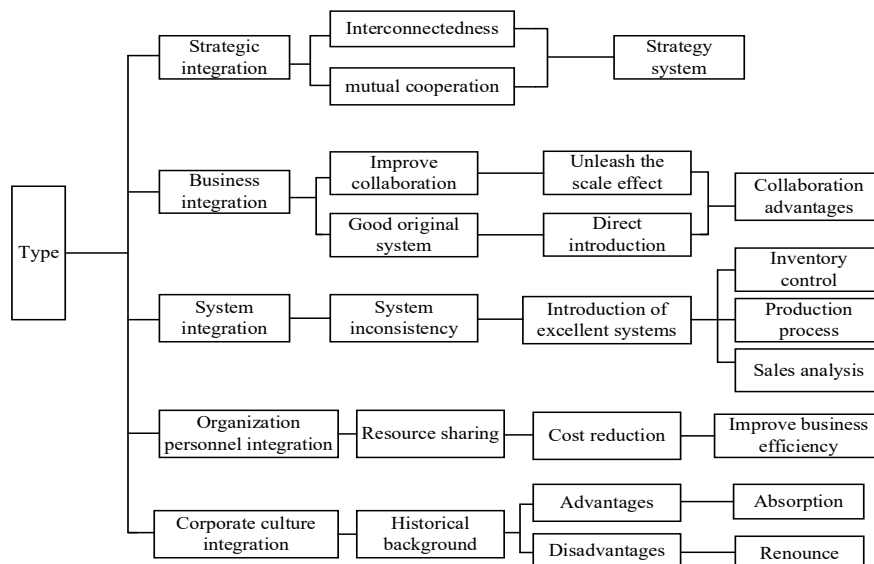


Figure 1: Types of mergers and acquisitions integration for innovative companies

Merger and acquisition integration involves various aspects of the enterprise. It is an artistic process of integrating two different enterprises into one. The basic connotation of M&A integration should include three levels: Firstly, the ultimate goal of enterprise M&A integration is to create and improve the value of the company, and this value creation needs to be completed through the protection of the company's capabilities; In addition, it promotes the transformation of enterprises from heterogeneity to homogeneity, and strengthens the control and coordination of these resources by enterprise managers; The integration after the final merger not only includes the tangible resources of the merged company, but also includes the integration of intangible resources, especially knowledge. In today's corporate mergers and acquisitions activities, most companies have some problems in the integration process

after mergers and acquisitions. The success or failure of a merger not only depends on whether the acquired company has the ability to create value, but also on the integration after the merger. If there are deviations or inadequate measures in the execution of various business processes of the acquired enterprise, it may lead to the failure of the merger. Therefore, in the entire process of mergers and acquisitions, the post merger integration management becomes particularly important. Figure 2 shows the reasons for the integration problems of innovative enterprises.

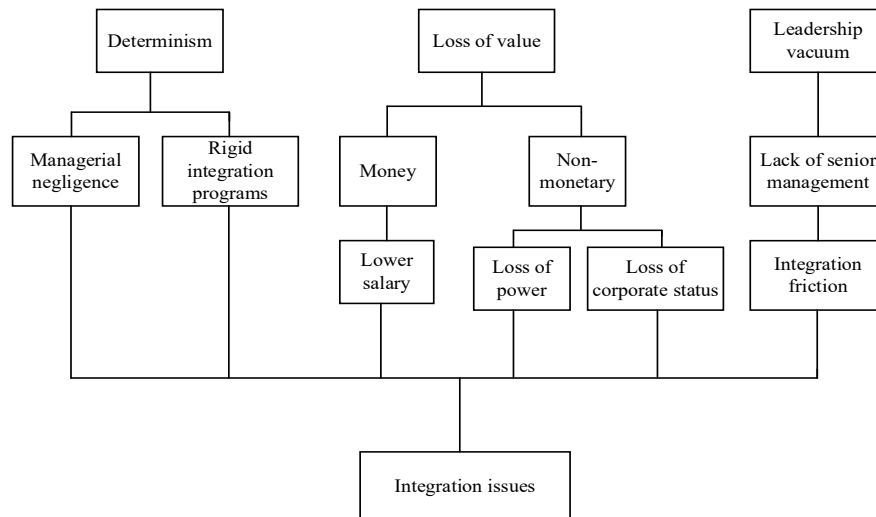


Figure 2: Reasons for the emergence of integration problems in innovative companies

2.1 Main Problems in Post Merger Integration of Enterprises

Enterprise mergers and acquisitions inevitably lead to various problems, and the instability caused by these problems is not only the driving force for change and adjustment, but also the requirements and challenges posed by management. In general, the common characteristic of enterprise merger and acquisition integration is the lack of analysis and research on the advantages and disadvantages of vulnerable enterprises, and the lack of effective integration of problems that arise in various aspects of their production and operation. This is also the main characteristic of enterprise merger and acquisition integration at present. In the process of operation and integration after mergers and acquisitions, if these issues are not properly addressed, it would lead to the failure of the merger and acquisition. The main problems are as follows:

2.2 Lack of Strategic Thinking and Planning

The most important thing for the success of enterprise mergers and acquisitions is to have a comprehensive enterprise merger and acquisition integration plan, while also taking into account factors such as differences between enterprises, comparison of strength between both parties, cost of merger and acquisition integration, and possible length of integration time. At present, there is a great deal of arbitrariness in mergers and acquisitions integration among enterprises, and it is only superficial and has not undergone in-depth strategic thinking. The goal of enterprise merger is only superficial and simple scale expansion, without considering whether the merger parties can coordinate with each other in terms of business direction and corporate functions.

2.3 Failure to Integrate Business Operations

The integration of the company's operation and management has a direct impact on the success of mergers and acquisitions. The company must reorganize production and marketing management, reduce duplication of institutions, and divest business units that do not meet the company's strategic objectives. This can reduce internal competition and duplicate expenses within the company, reduce production costs, and thereby enhance the company's competitiveness. If the mentioned business management issues cannot be effectively addressed, the enterprise may not only not improve its own strength after mergers and acquisitions, but may also lead to a decrease in its own strength.

2.4 Certain Risks in Integrating Human Resources

When enterprises carry out mergers and acquisitions activities, they would encounter many uncertain factors, which can lead to various changes in the human resources of the enterprise. These changes would bring potential losses to the enterprise. Human resource changes mainly refer to the loss of human resources, especially the loss of core talents and changes in the company's organizational structure caused by mergers and acquisitions, resulting in a decrease in the value of existing human resources. The loss of talent is a fatal blow to mergers and acquisitions, as executives and employees come from different organizations after the merger. Their corporate culture is also completely different, so their values are also vastly different, which leads to a more complex and risky merger of human resource management compared to general human resource management.

2.5 Conflict Issues between Management Models and Systems

In terms of management methods, management systems, and other aspects, both parties to the merger and acquisition must go through a very difficult and relatively long adaptation process. When a company's governance structure is too loose and another company is accustomed to centralized control, many problems may arise during the operation of the two companies after the merger, and in severe cases, it can have a significant impact on the normal operation of the enterprise. Appropriate integration strategy measures can be adopted to enable enterprises to quickly adapt and integrate their business and management models after mergers and acquisitions. This can further enhance the competitive advantage of enterprises and enhance their core capabilities, which is the main problem that managers need to face after mergers and acquisitions. The integration of management methods and operational systems involves many factors, and if this issue is not handled properly, it would have a significant impact on the company.

2.6 Difficulties in Cultural Integration

With the development of M&A activities, many M&A companies have realized the necessity and importance of cultural integration, but there are still some problems in the process of implementing cultural integration. The integration of corporate culture is a multi-level, enterprise value centered, strategy, organization, system, style, and image centered multi comprehensive restructuring process. However, in the cultural integration behavior after corporate mergers and acquisitions, the material and institutional aspects of cultural integration are more likely to receive attention from enterprises, while the values and spiritual aspects of cultural integration are easily overlooked. Some companies are eager to release a series of operational management regulations and norms after mergers and acquisitions, attempting to unify the thinking and behavior of employees. However, during the implementation process, they have encountered many obstacles, some of which even cannot be implemented, becoming a piece of waste paper. It is obvious that only by truly integrating the management system into the ideological consciousness of every employee and internalizing it as a conscious self-discipline behavior can enterprises truly build a unified institutional culture.

3. Business Model Innovation Methods

Business model refers to the optimization of market strategies and customer service levels by restructuring business processes and effectively utilizing key internal and external resources at a certain level of technology, in order to achieve sustained profitability. There is a interdependent relationship between value proposition and profit acquisition. Only with value proposition can enterprises support customer experience by optimizing and restructuring processes and resources. However, without sustained profit support, enterprises cannot survive. Similarly, if one blindly pursues immediate benefits, then this business model would be like a crumbling high-rise building destined to be destroyed. Business processes, key resources, market strategies, customer service, etc., are the supporting elements for value proposition and profit acquisition. Without these elements, enterprise value proposition and profit acquisition cannot be discussed. At present, society has evolved from a traditional management economy to an innovative economy. Innovation in the business models of innovative enterprises is the fundamental driving force for building an innovative economy and an innovative society. With the continuous development of information technology and the network economy, the business environment faced by enterprises has undergone significant changes, which have had a profound impact on their production and operation. In order to enhance market

competitiveness, many enterprises have begun to shift their focus to business model innovation. The content of business model innovation mainly includes re mining customer value propositions, promoting the restructuring and management of key business processes, improving the utilization efficiency of key resources, and expanding the profit space of the enterprise. Business model innovation has an increasing impact on the position of enterprises in market competition. Some enterprises can build their own unique dynamic capabilities by selecting appropriate business models, thus creating huge market value, transforming them into competitive advantages of enterprises, and making them sustainable.

The construction process of the common method:

Firstly, indicators need to be identified:

- a) Profit Margin: Net profit divided by sales revenue. Profit Margin = Net Profit / Sales Revenue.
- b) Market Share: The proportion of a company’s sales in a specific market to its total sales. Market Share = Enterprise Sales / Total Market Sales.
- c) Sales Growth Rate: It measures the growth rate of the company’s sales. Sales Growth Rate = (Current Period Sales - Previous Period Sales) / Previous Period Sales × 100%.

Today, competition between enterprises is no longer just about product competition, but more about a business model competition. Faced with the increasingly complex and rapidly changing market environment, under the conditions of the network economy, enterprises need to constantly adapt to this change, constantly transform and innovate business models. Business model innovation is different from technological innovation, product innovation, etc. In a sense, it is a disruptive creative activity for enterprises to obtain customer value, a normalized path for strategic transformation, and an effective way to enhance core competitiveness. From a strategic perspective, business model innovation is considered a “strategic change” and “creative destruction” aimed at creating consumer demand and increasing the competitive advantage of enterprises. The business model perspective focuses on the changes in business model elements and frameworks, as well as the resulting changes in value creation logic. In terms of operational element innovation, it believes that business model innovation essentially refers to the innovation and change of value creation, that is, the change of elements and frameworks. Figure 3 shows the perspective of business model innovation.

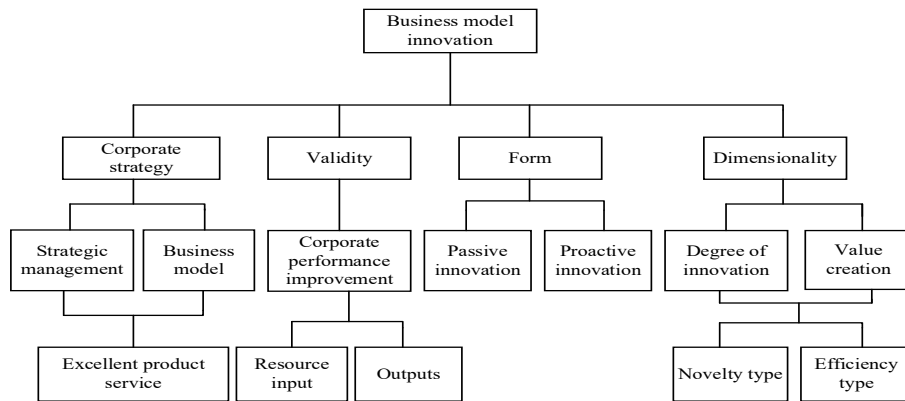


Figure 3: Business model innovation perspective

3.1 Value Return of Innovative Enterprises after Merger and Integration from the Perspective of Business Model Innovation

Enterprise merger and acquisition is a very complex task, which includes information investigation and value evaluation before the merger and acquisition, negotiations between the two parties on payment methods, interest rate fluctuations, management arrangements, and integration after the merger and acquisition. Therefore, the full use of historical data can be used to estimate the value of enterprises. From the perspective of business model innovation, the value formula for innovative enterprises after mergers and acquisitions integration is:

$$P_t = P_k + X_t(P_a - P_k) + W_t \tag{1}$$

W_t is the error value and X is the coefficient

3.2 Actual Return Rate of Innovative Enterprise Mergers and Acquisitions Integration from the Perspective of Business Model Innovation

$$M_i = \frac{N_i - N_{i-1} + F_i}{N_i} \quad (2)$$

Among them, M_i is the actual rate of return on innovative enterprise mergers and acquisitions integration at moment i, and N is the actual income.

3.3 Capital Asset Pricing Model For Innovative Enterprise M&A Integration from the Perspective of Business Model Innovation

$$Y_a = d_v + [Y_c - Y_v] \quad (3)$$

d is the cost.

3.4 Resource Utilization Rate of Innovative Enterprise Mergers and Acquisitions Integration from the Perspective of Business Model Innovation

$$R_x = \sum H(x, y)d \quad (4)$$

The construction process of a business model innovation perspective: The relevant theories and frameworks of business models are studied, such as the business model canvas. The various elements of a business model are analyzed and described in detail, including value proposition, customer segmentation, revenue model, resource allocation, etc. Then, the business model before and after the business merger is analyzed, and the business model canvas tool is used to fill in the enterprise's business model elements in the canvas for comprehensive analysis and comparison. Next is the value proposition: The changes in the value proposition of a company before and after a merger, where the core features of a product or service and the value obtained by customers are evaluated. The next step is customer segments: Whether the target customer group of the enterprise has changed before and after the merger, and how to meet the needs of different customer groups is analyzed.

Revenue model: The revenue model before and after a business merger, that is, how to obtain revenue, such as product sales, subscription models, advertising, etc., is compared. Resource allocation: The resource allocation strategy before and after a business merger, including changes in human resources, material resources, technology, etc., is analyzed.

At the same time, business model innovation evaluation is required: that is, to evaluate the impact of business model innovation on corporate performance, and indicators such as revenue growth rate and profit growth rate can be considered. By comparing the business models and performance indicators before and after the merger, the impact of business model innovation on the enterprise is analyzed. Statistical analysis methods can be used to draw charts. The data before and after the merger are compared and significance tests are conducted to determine whether the changes were statistically significant.

4. Comparative Analysis of Innovative Enterprise Mergers and Acquisitions Integration

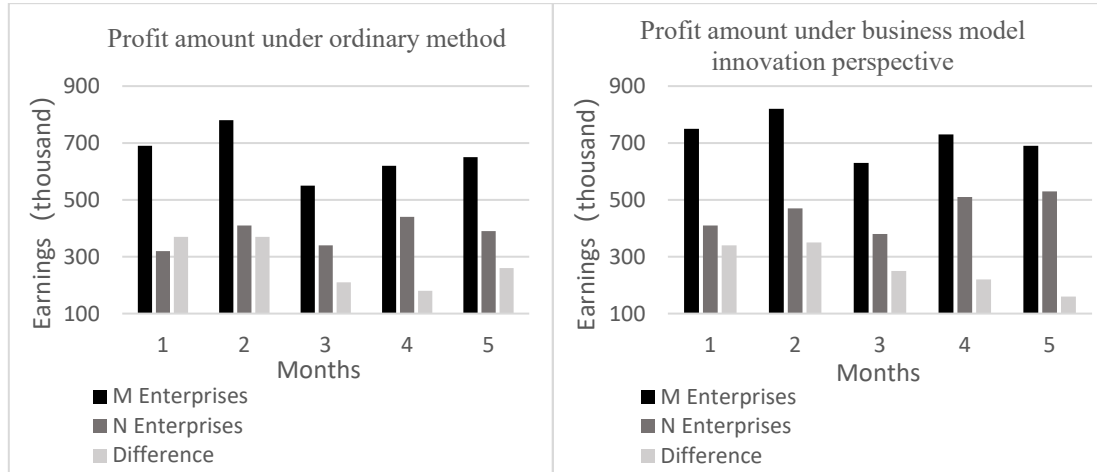
In order to verify the superiority of the perspective of business model innovation in the integration of innovative enterprise mergers and acquisitions, this article selects two methods: the ordinary method and the perspective of business model innovation. Two innovative enterprises (M, N) are used as samples to compare their profits, resource utilization, institutional optimization, and employee identification before and after the merger and integration. The experimental data is recorded and analyzed.

Based on the results of business model analysis and evaluation, the impact of business model innovation on enterprise performance is explained, and its advantages and potential technological

contributions are explained. How business model innovation can enhance enterprise competitiveness, increase market share, and enhance profitability is explained, and the risks and challenges that business model innovation may face, as well as how to respond to these challenges, are discussed.

4.1 Enterprise Profitability

This article compares the profitability of two companies after merger and acquisition integration for five months, as shown in Figure 4.



a: Based on ordinary method

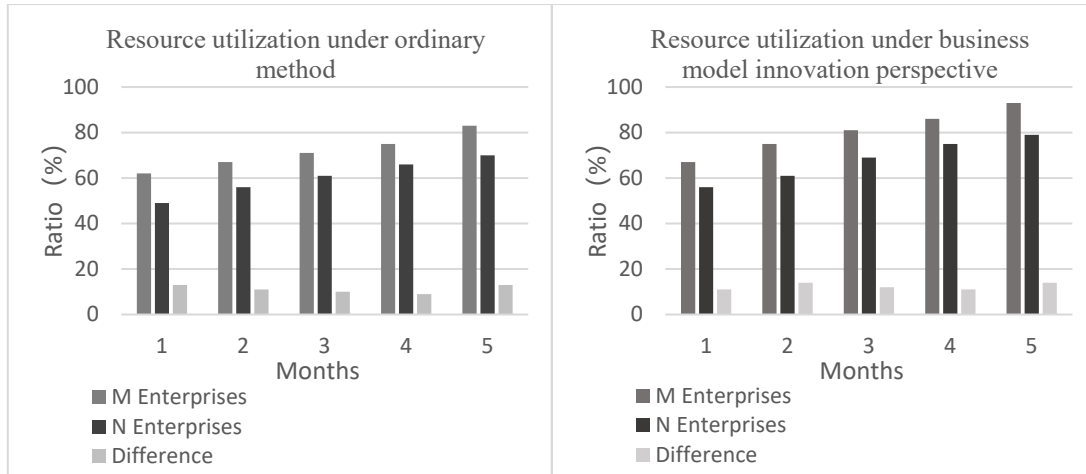
b: Based on business model innovation perspective

Figure 4: Earnings for five months after the merger and integration of the two companies

From Figure 4, it can be seen that under the ordinary method in Figure 4a, the profits of M company after M&A integration for five months were 690000, 780000, 550000, 620000, and 650000, respectively. The profits of N company after M&A integration for five months were 320000, 410000, 340000, 440000, and 390000, respectively; In the perspective of business model innovation in the figure 4b, the profits of M company after M&A integration in the five months were 750000, 820000, 630000, 730000, and 690000, respectively. The profits of N company after M&A integration in the five months were 410000, 470000, 380000, 510000, and 530000, respectively; Therefore, it can be concluded that from the perspective of business model innovation, the five month profit after M&A integration of M and N enterprises is higher than the five month profit after M&A integration of M and N enterprises using ordinary methods. It indicates that the perspective of business model innovation can better enhance the profitability of enterprise mergers and acquisitions integration than ordinary methods. Innovative enterprises should pay attention to the fact that when a losing company is acquired, its products are usually already losing money when conducting mergers and acquisitions from the perspective of business model innovation. So Therefore, it is usually necessary to make adjustments, especially product adjustments, cancel loss making production lines or products, increase investment in profitable product lines or categories, and adjust product structure to improve the company’s profitability. In addition, due to public policy considerations, supply and distribution activities also need to be adjusted accordingly, especially in the case of vertical mergers and acquisitions. Companies usually need to restructure their supply and distribution systems after the merger agreement to optimize the company structure and improve profitability.

4.2 Enterprise Resource Utilization Rate

This article compares the resource utilization rate of two companies (M, N) after five months of merger and acquisition integration, as shown in Figure 5.



a: Based on ordinary method

b: Based on business model innovation perspective

Figure 5: Corporate resource utilization after merger and integration of two companies

From Figure 5, it can be seen that in Figure 5a, the resource utilization rates of M company after five months of M&A integration under the ordinary method were 62%, 67%, 71%, 75%, and 83%, respectively. The resource utilization rates of N enterprise in the five months after M&A integration were 49%, 56%, 61%, 66%, and 70%, respectively; In Figure 5b, from the perspective of business model innovation, the resource utilization rates of M company after M&A integration for five months were 67%, 75%, 81%, 86%, and 93%, respectively. The resource utilization rates of N enterprise in the five months after M&A integration were 56%, 61%, 69%, 75%, and 79%, respectively. From this, it can be concluded that from the perspective of business model innovation, the resource utilization rate of the two companies after five months of merger and integration is higher than that of the two companies after five months of merger and integration under ordinary methods. It indicates that the perspective of business model innovation can better improve the resource utilization rate of enterprise mergers and acquisitions integration.

In addition, based on the data in the figure, it can be calculated that the overall resource utilization rate of M Company after M&A integration was 71.6% in the five months under ordinary methods, and 80.4% in the five months after M Company M&A integration from the perspective of business model innovation. Therefore, from the perspective of business model innovation, the overall resource utilization rate of M company's M&A integration within five months has increased by about 12.29% compared to the overall resource utilization rate of M company's M&A integration within five months under ordinary methods; Under normal methods, the overall resource utilization rate of N enterprise after five months of merger and integration is 60.4%. From the perspective of business model innovation, the overall resource utilization rate of N enterprise after five months of merger and integration was 68%. Therefore, from the perspective of business model innovation, the overall resource utilization rate of N enterprise after five months of M&A integration has increased by about 12.58% compared to the overall resource utilization rate of N enterprise after five months of M&A integration under ordinary methods.

4.3 Identification among Enterprise Employees

This article compares the employee identification scores of Company N after five months of merger and acquisition integration, as shown in Table 1.

Table 1: Employee identity scores of N companies after Mergers and Acquisitions Integration integration

	1	2	3	4	5
Under the common method	3	5	4	2	3
Business Model Innovation Perspective	6	6	5	7	5
Difference	3	1	1	5	2

From Table 1, it can be seen that under the ordinary method, the recognition scores of employees in the N company after five months of M&A integration were 3 points, 5 points, 4 points, 2 points, and 3 points, respectively. From the perspective of business model innovation, the employee recognition

scores of N Company after five months of merger and integration were 6 points, 6 points, 5 points, 7 points, and 5 points, respectively. From the perspective of business model innovation, it can be concluded that the employee identification scores of N enterprise after five months of merger and integration are higher than those of N enterprise after five months of merger and integration under ordinary methods. Therefore, the perspective of business model innovation is more conducive to enhancing employee identification in innovative enterprises after mergers and acquisitions integration. When innovative enterprises carry out M&A integration activities with business model innovation as the entry point, they need to pay attention to the cognitive consistency of employees towards the future development of the enterprise, and enhance information exchange with employees through integration with human resources. The information obtained by the enterprise can be transmitted to employees in a timely, accurate, and complete manner, enhancing the transparency of integrated information, enhancing employees' trust and support for leaders, especially in terms of job adjustments, promotions, welfare benefits, etc.

5. Conclusions

The integration of enterprise mergers and acquisitions is essentially the operation of a complete set of management ideas and methods, and the integration effect after mergers and acquisitions would directly affect the effectiveness of the enterprise's mergers and acquisitions. For a company preparing for mergers and acquisitions, the cultivation of its core competitiveness is far superior to the cultivation of its capital strength. If people only focus on the appearance of enterprise mergers and acquisitions and ignore the integration after mergers and acquisitions, it would inevitably deviate from the essence of mergers and acquisitions and the ultimate goal of mergers and acquisitions. In summary, in the process of a company's merger and acquisition, if there is no integration after the merger, then pure company buying and selling would not have substantial significance. This article was based on the perspective of business model innovation to study the integration of innovative enterprise mergers and acquisitions. It elaborated on the importance and necessity of studying the integration of innovative enterprise mergers and acquisitions, as well as related technical methods. It focused on the research and implementation plan for the integration of innovative enterprise mergers and acquisitions from the perspective of business model innovation. This article studied the integration of innovative enterprise mergers and acquisitions from the perspective of business model innovation, which can further promote the resolution of the integration problem of innovative enterprise mergers and acquisitions, and enable innovative enterprises to achieve better development in the process of mergers and acquisitions integration.

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