

# Changing Competitive Circle and Business Growth Strategy

İbrahim Akgöbek

**Abstract**—The century we live, has seen the rapid spread of developments in every corner of the world by globalization and information technologies. The spread is cause of becoming a single market place of the whole world; thereby the realization of all economic activity in a single market on the earth's surface and area of the competitiveness of enterprises is narrowing. Continuously increasing of the pressure of competitive While a world is reducing increases the importance of scale enterprises for competitive advantage. The growth which is the overall objectives of enterprises changed the quality from being objective to necessity and began to be effectively in the economic arena based on the rule of nature “big fish eat little fish”.

Growth because of a force that reduces unit costs, is a process that usually have positive effect on operational effectiveness. Goods and services increasingly resemble each other, lost the effect of the traditional marketing methods, buying behavior in new economic system where the conductivity of consumers is increases, often shaped by cost / benefit ratio. Price has become the most important element that distinguishes Products among with low income consumers which constitute the majority of the world's population and this situation forced businesses to reduce costs through economies of scale. The most basic way of achieving economies of scale is also growth.

**Keywords**—Globalization, Growth, Mergers and Acquisitions, Strategy

## I. INTRODUCTION

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İbrahim Akgöbek is with the Department of Management and Organisation, Selçuk University, Konya, TURKEY

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## II. CHANGING COMPETITIVE ENVIRONMENT AND BUSINESS GROWTH

Phenomenon of globalization that accelerated since the last quarter of the century by advances in technology and showed the first signs at the beginning of the 20th century, have led to the emergence of economically, politically and socially important developments all over the world [1]. The World is under the influence of a trend that seems impossible to avoid called “globalization” whether regarded positively or negatively, even though many opinion and about the effects, the emergence and content.

The concept of everyday life has a very wide area affected by the national politics, international relations. One of the most important developments that induced by globalization, is change in the ways of doing business. Businesses are forced to follow an effective growth strategy to get a share from markets where increasingly intense of competition, especially from the result of globalization and technological advances.

### A. Changes in Globalization Paradigm

Today one of the biggest developments in the domain is globalization, was forced to find new solutions to keep pace for market and competition structures that changed companies and caused by changes in the structure of competition. Developments in information and communication technologies and legal arrangements within the scope of globalization opened the way of associations for companies.

#### - The Concept of Globalization

In the review of academic and everyday uses of the word globalization, these are the main uses of this word:[2],The most common use of Globalization is closely related to the concept of "international relations". In this sense, globalization means dependence and increasing their relationships between each other of different countries and people living in these different countries. There is no need for a new clutch if the globalization detected in this way. Because, about 500 years, cross-border relations are carried out since the emergence of

state systems even the cross-border relations are increased in recent years. However, if uses in a manner which “ascribe order and a new process directed by connection that combined large part of social life, national cultures, national economies and national borders that have been resolved without limiting the concept by cross-border relations, the meaning of related to will be undisclosed with the concept of international relations.

*- Causes of Globalization*

Many factors’ influence has been in the emergence of the process of globalization. These factors can be categorized into three groups with the main titles [3].

- ✓ Technological Factors: Today, information technologies that gaining popularity by getting cheaper with an extraordinary rapid, exchange between nations accelerates the global transformation. Communication and explosion in computer power, has accelerated the power of global financial markets.
- ✓ Ideology Factor: Especially after the collapse of the Eastern Bloc increased sense of confidence to the the liberal market economy. Indeed, despite of all the costs in a short time, former planned / statist economies have engaged in an effort to exploit the opportunities of free tradeand foreign capital in the process of market mechanism. In other words, one of the greatest obstacles of globalization has been exceeded after the destruction of the walls.
- ✓ Economic Factors: The development process of globalization, having increased volumes of economic activities in search of Opening foreign markets especially after the crisis of the 1970s, saturation of domestic markets in developed countries, are the Some economic factors that brings out of the globalization process

*B. Business Growth*

Growth in Business literature represents quantitative and qualitative development of the enterprise. Digital development, in other words volumetric development, represents the quantitative increase in capacity utilization according to the business (production quantity), sales revenue, product diversification, the size of the source (the number of employees, capital size, etc..) and asset size (size in investments). But growth as an attribute relates quality development of the business elements. It is difficult to express the development as numerical. But it could be argued that, assumption that shows in numerical development of a growing business as an attribute, with quality development in a sense, the numerical growth have a same results [4].

Enterprise size defined as the capacity and the volume of economic activity of businesses is not an easy matter to determine in real Despite to specify a concrete integrity it. Measurement of the size of the business is based on certain criteria. They are listed as follows: [5]

- Book value of total assets of the business,
- Enterprise value of the business on the market,
- Total sales volume of business,
- The total workforce number of enterprises,

- The degree of organizational complexity,
- Investment and production volume.

*-The Reasons Pushed Business to Grow*

Growth is a natural development for all living things. It is naturally to be established and into growth process and extremely important for the existence of business, according to that Business is also similar to living organism. Businesses are forced to grow with various reasons.

The purpose of the growth in business is to provide development opportunities of business before their competitors and to help the resistance and give easy struggles in the moment when face to face with difficulties. Also, deciding to expand the business is an indication of the importance given to him by the owners and managers. To aim Business growth, imposes the necessity of fitting order to changes and innovations in future more than having the opportunity to better recognition of environment and operate the established order of managers [6].

When we look to the main reason that lies behind the growth demands of businesses, we can see that businesses have shown an overall similarity with the objectives of these reasons. Making a profit, existence of a desire to continue and social responsibility are in the beginning of these objectives.

*- Business Growth Strategies*

Growth of businesses happens in many ways. For this reason, growth strategies show variety in small, medium and large enterprises. Business can grow by purchasing other enterprises with their own internal facilities or by combining resources with other operators. Growth strategies, divided into the organic and inorganic, like the inner and outer growth [7]. Intensive growth strategy, diversification strategy and the modernization strategy are the organic strategies that applied by management. Merger strategy and co-investment strategy the inorganic strategies that applied by management.

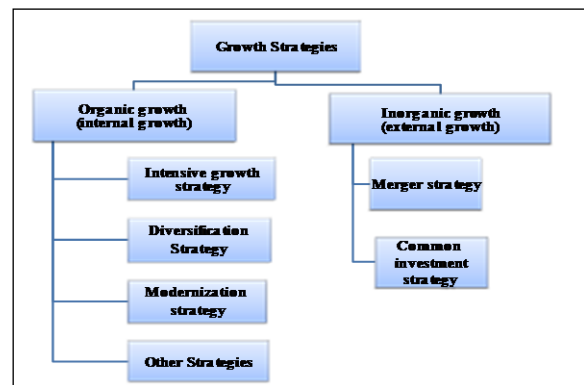


Fig. 1 Growth Strategies in Business

Also be understood from the Figure 1 growth strategies of companies analyzed with the most general expression in two groups such as internal growth and external growth strategies.

*- Organic Growth (Internal Growth)*

This growth accomplished through the expansion of existing activities. Usually, businesses engage in the process of inner growth based on their own resources. Sources of

financing needed in this process include: auto financing, debt or finding new methods of capital [8].

Intensive growth, diversification and modernization strategies being used in the management of internal growth.

- *Intensive Growth*

Both internally and also non-business growth strategies of enterprises, Ansoff was collected under four groups intensive growth strategies or strategic opportunity matrix, by Ansoff [9].

- ✓ Strategy of growth through market penetration: Strategy of entering in-depth with existing products to the present market.
- ✓ Strategy of growth through Market development: Place of business strategies that effort to increase sales of existing products by offering into new markets.
- ✓ Strategy of growth through product development: strategy that Develop new products for existing markets of business
- ✓ Diversification Strategy: The strategy of entering new markets with new products.

- *Diversification Strategy*

Diversification strategy is a growth strategy implemented in enterprises wishing to get a return above the average by entering new business areas and taking advantage of opportunities there[10].

- *Modernization Strategy*

Modernization strategy aimed to development of technology for Increase production, improve quality, reduce production costs this strategy carried out in the form of replacing product of old technology that was outdated, antiquated machinery and equipment with new technologies to keep pace with the times.

- *Inorganic Growth*

Business, perform growth and development only with their own efforts and resources, also can provide this using the resources of other businesses operating inside or outside of country. Growth and development is expressed in both at home and outside the country, to take advantage of resources and capabilities inside or outside of country for business with the concept of external growth [11]. In this section is given only strategic alliances from varieties of inorganic growth.

- *Strategic Alliances*

Strategic alliance between Businesses described as to bring together common purposes of physical and human sources of two or more businesses [12]. According to the other definition, strategic alliance can defined as: “cooperate based on agreement to achieve their important certain objectives, using together only certain assets and the capabilities, without setting up a business under a new name and identity” [13].

- *Growth Through Mergers and Acquisitions With Other Businesses*

Company Association, referred to the emergence of a new structure in the form of legal structure, losing the legal nature of business more than one. Business in the procurement process adds Assets of another business’s in its structure. In this case, business that bought and sold lost the legal nature. In

business combinations and procurement, the merger of enterprises in the range of production and sales is vertical merger, while merger of enterprises working in the same activity field is horizontal merger. In addition, enterprises in different spheres of activity can be mergering in order to strengthen the weak areas of each other [14].

III. COMPANY MERGERS AND ACQUISITIONS

Nowadays that left us to produce new solutions, mergers and acquisitions in the context of strategic partnership is the most prominent way of solution for keep pace with the company’s competitive conditions and changing market for Globalization.

In this section corporate mergers and the conceptual framework of acquisitions are described together with basic features, objects and types.

- *Company Merger and Acquisitions Conceptual Framework*

Cyclical developments, forcing the formation of strategic alliances between companies in the world economy. When Information and communication era takes shape, changes the existing markets with dramatic way and branches of industry has built a new order; this makes to start a race between Contestants who has the highest mobility of the world [15]. Even though the innovations of technology an important factor in the competitive environment in the process of creation and growth, companies have turned to companies marriage to reach international markets or to improve the strength against other competing, because of the beginning to look like each other in quality and price of products saturated markets[16].

The last ten years Mergers and acquisitions (mergers and acquisitions - M & A) have become very dominant among the forms of doing global business. Especially from 1998, after big mergers such as Exxon and Mobil, the worldwide value of mergers and acquisitions began to increase [17].

- *Basic Features of Mergers and Acquisitions*

Certain important facts in business combinations are [18]:

- The combined businesses will end the legal personality and former business identity
- The combined business comes in like a new and independent business to market.
- Mergers, usually done within the mutual desire and agreement.
- Mergers, takes a relatively under equal conditions. Here, the same conditions are not in the sense that equal shares 50%-50% of the shares or partnership. Very big and rich a business with a small business, but with high capabilities, create new and an independent business with the 90% - 10% share of a partnership relatively on equal terms.

When we look at the development of capitalism in a historical perspective, this phenomenon does not seem at all new even we live the boom in company mergers and purchases. B & S’s that remains timely for over 100 years From initial periods of industrialization, watching the cyclic / fluctuating in parallel to the cyclic development of the capitalist economies. Today, suggested that we live in the fifth waves of B & S waves. Within the framework of the historical

development of mergers, acquisition waves and strategic objectives are seen in the table below [19].

#### - Objectives of the Company Mergers and Acquisitions

Causes of business size or increase in scale of the production Of Companies, the positive effects provided in theirs called economies of scale. In other words, effect of "economies of scale" is called to positive results of the savings that provided by increasing of production and productivity, reducing costs, elements of caused by the size of the firms [20].The following table shows the results of the research on companies conducted by Watson Wyatt Worldwide in "Research on Mergers and Acquisitions, Europe"

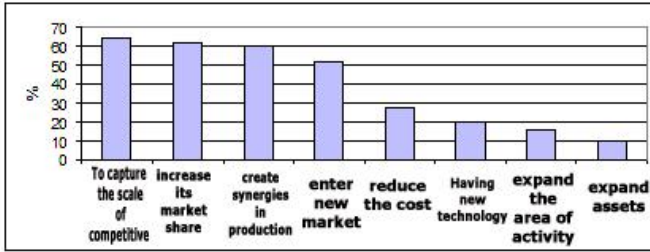


Fig. 2 According To Research By Watson Wyatt Reasons For Mergers And Acquisitions

#### - Types of Company Mergers and Acquisitions

By the combined or purchased and received area of activity of companies may be mentioned three basic types of mergers.

#### - Horizontal Mergers

Created by Operating in the same line of business and the merger of companies competing with each other. Horizontal mergers are tightly controlled by governments because of the adverse effects on competition [21]. Mergers and acquisitions order to increase market share in high rates and its scale that may prevent competition in the market as a result depends on the permission of the authorities.

Because competitive businesses that could become monopoly or dominant power through mergers or acquisitions in the market, can prevent competition in the market and disturb the structure of market and the price mechanism with effectively prevailing conditions. In modern market economies are usually not allowed to damage the free market economy [22].

Factors that Directs Enterprises to such process:

- Increase market share,
- Create a monopoly in the market or to raise the degree of integration,
- Take advantage of economies of scale.

Daimler Chrysler, VW-Rolls-Royce and BMW-Rover merger are the horizontal mergers in the automotive industry.

#### - Vertical Mergers

Mergers or acquisitions between firms within supply chain, or in the same sector, in the market, are called vertical mergers and acquisitions. In the supply chain, mergers or acquisitions with other businesses that distributes products business, for the consumer market, named as "forward-looking vertical mergers or acquisitions", and mergers or acquisitions with businesses That perform undertaking supply activities for the supplied market, providing inputs of business is defined as "backward

vertical mergers or acquisitions". Vertical mergers and acquisitions are closely associated with the customer and supplier power which is among five forces operating within the sector and affecting competition [23].

#### - Conglomerate Mergers

Carried out between companies of different business lines. Businesses may wish to enter cause of absence of knowledge and experiences, to provide return above the average to markets which is new for them or other reasons [24].

## IV. RESULT

Retailers at the point of direct contact with consumers, appears as one of the sectors most in need to motion and innovative because of the having opportunity to closely follow the customer tastes and consumption trends. Because of these properties in the sector that have much more intensity of competition, being more number of operating enterprises, often having changes in the purchasing behavior consumers, has carried businesses in a competitive arena more slippery than ever before. Competitive pressure of the driving forces of growth for businesses that internal resources are not sufficient makes the external growth in the long term, less costly and profitable strategic alternative.

Mergers summarized in the form of to continue competitive races together by combining in a common pool all the assets and capabilities of enterprises that they have, often resulting in long-term success. probability of failure caused by reasons such as the legal dispute between the countries taking place less than other, in mergers between originating companies in the same country, likely tissue mismatch of human resources which have more probability to live Cross-border mergers, and this situation increases the probability of succeeding in shortening the duration of the orientation.

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