International Journal of Social Sciences and Management Review

Volume: 02, Issue: 04 "July-August 2019"

ISSN 2582-0176

MERGERS AND ACQUISITIONS: THE CONTINUED EVOLUTION OF SMALL BUSINESSES

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ABSTRACT

Mergers and Acquisitions activities are a driving force and requirement for a strong economy, creating opportunities for companies to grow their businesses. In recent years, more and more platforms and tools have emerged to help the process and ability for companies to exit and or acquire other companies giving more options to both short and long term corporate strategy. Today companies don't only rely on investment bankers to bring these companies to the market; they have other options. The question remains that because of these options, are companies more likely to achieve their ultimate value in a very quickly changing market. This paper will explore topics, tools, and platforms that are changing the landscape of M&A activity focusing on understanding the value associated with each providing the business owners a concept of what is in their best interest while moving toward more effective and efficient exit tools.

Keywords: Venture Capital, New Funding, Options Entrepreneurship, New Ventures.

1.0 INTRODUCTION

The pre-Socratic Greek Philosopher, Heraclitus, said that "Change is the only constant in life" (Kirk, 1951). He was the first Western Philosopher who tried to explain theories from a metaphysical and moral perspective. The learnings from this era continue to be relevant in the modern world. The Heraclitus Change Theory applies strongly in the business world, where companies need to consistently evolve in order to grow and remain relevant (Christensen & Overdorf, 2000). It is essential for companies to grow to maintain a strong economy. Development of a company can be time-consuming, and with technology, it has become easier to cut through this process. One simple way for companies to achieve growth is by mergers and acquisitions.

2.0 THE CHANGING LANDSCAPE OF MERGERS AND ACQUISITIONS

Traditionally, these occurred with large companies, that were looking to leverage the competitive advantage of those who were benefitting from their market share. They may have also been seeking ways to innovate their products and services, or to reduce the disparity between what they offer, and other market offerings (Lind & Stevens, 2004). For them to accomplish mergers and acquisitions, a large credit base was a key factor, as well as a qualified team of specialists to go through the complex processes. Investment bankers were a significant part of the process, bringing on board expertise and crunching the numbers to predict value and profitability. However, they come with the disadvantage of being high in

Volume: 02, Issue: 04 "July-August 2019"

ISSN 2582-0176

cost (Saunders & Srinivasan, 2011). Technology has evolved, and now there are opportunities in Mergers and Acquisitions for entrepreneurs from across the globe. Small companies have found a unique technological niche, which involves including other companies or company assets as a part of their corporate strategy.

3.0 THE INTERNET AND SMALL BUSINESS

Mergers and acquisitions involve companies either voluntarily coming together or being taken over by a different company in order to create a newer, better entity. There is an increased number of tools as well as platforms online that have improved the entire process of mergers and acquisitions. In addition to the simplicity of the technology, there are more advantages that attract small business to mergers and acquisitions. These include the following: -

1. Increased earnings – Most companies are looking to elevate their bottom line, and with mergers and acquisitions, it is possible for them to do this with an existing, successful entity. To increase earnings, the mergers may also help to reduce total expenses as there are more assets available. This, in turn, can elevate the total value.
2. Talent and Experts – Small businesses can benefit from talent and experts that may have been actively working with the acquired website or business. This also allows acquisition of sites where one may not have the technical know-how but can identify an opportunity that can be exploited.
3. Innovation – Mergers, and acquisitions allow for innovation, which can lead to an increase in product or service lines. This also helps minimize the risk and cost that may be linked with a trial and error period.
4. Customers – Mergers and acquisitions are possibly the simplest way for a small business to expand its customer base. They allow for a business to improve its customer service offerings for better satisfaction and retention.
5. Going Global – Small businesses may face a challenge reaching a global audience, and mergers and acquisitions make it easier to tap into new markets. This is especially true when reaching out online (Valentine, 2011).

Online, it is now much easier for a company that wants to exit and or acquire other companies, to find simple and effective ways to do so. There are online platforms, which make it affordable for mergers and acquisitions to take place. Furthermore, these can be highly profitable for small companies (Arvanitis & Stucki, 2015). Today, small companies can actually create short and long term corporate strategies for growth and expansion, as well as quickly change state online. Platforms that are making this happen include Flippa and Empire Flippers.

4.0 STARTING MERGERS AND ACQUISITIONS WITH FLIPPA

Small businesses can create a space for themselves by creating excellent websites that deliver customer experiences and translate into revenue. Flippa makes it possible to find excellent websites that are in existence that can be flipped to meet a specific need for the business. This is because the site makes it possible to buy or sell a business quickly. It is an excellent place for the small business that is seeking variety when deciding whether to merge with another online business as there are thousands of sites that one could choose from. It is highly accessible, so there are a large number of products that are on it, which makes it the ideal place to start mergers and acquisitions (Flippa, 2019).

Sites available fit a variety of budgets, with some starting from even $100 in cost and going up into the hundreds of thousands. This is ideal for those companies that are seeking value when it comes to mergers and acquisitions. Those who are offering their websites can set a price to sell their business, taking into consideration several factors, putting them online so others can purchase them and flip. Those looking to purchase can find established sites, with a loyal following of customers and earnings that come in monthly. Once purchased, they can customize the websites towards their business and benefit from the current standing that the site already has.

Flippa has thousands of sites to choose from, which has both its advantages and disadvantages (Cathy, 2015). Variety is the key advantage. The sites are divided into categories as well. One may choose a starter site, which tends to be lower in cost, having been in the market for less than 6 months. There are also established websites available, where tracking of earnings is available to help make an informed decision. It is also possible to go mobile by purchasing apps or finding excellent domains that could easily drive traffic to a site.

Anywhere there is a large variety to choose from, you will find issues arising with consistency and quality (Forum, 2019). While sites that are of low quality, including those from scammers, are the disadvantage. Before choosing to merge or acquire a site from Flippa, it is essential that a significant background check is carried out by the buyer. On all the sites that are available, there are statistics that offer a guide on the visits per month, revenue per month, and the cost of the site. One must look at the background of the site, particularly Google SEO metrics, AdSense, and more. Without these checks being done, a small business may find that they make an investment that costs them more than just their online presence.

What is excellent about the affordable options on Flippa is that it allows one to purchase a site and try it out for profitability. Merging with a low-cost site is also low in risk enabling one to understand how to flip successfully fully. Furthermore, with mergers and acquisitions, there are small businesses that have perfected the art of flipping websites, where they buy a website, build on it and increase the benefits, and then sell for a profit. This is one area that will continue to evolve.

5.0 PROFESSIONAL MERGERS AND ACQUISITIONS WITH EMPIRE FLIPPERS

Empire flippers are another platform that focuses on taking the friction out of buying and selling online businesses (Flippers, 2019). Their service does the groundwork for potential buyers, by ensuring that the sites they have for sale have been critically vetted for accuracy. The details that are made available include: -

1. Profit margin evaluations to help match the right business with the seller.
2. Evaluation of real data from the business over a period of 12 months.
3. Provision of vetted data for decision making.
4. Customer care, particularly when going through the entire process to ensure that there is no confusion.

From this site, it becomes possible for a small business to acquire an online business that best fits their needs. Small businesses can increase their overall reach and offerings by purchasing affiliate websites, e-commerce businesses, and so much more. Empire Flippers stands out for being effective as well as efficient, particularly because there is an intense vetting process which controls the listings that appear on the site. With this control, there are typically 100 sites at any one time available on the website (Zorn, 2019). When compared to Flippa, this may seem like a small number of sites to have. However, the values that these websites are sold at can reach millions of dollars. The focus here is not on quantity; it is on quality.

A small business may choose to purchase a site for merging or acquisition from this site due to the value that is guaranteed. For example, all the websites and businesses that is featured need to have a track record for six months, showing that they earn a minimum of $500 profit each month. Furthermore, the sites need to have been making use of Google Analytics for at least 6 months as well.

It is possible for negotiations to take place when purchasing a site, so sellers can put a listing price down, though this may not be the last selling price (Flippers, 2019).

6.0 MERGER AND ACQUISITION INTEGRATION TOOLS

Mergers and acquisitions of online assets and websites go through stages, like what you would expect from a brick and mortar business. This may lead some business owners to explore available tools, before visiting a site where they can purchase a site to flip.

Coupa is one of the tools that focus on merger and acquisition integration success. This is done through adoption, ensuring that all in the company are on board. Then there is integration, which is seamless using Coupa cloud platform. There is also visibility, which unifies the suite of both the companies to create one base for control. This helps optimize the site to realize value as well as save (Coupa, 2019).

Another tool for mergers and acquisitions are Virtual data rooms. These focus on the security of vital information, making it possible for mergers to occur from any location. This differs from the past, where it was necessary for physical data in a secure location.

Small businesses can also outsource accounting services during a merger, to ensure that they are better able to adjust to the differences that come from joining with another venture (Klien, 2018).

7.0 CONCLUSION

Companies in the past required a team and investment bankers in order to go through the entire process of mergers and acquisitions. Small businesses, who may not be able to afford this, now have other options. By opting to purchase existing websites, and flip them, they can adapt to the quickly changing market and deliver exceptional value.

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