



A Strategy for the Growth and Internationalization of Companies: International Mergers and Acquisitions

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Abstract

In this study, within the scope of these strategic alliances, mergers and acquisitions were explored. Businesses can benefit from a variety of factors, including the ability to easily enter new markets through mergers and acquisitions, an increase in their technological prowess, a reduction in costs as a result of economies of scale, an improvement in the quality of their products and services, more talented managers, and the ability to provide their customers with a wider variety of product/service options. Furthermore, it has been noted that innovation activities can boost a company's export performance and give it more competitive power. The subject of how it affects firm performance, export performance, and competitiveness is currently being addressed in relation to the innovation performance of the businesses that have completed merger and/or purchase transactions. The impact of a firm's innovative performance in this regard. It might be argued that these consequences are advantageous for academic research as well as practitioners working in the field. As opposed to that, mergers and acquisitions might lead to managerial issues. Mergers frequently fail and do not produce the desired effects, according to research. Cultural differences and problems with cultural assimilation have been explored as the most significant of these issues.

Keywords: Merger and Acquisition, Strategic Motivation, Increase in Firm Value, Diversification, Research and Development

Received: March 4th, 2022 / Accepted: June 25th, 2022 / Online: June 27th, 2022

I. INTRODUCTION

These notions have been among the topics that are commonly examined and frequently drew attention in marketing following the 1980s growth in M&A operations in the US and Europe. Growth, sturdiness, and access to foreign markets are a few of the most significant factors that drive an organization's decision to engage in merger and acquisition activity. Therefore, it can be claimed that businesses can increase their competitiveness in both domestic and international markets. With globalization comes increased competition, which makes it harder for businesses. A business's ability to survive depends on its ability to implement a variety of strategic decisions at the appropriate time and in the appropriate manner [1][2][3]. Strategic management abilities are now highlighted. The definition of competitiveness is the subject of various research in the literature. One of these studies discusses competitiveness from two angles. These are two viewpoints: macro and micro (business and industry) (country). Unlike the macro strategy, which country's position in worldwide competition, the micro method examines the competition between national businesses and how it affects the

national and international markets. The new economy's management will have the chance to protect themselves from global competition. This will be by honing their capacity to maintain a broad perspective, adopting a contemporary management style, and adjusting to the continuously evolving standards and trends of the business world. They felt compelled to form several alliances and collaborations promptly due to the environment's demanding nature.

In this study, the context of these strategic associations was used to investigate mergers and acquisitions. Businesses can benefit from a variety of factors, including the ability to easily enter new markets through mergers and acquisitions, an increase in technological power, cost savings from economies of scale, an improvement in the quality of their products and services, more talented managers, and the ability to offer a wider variety of product and services for their clients. Additionally, it has been noted that engaging in innovative activities might boost a company's export performance and competitive power. The subject of how it affects firm performance, export performance, and competitiveness is currently being raised about the innovation performance of the

businesses that have completed the merger and/or purchase transactions. In this regard, the impact of the innovative performance of businesses that have engaged in national or international merger and/or acquisition operations on the performance, export performance, and competitiveness of the businesses was explored.

On the other hand, mergers with acquisitions might lead to managerial issues. Mergers frequently fail and do not produce the desired effects, according to research. Cultural differences and problems with cultural assimilation have been explored as the most significant of these issues. Each company possesses a unique company culture, and following the merger, the businesses will have a difficult time integrating their cultures. Because every aspect of enterprise management is impacted by corporate culture, from employee conduct in the workplace to business practices, from senior management's view to actual events. A merger or purchase that did not include cultural integration would probably fail.

II. MERGERS AND ACQUISITIONS THEORETICAL FRAMEWORK

When two businesses combine, they form a new legal entity known as a merger, whereas in an acquisition, one business buys the assets of another. Additionally, the purchasing company is the only owner of the acquired company, and the acquired business is dependent on it. assets, cash, and identity of the business that was bought while losing all assets and obligations of the business that was bought. The distinction between mergers and acquisitions is made based on the law rather than the transaction's economics. In other words, although being two distinct ideas, mergers and acquisitions have the same objectives. Under the same areas as below, we can discuss the context-specific causes for mergers and acquisitions.

A. Globalization

Globalization is the term used to describe the global expansion in extent, scope, diversity, speed, and homogeneity of mutually beneficial cross-border, international social, economic, military, and political links. One-fourth of the most significant changes to the global economy over the past 20 years have been brought about by the globalization of markets and industries. The elimination of multilateral and regional trade barriers, the decline in the cost of global trade and message, the incorporation of monetary marketplaces globally, and improvements are only a few of the reasons that have contributed to the rise of globalization. While an industry's globalization presents chances for higher sales and profits, it also poses serious risks to the extent and scope of economies on a worldwide scale. So, they can effectively compete with other competitors on a global scale. There are several ways that factors impact businesses. To familiarize to novel scenarios brought about by shifting ecological circumstances and to improve their modest benefits, businesses are continually searching for and modifying. If not, whichever the scheme will compel them to adapt, or they won't be able to compete with the market. The reality of the globalization phenomenon, the advancement of technology, and the advent of new fields of

endeavor make it clear that enterprises must make necessary revisions. Increasingly, worldwide difficulties brought on by the globalization are being combined, a common strategy is being developed, the creation line and spreading net are being expanded. The research and improvement procedure is becoming extra intensive.

Cost switch has played a part in many factors, including the recent rise in globalization-related challenges, the creation of a common strategy, the expansion of the product line and distribution network, the improvement of the investigation and growth procedure, and many others [4].

B. Growth

The goal of mergers, acquisitions, or combined schemes is not always to increase or sustain the current condition or to give a company a competitive edge. Strategies are focused on the false end objective or outcome, and no corporation engages in mergers and acquisitions levels. To expand, maintain the current status, or compete, mergers and acquisitions are made [5].

Businesses must preserve their existing market position, protect the future, adapt to it, and be adaptable, efficient, and rapidly expanding. In today's global market, it is nearly difficult to be competitive without having these attributes [6]. A fundamental business principle is "Growing or dying." Companies will gain market share from rivals through growth, make money economically, and reward shareholders with profits [7]. The company has developed and grown for a variety of reasons. The customer feels confident in the company's strength because of its size. Other potential factors for growth include revenue, expense, income, and status.

The creation of growth-based plans has become more crucial to preserve the existence of businesses, boost market shares they own, and accommodate innovations in our day of quick change. Growth can be achieved in two different ways: internally and outside. Internal growth is typically accomplished within the company by opening a new factory or expanding the marketing and distribution capabilities. The major growth of the business is another name for this kind of expansion. Internal growth results from selling more goods and services to current clients, reaching out to new clients, or charging premium rates for goods. Due to this expansion, capacity, employment, and turnover have all increased [8]. The expansion of a business through a merger or acquisition with another company is known as external growth [9].

An organization cannot expand with its resources. Because of this, it achieves external expansion through acquiring or taking over other businesses, combining with them, or all three. The usage of new technologies by businesses in terms of productivity growth and size, rapid growth in customer-centric development, competition reduction, authorization and measurement. The use of new technologies in relations of people and processes are all supported by external growth strategies like mergers, acquisitions, and company divisions.

C. Synergy

The synergy with the merging process is another of the most prevalent causes of mergers. Synergy may be defined as

the phenomenon wherein several factors that may all work together to generate a particular outcome. This might have a combined effect that is greater than the sum of their separate effects (Oztunal, 2008: 17). The value created by combining enterprises is more than the value produced by the individual businesses before the merger. The synergy effect is primarily observed in the activity and financial sectors.

Value growth, which is anticipated to result from activity synergy, comes from two different sources. Both economies of scale and economies of scope apply here. Economies of scale result from the extent of an enterprise's activities and occur with a drop in costs as production rises. In general, there are two sources for the economics of scale. The overhead capacity of the constant general cost which is extended to the additional units in the first source, allowing a decrease in the average cost. The second source is based on a small number of manufacturing options. The expansion of the production unit's capacity is the second source of economies of scale.

When the average cost of joint production is lower than the average cost of production by two separate enterprises, scope economies occur. These economies are the outcome of manufacturing possibilities or widespread input usage. The cost advantage in the business is gained since producing multiple products at once is less expensive than doing so in separate firms.

In other words, mass production frequently results in lower unit costs. The scope economies are in doubt if the overall cost of production decreases when the two items are produced independently. On the other hand, they have negative scope economies if the combined cost of production for the two goods is large. A reduction in the cost of capital is an example of a financial synergy. Reducing the systematic risk of the investment portfolio by making investments in unrelated companies is one strategy to accomplish this. In another aspect, expanding the business will enable him to use less expensive cash.

This synergy results from a decline in the firm's cost of capital brought on by an improved financial structure. A reduction in financial risk, an increase in equity profitability brought on by financial leverage. Which can be related to a number.

D. Diversification

Diversification is one of the potential drivers of mergers and acquisitions. By making investments in main industries that are more profitable and have higher growth, a company in a sector or industry with a stagnant or low growth rate may desire to diversify its operations. To lessen the influence of seasonal and economic swings that affect the company's sales and profitability, diversification is a driving force. The merger of the two businesses, whose operations are negatively and favorably associated, reduces the extent to which the combined company is influenced by seasonal and/or economic variations.

The following list summarizes some general justifications for business diversification: boosting the company's stock price, its growth rate, its capacity to use the money from internal investments more effectively, its income and its ability to stabilize it, as well as its profitability and efficiency.

III. IMPACT OF ACQUISITIONS AND MERGERS ON THE INCREASE IN FIRM VALUE

The authors in the study [10] aimed to ascertain the actual impact on the share prices of the targeted and acquiring corporations of 37 mergers and acquisitions that took place in the Asia-Pacific area between May 2013 and September 2013. In the study, the Cumulative Average Abnormal Returns (CAARs) of share prices of target and acquirer companies in various event periods were analyzed using the event study approach. Comparing the pre-announcement and post-return yields of the share prices of the target and acquirer companies in the 2-day event window served as a sample analysis.

At the investigation of [11], the author looked at how mergers and acquisitions affected the performance of the Greek banking industry. The semi-strong version of the Effective Markets Hypothesis (EMH) for the Athens Stock Exchange was disproved by the study employing the case study approach. Before the announcement of the merger and acquisition, the stakeholders reaped a sizeable sum in positive cumulative average anomalous returns. In the UK from 2012 to early 2016, Moeller and Zhu (2016) looked at the short-term effects of international mergers and acquisitions of publicly traded enterprises. The case study analysis results of four different time windows have indicated that Chinese takeover company mergers and acquisitions have considerable positive anomalous returns on the first day after the announcement date, but these positive returns gradually diminish over time. Further, it was found that Chinese purchasers and other business sector agreements in the real estate sector gave positive abnormal returns, but the unusual returns in the financial sector were negative. This is because the case study was applied to certain sub-sectors. In the study done by [12], investigated the impact of financing strategies and merger and acquisition post announcements on share returns. Five of the six sample countries were shown to have abnormal returns before the substantial announcement in the BRICKS (Brazil, Russia, India, China, South Korea, and South Africa) countries between 2005 and 2009 using the usual case study technique.

The half-strong efficiency assumption is not guaranteed for the vast majority of the sampled markets. Because of the study, it was determined that mergers funded by equities contributed to valuation while mergers funded by cash finance resulted in short-term depreciation. However, the merger and acquisition announcements did not change the trading volume and pricing efficiency of the share certificates. For shareholders, international fund managers, and financial regulators, the job is crucial. The study adds to the body of knowledge about market efficiency as well as institutional restructuring, particularly in emerging markets.

The reasons for acquisitions, according to [12] are as follows: to accommodate overcapacity through consolidation in an extreme business; to roll up competitors in geographically separated industries; to extend into an original and new product or markets; as a substitute for research and development (R&D); and to use industry boundaries by investing in an industry.

The final three factors suggest the acquisition of another company could be a strategic instrument to speed up innovation by connecting to original and/or new product and service resources, technology, and expertise [13].

The benefits of mergers and acquisitions (M&A) include business expansion without having to wait years for the mercantilism and sales strategy to succeed. This may be the ideal risk for you if you want an immediate return on your investment for your company's growth. The main objective of a firm considering a merger or acquisition is to seize a chance that can either achieve the growth target or create a segment of growth that will develop the product/service line into a market that is not already supplied by the company.

The pursuit of mergers and acquisitions has no benefits compared to problems. Combining two firms creates several new problems that did not previously exist. This takes into account running a business with a presence in several markets, a large and diverse customer base, a wide range of complex products and services, and a high standard of operational and human quality. The value reduction objectives may clash with revenue growth operations, which is another problem at the same time.

The argument against building a merger and acquisition shows why agreements intended to change growth fail to produce the desired growth target. The decision to form the transaction is merely the first of the many possibilities, which can affect its capacity to achieve success. Mergers and acquisitions are also a genuine path to growth. This makes you wonder whether a merger and acquisition will benefit your company. As a result, you should be aware of your chances of success and assume that the difficulties will probably be worthwhile.

There are numerous reasons to expand your company using that growth methodology whenever you are unsure of the advantages of a merger and acquisition. In the United States, a brand-new age of mergers and acquisitions began with the Reagan administration in 1980. The Reagan administration, which embraced the school of thought approach, untangled legal obstacles and constraints on mergers and acquisitions, built-up international competition, and developments in finance techniques junction rectifier to built-up mergers and acquisitions within the U.S. since 1981. The Ministry of Justice reduced the anti-trust lawsuit it had been managing for IBM for almost ten years, which was one of its main initiatives throughout this time.

IV. THE PRIMARY GOALS OF MERGERS AND ACQUISITIONS AND HOW THEY HELP BUSINESSES BECOME MORE COMPETITIVE

In this category, an effort is made to create a unique strategy for explaining the motivations behind corporate mergers and acquisitions based on a critical analysis of preexisting viewpoints. In 1978, consulting company Arthur D. Little conducted one of the earliest studies on drivers. Later, research by the renowned auditing firm KPMG revealed slightly different objectives of businesses that engaged in mergers and acquisitions. According to the KPMG study from 2016, the main motivation for a firm or funds. There is every

reason to think that many businesses that decide on mergers and acquisitions often conceal or are unaware of their true motivations. As a result, establishing the reasons behind mergers and acquisitions solely via the research of individual companies' experience is unavoidably partial and lacking in sufficient objective data. Divide the motivations for merger and acquisition transactions into three basic causes, according to Riley (2012), who has a strategy similar to Johnson & Scholes.

A. Financial motives

All mergers and acquisitions are driven by financial considerations; each one aims to generate a reasonable rate of return for the risk and expenditure taken. However, there are instances where financial gain rather than a strategic goal drives a contract. In other words, the deal is primarily driven by financial benefits. The establishment of economic motives, however, might have specific causes. As an illustration, the first reason is financial capacity. This will serve as an illustration of how to boost revenue by creating a new, intriguing, and successful portfolio, merging all combined assets, charter capital, revenues from unified or non-inheritable firms, or fulfilling their responsibilities, etc. Another financial justification for mergers and acquisitions may be to lower tax obligations. Before the 1980s, tax benefits were a major driving force behind mergers.

B. Managerial motives

Managerial self-interest in a variety of rational factors may serve mergers and acquisitions. Management may have characters to stroke. They'll be tempted to try to find ways to artificially inflate the value of the company's stock, or else they'll want to increase management and other capabilities that don't align with the company's strategic goals. There are both sensible and irrational justifications for management that moving the deal forward. They will act to survive, whether it is by looking for expansion through organic growth opportunities or adopting the fashion of their rivals.

C. Strategic motives

Strategic motivation processes are typically the easiest to grasp, and in the majority of transactions, they are the most compelling and significant. In actuality, the majority of historical events' largest mergers and acquired deals occurred because strong strategies were anticipated. These strategies have the potential to provide a measurable competitive advantage, introduce a new product to the market, etc. However, the primary strategic objective driving the business toward a merger or acquisition is to draw attention to the unique accomplishment.

For instance, to gain ownership over and/or access to a large range of patents and other supporting technological achievements, Google purchased Motorola Mobility in 2011. Another illustration of this type of motivation is the WM Morrison supermarket chain, which was given the go-ahead to purchase a competitor to Safeway in the north. To gain market share and utilize economies of scale to boost competitiveness. Such instances can be expanded upon as well.

V. DYNAMICS AND DEVELOPMENT TRENDS OF THE GLOBAL MARKET OF MERGERS AND ACQUISITIONS

Let's examine the trends in this procedure in 2018 based on Deloitte's report on mergers and acquisitions. The expected number of mergers and acquisitions in the next close to 12 months was indicated by information gathered from a total of more than 1000 organizations. Concerns about the economy and value seem to be waning as respondents predict that M&A activity is expected to go up in 2018. Deal flow is expected to rise and/or there will likely be more deals for a large number of corporations and private equity firms at the same time. What will the landscape of M&As look like when we advance into the following year? The results of the study offer some other viewpoints that might help you comprehend the landscape as well as what lies ahead, according to Deloitte's "The state of the deal M&A trends 2018". Targeting technology is a major motivator.

Because technology plays such a significant role in our daily lives, in recent years it has replaced many traditional corporate transactions as the new trend for mergers and acquisitions. The goal of acquiring new technology tools is a motivator that initiates merger and acquisition activities, according to a report by Deloitte.

VI. M&A ACTIVITIES USING A NOVEL APPROACH

The top 5 merger and acquisition transactions globally are included in Table 1. The table shows the years when M&A transactions were formally completed, the acquired firms, the target companies, the acquired companies that bought these, and the transaction value in both US dollars and euros. This information was obtained from the IMAA Institute, the world's foremost think system on merger and acquisition deals.

TABLE 1:TOP 5 M&A TRANSACTION WORLDWIDE

Rank	Date	Acquirer Comp. Name	Target Comp. Name	Value (bil. USD)	Value (bil. EUR)
1	1999	Vodafone Air Touch PLC	Mannesmann AG	202.78	204.792
2	2000	America Online Inc	Time Warner	164.74	160.713
3	2013	Verizon Communications Inc.	Verizon Wireless Inc	130.29	100.460
4	2007	Spinout	Philip Morris Intl Inc.	107.64	68.0778
5	2015	Anheuser-Busch Embed SA/NV	SABMiller PLC	101.47	92.2719

The largest merger and acquisition, according to the table, occurred in 1999 when Vodafone Air Touch PLC paid over 203 billion dollars to acquire Mannesmann AG. Analyze this transaction in detail: German joint-stock business Mannesmann AG is headquartered in Düsseldorf. Up until 2000, Salzgitter AG had shares in the DAX of the renowned German stock exchange before being acquired by Vodafone and Salzgitter AG. Mannesmann AG, a German engineering and telecommunications company and Vodafone Air Touch announced a takeover transaction on November 13, 1999, based on an exchange of shares between the two companies.

The combination of the two companies eliminates one rival firm while simultaneously increasing industrial concentration. Theoretically, fewer firms competing with one another would reduce supply while raising prices for the good, which would be detrimental to consumers.

VII. THE MOST IMPORTANT STUDIES AND RESEARCH PUBLICATIONS LINKING M&A INNOVATION

More importantly, gaining technological aptitude and expanding technical prowess are becoming increasingly important acquisition motives. The connection between innovation and M&A has drawn interest from all sectors of society. Proof of links between unusual corporate group behavior and breakthroughs, however, is debatable. A high level of innovation before a merger and acquisition will increase the likelihood that a corporation can take part in a significant merger and acquisition, according to studies that generally show that M&A will increase the amount of innovation.

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Particularly, some students provide evidence that a sale has a favorable effect on a company's originality. As an illustration, the purchase of a company is seen as the absorption of the knowledge domain of the non-inheritable corporation [14]. Additionally, using such an approach will broaden the acquirer's knowledge base, enhance its inventive output, and provide economies of scale and analysis scope while also increasing the acquirer's capacity for clever recombination [15],[16].

An alternative study article, however, claims that the firm's originality will suffer as a result of the acquisition. In particular, managerial concerns, integration problems, and transaction costs are associated with mergers and acquisitions [17], [18]. According to certain researchers, such as Katila (2001), technology acquisitions improve innovation performance, whereas non-technological purchases have a negligible impact on the output of subsequent innovations. Without a doubt, the success of the acquisition depends not only on the organizational complementarities but also on the inventive approach and the cultures of the two organizations [16].

Above all, a company's innovative operations are typically driven by its capabilities and actions, as well as by external pressure and market forces. Success and competitive advantage depend on a company's capacity to develop, integrate, and restructure internal and external resources to respond to a rapidly changing environment.

A. *M&A-based strategic lessons*

As demonstrated in the Schneider Electrical case study, M&A increases both R&D intensity and profitability over time, but the timing and magnitude of these impacts depend on the ability of the parties involved to integrate new information. According to the study, increased R&D intensity should have appeared 2 and 5 years after the M&A energy.

Managers who invest in developing their talents in this area and who become aware of the importance of information integration capabilities are best positioned to offer strategic value to their organization. Such mentoring coaching and managerial skill development may be encouraged by merger policies in order to hasten the successful integration of the entering enterprise. This may be the result of knowledge creation and translation taking place in the background, which discreetly and significantly boosts side R&D performance and profitability in a very firm after an acquisition.

VIII. R&D IN THE SCOPE OF INNOVATION AND ITS LINK WITH M&A

The conclusion of the data on the influence of merger and acquisition on R&D and innovation finds that at the level of R&D, both the market and technological relationships between the acquirer and target enterprises help create dimensions to identify these effects. Using the data, it is clear that M&A transactions show how the technical relationship between M&A partners directly influences the input and organizational structure of the R&D process.

Some evidence suggests that M&A activity has a favourable effect on firms' R&D intensity, while other evidence does not. As was already indicated, the majority of regression coefficients yield unimpressive findings, which may be because the data used in this thesis are extremely varied and large. While there are numerous motivations for M&A, there is no clear theory explaining how it influences R&D intensity. Numerous studies examine the issue of whether the foreign direct investment in general is a substitute or a supplement to domestic employment, output, and investment in both tangible and intangible assets (see e.g. Desai et al. 2009 and the literature cited therein). These investments by the companies could be restricted by financial resources if the financial markets as a whole are not fully developed.

Companies frequently focus their R&D efforts close to their corporate productivity unit and headquarters because of economies of scale and scope in R&D. It is possible for businesses to move upstream production units and tangible capital to other countries, but not their R&D operations, just in case they are seeking FDI. The combination of transportation costs and failure costs is used by trade theoretical models that include heterogeneous businesses to explain why, across industries, some businesses export, others engage in FDI, and some businesses operate solely in the domestic market. Only lately have theoretical analyses of the factors that influence different types of FDI, such as Greenfield reserves and cross-border M&As, begun. For more information, see these study [19], [20], and this one [21].

IX. THE ROLE OF M&A ACTIVITIES IN THE INNOVATIVE MARKET

Innovation is seen as a crucial component of an enterprise's competitiveness across a wide spectrum of organizational structures, processes, goods, and services. Through innovation, entrepreneurs employ technology as a tool for competition, and technological competition emerges as the main driver of growth. Innovation is regarded as one of the essential components of growth strategies to penetrate new markets, grow the existing market share, and provide the company with a competitive edge. Therefore, innovation is a crucial component of corporate plans for a variety of reasons, including the implementation of more effective production methods and improved performance. To ensure a long-term competitive advantage and solve the issues they encounter, innovation serves as a strategic guide.

When it comes to a variety of organizational structures, business practices, products, and services, innovation is viewed as a critical element of an organization's competitiveness. Entrepreneurs use technology as a tool for competition through invention, and technical competition emerges as the primary driver of growth. To expand into new areas, increase existing market share, and provide the company with a competitive edge, innovation is recognized as one of the key elements of growth strategies. For several reasons, including the adoption of more efficient manufacturing techniques and enhanced performance, innovation is, therefore, an essential part of company goals. Innovation acts as a strategic direction to ensure a long-term competitive advantage and resolve the problems they face.

Companies are striving for a strategy to collaborate, innovate, and create new market-offered areas such as Health-tech, Fintech, and others because of the rising barriers between traditional and novel commodities and services. To enable businesses to invest in new expansion prospects, corporate risk-taking must be developed as a core capability [22][23][24]. The goal of the M&A strategy, which is dedicated innovation, is to achieve technology, capability, and new sources.

X. CONCLUSIONS

At the same time, it was discovered that the opportunity for M&A transactions was growing. Such transactional events support business expansion, diversification, global economic marker synergy, geographic expansion, and other objectives for businesses. Innovation is both fresh and fashion-forward. Companies have been attempting to innovate to stay competitive in recent years. Intellectual property, which includes trademarks, copyrights, and patent costs, largely determines innovation.

I looked over and analyzed mature literature for the connection and the effect of M&A on innovation. According to a vibrant body of literature, the effect level is dependent on the primary operational level of the firm. Most merger and acquisition transactions in high-tech businesses have a favorable impact. The same firms also exist in pharmacology. Because R&D transactions are always a part of this type

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