

# Optimization Analysis of Enterprise Acquisition Strategies

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## Abstract:

The world changes fast. Business competition grows stronger. New ideas and tools never stop. Enterprises adopt acquisitions strategies to achieve rapid expansion and access critical resources or technologies. This study looks at corporate acquisition plans, which explores the motivations and implementation mechanisms of corporate acquisitions. It employs methodologies including literature review, case study analysis, and quantitative data assessment.” It also analyzed in combination with the story of Microsoft’s Acquisition of Activision Blizzard. This helps people see the good and bad sides of acquisitions. From the study, people see three main reasons for acquisitions: to grow bigger, to get new things, and to handle problems. A good acquisition needs smart talking, good deal making, and financial plans. The research shows that good acquisition plan helps a company reach its goals. This is linked to joining the new company together and watching costs after the acquisition. This study can help companies make acquisition plans. It can also help new learners understand corporate acquisitions.

**Keywords:** Corporate acquisition; acquisition motivation; acquisition strategy; resource integration; acquisition risk.

## 1. Introduction

As times move forward, the world’s economies are becoming more connected. Market competition is growing stronger. Companies now face both big chances and big challenges. If a business does not change or improve, it will fall behind as the market changes. That is why more and more companies are choosing to purchase other companies. This helps them become more competitive, get a larger share of the market, and gain important technology [1]. Compared with the traditional way of corporate growth—

only depending on internal accumulation, acquisition can help companies expand outward more efficiently. So far, scholars from all over the world have made rich research achievements on enterprise acquisition. In terms of acquisition motivation, some scholars put forward the theory of „resource-based view” and believed that the essence of enterprise acquisition was to obtain scarce resources and improve core competitiveness [2] In terms of market expansion, studies have found that horizontal acquisition is an effective way for enterprises to quickly occupy the market [3].

In terms of acquisition strategy, scholars have emphasized the great role of information advantage in negotiation through research, especially for the price and terms of acquisition, and reasoned that if enterprises can master the key information of the acquiree in advance, the success rate of negotiation will be greatly improved [4]. In general, the existing research mainly focuses on the independent theoretical analysis of the acquisition of one-sided or single link, and there is a relative scarcity of research that systematically integrates theoretical frameworks with in-depth case analysis to provide a holistic view.

Corporate acquisition is not a simple matter of buying and selling. It covers numerous critical stages, like strategic planning, negotiation, capital raising, and fund management. Any misstep in these processes can lead to ultimate failure and incur immeasurable losses [5]. At present, research on corporate acquisitions mainly focuses on medium and large enterprises as well as mature industries, and there is a certain gap in basic analysis. This study chooses to start from the foundation, aiming at novice researchers, systematically build the core motivation and practice strategy of enterprise acquisition, and combined with case analysis, can better help understand the role and impact of acquisition.

This article mainly uses two research methods, including literature analysis and case analysis. This study analyzes related literature at home and abroad. This helps make clear the theories and research that support corporate acquisitions. The study also uses the case of Microsoft's Acquisition of Activision Blizzard. It explores the motives, strategies, and results of market acquisitions.

The structure of this article is as follows. The first part is the introduction. It focuses on explaining the research background, significance, literature review, research methods, and structure. The second part analyzes the core motives of corporate acquisitions. It mainly covers expansion, resource acquisition, and risk management. The third part discusses practical strategies. It includes negotiation, transaction, and fund preparation strategies. The fourth part shows the case of Microsoft's Acquisition of Activision Blizzard. It explains the challenges and achievements during the acquisition in detail. The fifth part summarizes the research findings of this article.

## 2. The Core Motivation of Corporate Acquisitions

Corporate acquisitions are not random behavioral decisions but strategic choices driven by clear objectives. The purposes and targets of an acquisition are closely related to the intrinsic motivation. Based on existing theoretical research and practical experience, the core motivation of modern corporate acquisitions are mainly categorized into

three dimensions: market expansion, resource acquisition, and risk management [6].

### 2.1 Expansion Motives

The most common motive for corporate acquisitions is expansion. It mainly includes market expansion and business expansion. The core purpose is to increase market share quickly and make the company bigger.

Among different acquisition methods, horizontal acquisition is a common and effective way for companies to take the market quickly [4]. Generally speaking, horizontal acquisition means integrating the market share, customer groups, and resources of competitors or upstream and downstream companies in the same industry. This helps the company improve its position in the market and expand its influence [4]. For example, Meituan's acquisition of Mobike is a typical horizontal acquisition. Mobike, as a leading bike sharing enterprise, was acquired by Meituan, which directly obtained a large number of customer groups and some offline resources. Therefore, Meituan can directly enter the market of shared transportation, which not only makes up for its own blank in this field, but also reduces the cost and investment of research and development and truly realizes low investment and high return.

### 2.2 Motives for Resource Acquisition

Enterprises cannot develop without these two key factors: resources and talents. Resource acquisition usually refers to the acquisition of human and technical resources of other enterprises through acquisition

The core of resource acquisition lies in the acquisition of technology. In the high-tech industry, only enterprises with technology can have market and position. The world market is constantly changing and developing, which makes enterprises have to carry out scientific and technological innovation to keep up with the trend of the times. They urgently need new technology to support the operation of enterprises. However, the time, material and labor costs of their own research and development are too large, and there is a risk of failure. Therefore, acquisition has become one of the main ways for enterprises to take shortcuts. For example, in order to realize 5G as soon as possible, Huawei has repeatedly acquired small enterprises with 5G related technologies during the research and development process. These small acquisitions not only accelerated the R&D cycle but also improved the technical level.

The same is true of human resources. The competition for talent resources is intense, because all enterprises are eager to have high-level and sophisticated talents that can promote the progress of the company. But in fact, human resources are limited. Recruitment alone cannot meet the needs of enterprise development, so many companies will

choose to mine scarce talents through acquisition. This measure can directly obtain the core talent team of the acquired enterprise and quickly meet the demand for talent reserve [7].

### 2.3 Risk Response Motivation

Coping with market risks can be divided into two aspects: coping with competition and dispersing risks. The continuous advancement of economic globalization has led to the increasing saturation of the international market. The competition in the market is also increasingly fierce. The best way for enterprises to survive and ease the pressure of competition is to reduce competitors and acquire them [8]. For example, Tencent acquired Sogou. As a leader in the search field, Sogou is a strong competitor of Tencent. Tencent's acquisition of Sogou can not only obtain Sogou's search technology and the technical team behind it to strengthen its technical competitiveness but also obtain Sogou's user resources.

## 3. Execution Strategies in Acquisitions

As the key link for the success of acquisition, the implementation strategy directly affects the acquisition cost, risk and subsequent development. In the practical strategy, there are three main steps: negotiation strategy, transaction structure and payment strategy, and financing strategy.

### 3.1 Negotiating Strategy

Negotiation is the key to the success of the acquisition, which determines the financial cost of the acquisition. How to formulate a scientific negotiation strategy depends on two core links: clarifying the core objectives and mastering the information advantage. These two links can effectively help enterprises greatly improve the success rate of negotiation.

To formulate a scientific negotiation strategy, the enterprise must first clarify its objectives. The acquirer needs to comprehensively consider the control right, price and payment method to determine the core goal of enterprise acquisition. For some minor terms, such as staff placement, disposal of unnecessary resources, etc., some flexible adjustments can be made during the negotiation process [9]. Mastering the information advantage is also the key to the success of the negotiation strategy. Before negotiation, the acquirer will specially ask professionals to analyze the status quo of the acquiree. For example, where is the enterprise in the current market, whether there is capital pressure, and whether the supply chain and production chain are normal. If it is known that the acquired enterprise has problems such as broken capital chain, the acquirer can exchange terms such as quick payment for more favorable terms.

### 3.2 Transaction Structure and Payment Strategy

The choice of transaction structure and payment strategy can directly affect the risk control and capital pressure of acquisition. Therefore, if firms want to formulate a scientific transaction structure and payment strategy, they should closely combine the actual situation of the acquirer with the characteristics of the acquiree.

Equity acquisition and asset acquisition are two acquisition methods for transaction structure selection. If the acquirer wants to obtain complete control of the acquired enterprise, it can take equity acquisition to ensure complete control and core resources. However, there are also some drawbacks in equity acquisition. If the acquiree has a debt dispute, the acquirer has to bear its liabilities [10]. An example is Alibaba's acquisition of Youku. However, if the acquirer only wants to obtain specific assets, such as patents, talents, etc., asset acquisition is a better choice. For example, Huawei made a series of acquisitions when developing 5G.

There are three payment methods for acquisition, namely cash payment, equity payment and mixed payment. Cash payment refers to the purchase of the acquiree with money only, and equity payment refers to the use of the acquirer's shares to pay the acquisition expenses. Compared with the other two, cash payment has the advantages of faster speed and higher acceptance by the acquiree. But pure cash payment needs a lot of cash flow, which is more suitable for enterprises with sufficient funds. Equity payment reduces capital pressure, but there is a risk of equity dilution, which is suitable for enterprises with high valuation and light assets. At present, the most commonly used method in enterprise acquisition is hybrid payment, which combines cash and equity (such as „60% cash+40% equity“) to better balance cash flow pressure and equity dilution [11]. This does not require sufficient funds to effectively alleviate the pressure on capital flow, but also avoids the excessive dilution of equity, and the enterprise loses its control over itself.

### 3.3 Funding Raising Strategies

Financing can be divided into internal financing and external financing [10]. Internal financing is the primary consideration for enterprises to obtain funds. Internal funds include retained profits, self-owned funds, etc. The advantages of using internal funds are no need to pay high loan interest and reduce financial risks caused by external factors. The disadvantage is that there is less internal capital and it is impossible to carry out large-scale acquisition plans.

When internal funds are insufficient, enterprises will choose another low-cost external financing method, such as bank loans, bond issuance, and looking for investors.

Among them, the most commonly used external financing method for enterprises that combine bank loans with bond issuance. Because the bank loan interest rate is low, the repayment forms are diverse, and the repayment period is flexible; The amount of funds raised by issuing bonds is large.

## 4. Case Analysis - Microsoft Acquisition

In 2023, Microsoft with a transaction value of \$68.7 billion to purchase Activision Blizzard. This is a typical case of a technology and ecology acquisition, and it is one of the largest acquisition cases in the history of the gaming industry, which provides valuable reference value for similar or peer acquisitions.

### 4.1 Motives for Acquisition

The main reason for this acquisition is complementing business shortcomings and optimizing the industrial ecological layout. Microsoft is weak in mobile game making. It needs to purchase related companies to fill this gap and make its own game tools better. Activision Blizzard is a world-famous game company. It has many top game names like Call of Duty and World of Warcraft. Activision Blizzard has key tools in multi-player games and cloud gaming. It has over 400 million active users. So, it has a big place and power in the game field. It is clear that Activision Blizzard has the tools and users Microsoft needs. It has become a nearly perfect acquisition target.

Activision Blizzard has encountered a series of problems in its development: the stagnation of its game business, damage to its corporate image due to scandals, and a decline in its stock price. It urgently needs the injection of external funds and technical resources to improve the current situation of the company.

### 4.2 Implementation Strategy

Microsoft conducted in-depth due diligence and scientific strategic planning before the acquisition. In terms of objective clarification, Microsoft focused on three core targets: acquiring Activision Blizzard's mature game IP matrix, absorbing its high-end technical R&D team, and integrating its global distribution channels [12]. Microsoft also checked Activision Blizzard's financial state, worker papers, and patent rights with care. And especially emphasis on the verification of more than 1,200 game-related patents to ensure the completeness and validity of core resources [13]. For the payment way, Microsoft wanted to help cash pressure and lower the problem of share thinning. So, it used a „50% cash + 50% shares“ payment way [14]. This model not only avoids the liquidity pressure brought by full cash payment, but also reduces the risk

of excessive equity dilution, ensuring Microsoft's control over the acquired enterprises. In the financing stage, Microsoft combined internal and external funds. 30% came from retained earnings. 40% came from merger and acquisition loans of multiple banks. The remaining 30% was obtained by issuing bonds. This financing structure fully exploits the advantages of low-cost internal funds and large-scale external financing, strikes a balance between financing costs and risk control, and effectively enhances the success rate of acquisitions.[15].

### 4.3 Integration Process and Results

The value creation of an acquisition transaction largely depends on the effectiveness of post-acquisition integration. To avoid direct cultural conflicts and talent loss, Microsoft used a „light integration“ strategy [15]. Microsoft kept all the original core team of Activision Blizzard. This ensured that games had basic support for normal development. Microsoft also provided its cloud technology to Activision Blizzard. This speeded up the migration of games to the Azure cloud platform. As a result, within half a year after the acquisition was completed, the subscription volume of Microsoft's Game Pass service increased by 25% under the impetus of Activision Blizzard's classic game IPs. Microsoft's market share in the global gaming industry rose by 7 percentage points, further narrowing the gap with industry leaders. Its cloud gaming business revenue grew by 40% year-on-year, achieving the strategic goal of ecological expansion.[15].

## 5. Conclusion

Based on literature analysis and case study methods, this study systematically explores the related content of corporate acquisitions and builds a theoretical framework. The reasons for companies to make acquisitions can be divided into three categories. Expansion motives, aiming to increase market share. Resource acquisition motives, aiming to get technology, talents, and scarce resources. Risk management motives to ease competitive pressure and diversify risks.

In the practice of acquisition plans, negotiation strategies, transaction structures and payment strategies, and financing strategies are the keys to making a scientific acquisition plan. They can improve the acquisition success rate effectively. The research uses the case of Microsoft's acquisition of Activision Blizzard. It proves that acquisition motives are important in practice. It also shows that integration after acquisition is the key to creating value.

Based on the study, here are some practical suggestions for corporate acquisitions:

First, clarify acquisition motivation and achieve strategic matching. Enterprises must align their core acquisition motivations with the company's internal developmental

status and strategic objectives. For instance, growth-oriented companies tend to make resource-acquisition acquisitions, while mature companies choose to expand their market share through acquisitions. Second, optimize negotiation strategies and strength information management. The acquirer should obtain comprehensive information about the target enterprise in multiple aspects before negotiations, including its financial status, market risks, and technical systems. Third, Plan the trading scheme scientifically and reasonably. Different transaction payment plans should be formulated based on the distinct characteristics of different enterprises. Make rational use of mixed payment methods to avoid operational risks after acquisition. Fourth, gradually integrate resources and manage them scientifically. In the short term after the acquisition, the enterprise should establish a reasonable management mechanism to avoid talent loss and cultural conflicts. After a period of adaptation, enterprises can focus on promoting the deep integration of technology, business and channels to achieve the synergy of resources. In the long term, enterprises can establish a performance evaluation system for assessing the integration effect, with key indicators including the growth rate of market share, resource utilization efficiency and revenue growth rate, etc., to stimulate the working potential within the enterprise and ensure the sustainable realization of the acquisition value.

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