

# *Analysis of the problems and countermeasures existing in the enterprise merger and reorganization*

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**Abstract:** In today's business world, enterprise merger and reorganization has long become an important choice to expand the scale of enterprises and obtain external resources. With the help of financial means, enterprises can not only transfer equity financing, but also seize the technological competitiveness of the industry. However, the merger and reorganization of enterprises is not easy, the intermediate process often involves many links, and each link is interlinked. This paper first discusses the issues of enterprise merger and reorganization in the market competition, and puts forward a systematic coping strategy, hoping to give the industry reference and reference.

## **1. Introduction**

As we all know, enterprise merger and reorganization can optimize the allocation of resources, by stripping marginal industries, merging dominant enterprises, strengthen the leading position, further solve the financing difficulties, reduce the cost of capital, and improve the efficiency of enterprises. In the process of merger and reorganization, some enterprises have problems such as information asymmetry and lack of professional financial evaluation institutions, which in turn lead to cumbersome examination and approval, unimpeded financial financing channels, and high asset transfer costs. To this end, we advocate accelerating the progress of the project, adopting financial innovation means, improving the quality and efficiency of finance, and achieving the grand goal as soon as possible.

## **2. The strategic significance of enterprise merger and reorganization**

As an enterprise development strategy, merger and reorganization has multiple positive effects. First, it can effectively weaken the barriers for enterprises to enter other enterprises or regions. Through mergers and reorganization, enterprises can enter new regions or industries with lower risks and costs, and avoid facing obstacles in policy, technology and capital. For example, by merging foreign enterprises in the same field, enterprises make full use of resource advantages, including capital advantages, capital advantages, market advantages, product advantages, policy advantages, etc., to quickly enter the new market and enjoy local preferential policies to promote the rapid growth of the company. Generally speaking, the challenge of enterprises in exploring overseas markets is far greater than that in exploring the domestic market. If enterprises merge and reorganize overseas local enterprises, they can quickly enter the international market, and can get

rid of the constraints of local governments, and then accelerate the development pace of enterprise globalization. Especially in the expansion of unfamiliar markets, the merger and reorganization of enterprises can bring a rare opportunity for development, can make full use of financial capital means, quickly occupy the leading position, and enhance the market competitiveness and business scale. In addition, the merger and reorganization of enterprises can also effectively avoid the problem of excess industrial production capacity through finance, and reduce the operational risks faced by enterprises.

### **3. The problem of enterprise merger and reorganization**

#### **3.1. Shortage of information exchange platforms**

Under the current economic situation, enterprise merger and reorganization is an important means to promote the optimization and upgrading of industrial structure. However, in this process, the shortage of information exchange platform becomes the key factor restricting its efficiency and effectiveness. As the promoters and regulators of merger and reorganization, government departments need to establish and improve the normal communication mechanism to ensure the smooth flow of information and the coordination of decision-making.

First of all, government departments should establish a unified information release and exchange platform, so that enterprises can timely obtain policy information, industry trends and market trends about mergers and reorganization. The platform can be an online portal or a regular industry exchange meeting, and the key is to ensure that information is updated and widely disseminated. Secondly, the government departments need to strengthen the coordination and cooperation across different departments. Enterprise merger and reorganization often involve industry and commerce, taxation, environmental protection and other departments, and the phenomenon of information island between different departments must be broken. Through the establishment of the joint meeting system or special working groups, the decision-making efficiency can be improved, and the waiting time of enterprises in the process of merger and reorganization can be reduced. In addition, the government departments should also strengthen the guidance and services for enterprise mergers and reorganizations. By providing professional consulting services, we can help enterprises solve various problems encountered in the process of merger and reorganization, such as legal consulting, financial consulting, etc., which can reduce the operating costs of enterprises and improve the success rate of merger and reorganization[1].

#### **3.2. There are many items for examination and approval involved in the merger and reorganization**

There are many administrative examination and approval items in the process of enterprise merger and reorganization, which not only increases the economic cost of enterprises, but also extends the time cycle of merger and reorganization. In order to improve the efficiency of examination and approval, the government departments should simplify the examination and approval process and reduce the unnecessary examination and approval links.

On the one hand, the government departments can simplify the process by merging the approval items and reducing the approval level. For those repetitive and low-risk approval items, we can consider canceling or delegating the approval authority, so that it is more convenient for enterprises to complete the approval authority. On the other hand, the government departments should strengthen the communication with the enterprises, inform the approval requirements and standards in advance, and avoid the detours of the enterprises when preparing the materials. At the same time, government departments can also use digital means to establish an online approval system, so that

enterprises can submit approval materials online and track the approval progress in real time.

### **3.3. High cost of assets transfer of merged and reorganized enterprises**

Asset transfer is an important link in enterprise merger and reorganization, but the high tax cost has become an important factor restricting the smooth progress of merger and reorganization. In order to reduce this cost, the government can consider introducing some preferential policies.

First of all, for the transfer of land, housing and other real estate in the merger and reorganization, we can consider the reduction of related taxes and fees. For example, the land value-added tax reduction can be given to the merger and reorganization projects within a certain period of time, or certain tax rebates can be given to the enterprises after the merger and reorganization. Secondly, the government departments can also encourage enterprises to carry out mergers and reorganization by providing financial subsidies. These subsidies can be used to subsidize the cost of their mergers and reorganizations, as well as to support their capacity expansion and technological upgrading after the mergers and reorganizations. In addition, government departments should also strengthen tax guidance for enterprise mergers and reorganizations, help enterprises to reasonably plan tax revenue, and avoid additional financial burden due to tax problems.

### **3.4. The financing channels of the merger and reorganization of enterprises are not smooth**

Capital is an important support for enterprise merger and reorganization, but the problems of difficult and expensive financing have been troubling the merger and reorganization of enterprises. In order to solve this problem, the government departments should take measures to broaden the financing channels of enterprises.

On the one hand, government departments can encourage banks and other financial institutions to provide loan support for merger and reorganized enterprises through policy guidance. For example, a special credit line could be set up to support the financing needs of the merger and reorganization projects. On the other hand, the government departments can also provide direct financial support for the merger and reorganization of enterprises by setting up industrial funds and venture capital funds. These funds can be jointly funded by the government and private capital and specifically used to invest in potential and marketable mergers and reorganization projects. In addition, the government departments should also strengthen the cultivation and construction of enterprise credit. By establishing a perfect enterprise credit system, the credit rating of enterprises can be improved, and the loan risk of financial institutions can be reduced, so as to improve the financing success rate of enterprises[2].

### **3.5. There are many problems left over from merging and reorganizing enterprises**

Improper handling of the remaining problems after enterprise merger and reorganization will not only affect the effect of merger and reorganization, but also may cause social problems. Therefore, the government departments should attach great importance to this problem and take effective measures to solve it. First of all, the government departments should strengthen the supervision of enterprises after the merger and reorganization, to ensure that enterprises comply with laws and regulations in the process of merger and reorganization, and to protect the legitimate rights and interests of creditors, shareholders and employees. Secondly, the government departments can set up special mediation agencies to help solve the contradictions and disputes in the process of merger and reorganization. These institutions can be composed of government departments, trade associations and professional lawyers to provide professional legal advice and mediation services to enterprises. In addition, the government departments should also strengthen the resettlement of

laid-off workers. By providing vocational training, employment guidance and other services, laid-off workers can help to achieve re-employment as soon as possible and reduce social instability factors. In short, enterprise merger and reorganization is a complex and systematic project, which requires the joint efforts of government departments, enterprises and all aspects of society. Only through comprehensive measures, can we effectively solve the problems existing in the merger and reorganization of enterprises, promote the optimization and upgrading of the industrial structure, and promote the high-quality development of the economy.

#### **4. The enterprise merger and reorganization of the countermeasures**

##### **4.1. Governments at all levels should reduce their intervention in the merger and reorganization of state-owned enterprises**

The ownership of state-owned enterprises, especially wholly state-owned enterprises and state-owned holding enterprises, clearly belongs to governments at all levels, which makes the government have the power to decide the operation of enterprises to a certain extent. In the process of the merger and reorganization of state-owned enterprises, the government may intervene as the owner of the enterprise, which has an impact on the merger and reorganization decision of the enterprises. However, the government departments in charge of soes may not be willing to give up their own economic interests in the management of enterprises. These departments may use their power to intervene in the merger and reorganization of enterprises, which makes it difficult for the merger and reorganization of state-owned enterprises in accordance with the principle of marketization. As owners of state-owned enterprises, their intervention may have negative effects, including local protectionism, the realization of state-owned assets to solve financial difficulties, and corporate mergers and reorganization as government actions. Local protectionism is a typical government intervention, which will lead to the effective allocation of resources in the whole society and limit the play of market competition. In addition, the government regards the realization of state-owned assets and the merger and reorganization of enterprises as the government's behavior, which may lead to the mismatch of resources and the loss of efficiency. Therefore, in order to ensure the smooth progress of the merger and reorganization of state-owned enterprises, governments at all levels should reduce the intervention in the merger and reorganization of state-owned enterprises. The government should respect the law of the market and encourage enterprises to merge and reorganize in accordance with the principle of marketization, so as to improve the competitiveness and efficiency of state-owned enterprises. At the same time, the government should also strengthen the supervision of the merger and reorganization of state-owned enterprises, ensure the fairness, justice and transparency of the merger and reorganization process, and prevent the loss of state-owned assets and the damage of interests. In addition, the government should also strengthen the guidance and guidance for the merger and reorganization of state-owned enterprises, provide necessary policy support and public services, and help enterprises solve the problems and difficulties encountered in the process of merger and reorganization. The government should encourage enterprises to innovate and try, sum up the experience, and constantly optimize the policy environment and practical path of the merger and reorganization of state-owned enterprises.

##### **4.2. Enterprise merger and reorganization should avoid disputes over creditor's rights and debts**

In the process of enterprise merger and reorganization, whether through the equity transfer and reorganization or the overall merger and reorganization, the enterprise debt disputes before the

merger and reorganization will be transferred to the enterprise after the reorganization. This requires that before the merger and reorganization, we must properly solve the debt problem of the merged enterprises, so as to avoid the unnecessary financial burden and legal risks for the restructured enterprises.

First of all, the merged enterprises should thoroughly clean up their own claims and debts before the merger and reorganization, to ensure that all debts are properly handled. This includes repayment of maturing debts, renewal of unmaturing debts, and disclosure and disposal of possible hidden debts. For the undue creditor's rights and debts, an agreement can be reached through negotiation, and the repayment term and amount of the debts can be adjusted to meet the development needs of the enterprises after the merger and reorganization. Secondly, for the inherited creditor's rights and debts, the merger and reorganization agreement should make it clear that the new enterprise subject should assume the responsibility for the original debts. This includes clarifying the responsibility, method and time of repayment to ensure that the restructured enterprise can fulfill its debt repayment obligations in accordance with the agreement. In addition, in order to prevent disputes over creditor's rights and debts, enterprises should make full use of legal means in the process of merger and reorganization, such as signing creditor's rights and debts transfer agreement, balance sheet audit, to ensure that the restructured enterprises will not bear unnecessary debts. At the same time, enterprises should also strengthen the attention to the management of creditor's rights and debts, establish and improve the internal control system, regular debt liquidation and audit, to ensure that the financial situation of enterprises is clear and transparent[3].

#### **4.3. Reasonable design of merger and reorganization plans to reduce the transfer cost of restructured assets**

Enterprise merger and reorganization is a complex economic activity, involving the transfer of asset ownership, and this process is often accompanied by high costs. In order to reduce these costs, enterprises need to reasonably design the merger and reorganization plans, optimize the asset transfer methods, reasonably arrange the tax planning, and simplify the examination and approval process. First, optimizing the asset transfer method can reduce the cost of asset transfer. For example, asset restructuring through asset replacement, equity transfer and other ways can avoid a large amount of cash flow expenditure, so as to reduce the cost of asset transfer. Secondly, the reasonable arrangement of tax planning is also an important means to reduce the cost of asset transfer. Through reasonable tax planning, enterprises can effectively avoid the additional tax burden caused by merger and reorganization, such as the value-added tax and business tax caused by asset transfer. In addition, simplifying the approval process can also effectively reduce the cost of asset transfer. In the process of merger and reorganization, the efficiency of approval by government departments directly affects the speed and cost of asset transfer. Therefore, simplifying the approval process and improving the efficiency of approval can reduce the cost of asset transfer.

#### **4.4. Scientifically formulate risk prevention measures in enterprise mergers and reorganizations**

There are many risks in the process of enterprise merger and reorganization, such as policy risk, legal risk, financial risk and so on. In order to minimize and avoid these risks, enterprises need practicing lawyers, certified public accountants and appraisers to participate in the whole process of merger and reorganization. First, practicing lawyers should review the legality of the project and issue legal opinions to avoid policy and legal risks. In the process of merger and reorganization, lawyers can provide professional legal advice to help enterprises avoid the risks caused by violations of laws and regulations. Secondly, the certified public accountants should investigate and

verify the assets, liabilities and owners' equity of the enterprise, and jointly evaluate its value with the asset appraisers to avoid financial risks. The audit of certified public accountants can ensure the authenticity and reliability of the financial data in the process of enterprise merger and reorganization, and avoid the risks caused by financial problems. In addition, merger and reorganization, as a market transaction behavior, needs to rely on intermediary organizations and participants for repeated negotiations and communication. In this process, professional intermediary agencies can provide professional services to help enterprises to better deal with various problems in the process of merger and reorganization.

#### **4.5. The staff and workers of the enterprises being merged and reorganized shall be resettled in accordance with the law, and their legitimate rights and interests shall be effectively protected**

The placement of workers is a key problem in the merger and reorganization of enterprises, and also a problem that the government must consider. In the process of merger and reorganization, enterprises need to settle the employees of the merged and reorganized enterprises according to law to protect their legitimate rights and interests. First of all, enterprises should ensure that the employees of the merged and reorganized enterprises can be properly settled. This includes the placement of all employees such as contract, retired, permanent and temporary workers to ensure that their labor relations are properly handled. Secondly, the government should strengthen the protection of the rights and interests of workers. In the process of merger and reorganization, the government should ensure that the legitimate rights and interests of workers are not infringed upon, such as protecting the rights and interests of workers' wages and welfare. In addition, the government should also strengthen the supervision of the placement of workers. Through the supervision of the placement of workers, to ensure that the enterprise can be placed in accordance with the requirements of laws and regulations, and protect the legitimate rights and interests of workers[4].

### **5. Summary**

In short, mergers and acquisitions are an important financial means for enterprises to cope with the fierce market competition and achieve strategic goals. In the process of enterprise merger, they often face many risks and challenges. If not handled properly, it may affect the effect of merger and acquisition, and even weaken the core competitiveness of enterprises.

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