Concept and Scope of External Extension in Corporations

Mehdi Haghighatjoo[1]
PhD Student of Privet Law, Department of Private Law, College of Law and Political Science, Science and Research Branch, Islamic Azad University, Tehran, Iran
Ebrahim Rahbary[2]
Visiting Professor, Department of Private Law, College of Law, Shahid Beheshti University, Tehran, Iran

Received: 13/9/2015 Accept: 3/2/2017

Extended Abstract

There are various and different strategies for expanding business influence in commercial markets. External extension of corporations can be regarded as one of the most important ways for influencing on markets and increasing productions.

There are some similar strategies that have same performance like External extensions, but we should not have analogous perception from them. Joint venture, cartels, foreign investments and other similar concepts are similar strategies that can be regarded as same concepts.

Certainly there are too many differences between these two expressions. First, we should study about External extension concept.

However, having vague concept and obscure scope makes its recognition hard. The importance of this ambiguity reveals when we concern controlling rules in markets. Without any comprehensive knowledge about its scope, market administration does not have appropriate utility.

The most significant point is that external extension is related to the markets orders and it can be included as an anti-competitive procedure. So, it connected to competition law and it should be figured as an effective instrument in market. Consequently, market authorities should compare its matter with competition law principles. Without any exhaustive understanding about its extent, they cannot manage markets correctly. So, understanding its concepts requires analyzing its structure.

External extension can be regarded as some commercial strategies for expanding companies' activities by using other companies' sources. In other words, a company that is seeking to expand its activities, takeovers other companies sources by

1- *haghighatjoomehdi@yahoo.com*
2- rahbarionlaw@gmail.com

external strategies. So, it is a commercial way for using external benefits. Accordingly, "external" refers to every benefits that are happened out-side of the company.
So, after illustrated meaning of external, we should study about the scope of this concept in markets surface.
By analyzing external extensions in economic markets, we can reach that “merger and acquisitions” are its exclusive subjects. So, we Should not extend its scope to the other business instruments. For this respect, joint ventures, cartels, and other similar ways do not have conformity with the scope of external extension. These strategies concern internal source and try to expand companies activities from inside. So, we cannot have the same generalizations from these two ways.
In this way mergers are external extensions, because transferee company, by absorbing other companies property, takes the commercial position in market. So, transferee company expands his activities by taking outside benefits.
As well, acquisitions can be regarded as external extension ways, because it has the same performance. In acquisitions, transferee company acquires "chief shareholders" of other companies. So, by taking possession of main securities of transferor companies, they can aquire there controls. In this situation, transferee company takes transferor company source and expands his activities in economic markets.
So, on the basis of above observations, mergers and acquisitions have the same performance. Because both of them can be regarded as external extension strategies.
The result of this study is that today we should regard external extension as a common way in commercial world. In the meantime, our territorial markets are not excepted from these waves. using these methods its available by irainian and forign company. So that it can be exercised in our market without any impediment.
Today by increasing private sector, these strategies can be resolved as a common way in markets. but without any exhaustive control from market authorities, it can be regarded as a dangerous procedure. Therefore, we need exhaustive controlling system to protect markets orders from its uncommon angles. The exhaustive controlling system is a unique collection that has perfect substance and appropriate content to all of its corners.
Our studies have some conclusions and suggestions. External extension has narrow scope and limited kinds. So we can only regard mergers and acquisitions as its subjects. Accordingly, they have similar structure. Although we cannot deny their same roots, there are too many differences between them. Because they have two different natures. Merger creates special effect on markets that are different from acquisitions. If directors use mergers to influence on markets, they reach the most scope of extension in markets. On the contrary, if acquisitions are used, extension has frivolous effects. Because of their different effects, they create various ranks of monopolies in economy. Therefore, mergers have more sensible extension. When directors use it, we can see a solid union on markets. But acquisitions effects are not very obvious. It can be regarded as a weak way for penetrating in markets.
From above text, we can recognize there separates natures. In addition, these differents natures have necessitate some special controls. In other word, for controlling these natures markets authorities should exercise diffrent rules. So that, mergers and acquisitions necessitate various control. On the absent of these, we couldn’t reach to oure desire about markets orders. First, we should have an exhaustive comprehension these different nature. Without any exhaustive

comprehension about these different natures, we cant control market from these ruined effects.

Unfortunately, in Iran's Acts, legislator didn't attend to these different natures. So in oure rules we have unjust combination between these two natures. In this situations our suggestion is that we should exercise different control on each contractual forms.

Key words: External extension, Internal extension, Taking over commercial rivals sources, Merger corporations, Acquisition companies.

References (in Persian)

Beigi Habib Abady, A. (2000). *Comparative study merger of corporations in United State of America and England and Iran* (Unpublished doctoral dissertation). Tarbiat Modares University, Tehran, Iran.

Gharebaghiayan, M. (1999). *Economy and extension.* Tehran: Nashr-e-Ney.

Hatami, A., & Karimiyan, E. (2015). Foreign investment law in light of investment act and contract. Tehran: Teesa.

Lajevardi, E. (2015). *Transnational corporations*. Tehran: Mizan.

Rahbari, E. (2014). *Technology transfer law.* Tehran: Samt.

Schmittoff, M. (2013). The law and practice of international trade (B. Akhlaghi, Trans.). Tehran: Samt.

Shiravi, A. (2014). *International trade law.* Tehran: Samt.

References (in English)

Adedayo, David. (1978). *The extension of corporation in international law.* New York: Library of Congress.

Birds, John; Miles, Robert; Hildyard, Robert; (2010). *Annotate companies*. London: Oxford University Press.

Cullen, J. (2012). *International business: Strategy and the multinational company*. Washington D.C.: Routledge.

Cohen, Stephe. (2007). *Multinational corporation and foreign direct investment.* Washington D.C.: School of International Service.

Depamphilis, D. (2012). *Merger acquisition and other restructuring activities*. London: Academic Press.

Dinsburg, M. (2012). *Merger acquisitions*. New York: Kluwer.

Fred, John; Kwang, Weston; Hoag, Susan; (2010). *Merger restructuring and corporation control*. Seoul: Business and Economic.

Gregoriou, G. (2007). Corporate governance and regulatory impact on merger and acquisitions. Tokyo: Academic Press.

Carig, Wassererman. (2003). *Partnership joint venture and strategic alliances*. New York: Law Journal Press.

Jovanorich, B. (1984). *Counter trade and trading companies*. London: Law and Business.

Kaynak, Erdener; Baker, James. (2012). *International business expansion*. London: Taylor and Francis Group.

Keil, T. (2002). *External corporate venturing*. Toronto: Business and Economics.

K.l.k, Rao; Urang, Raul. (1988). *Buyback arrangements and trade expansion*. New York: Astro.

Landell Mills, J. (1985). *Foreign private investment in developing country*. Washington DC.: International Monetary Fund.

Leroy Miller, R. (2015). *Business law today*. Texas: Cengage Learning.
Mayer, M., & Whittington, R. (2002). *The European corporation*. New York: Oxford University Press.
Oswald, Lynda. (2012). *The law of marketing*. Michigan: South Western Cengage Learning.
Estrella, Tolentino. (2000). *Multinational corporation*. New York: Routledge.
Prescott, Darrell; Salli, Swartz; (2005). *Joint ventures in the international arena*. American Bar Association, Washington D.C.
Russo, Francesco; Maarten, Pieter; Gunster, Andrea. (2010). *European commission decision on competition*. Cambridge: Cambridge University.
Rudie Harrigan, K. (2003). *Joint venture alliances and corporate strategy*. Washington DC: Beard Book.
Rossini, C. (1998). *English as legal language*. Boston: Kluwer Law.
Rudie Harrigan, K. (1986). *Managing joint venture*. New York: Lexington Book.
Schneeman, A. (2013). *The law of corporations and other business organizations.* New York: Delmar Learning.
Sornarajah, M. (2014). *The international law on foreign investment*. Cambridge: Cambridge University Press.
Trost, Thilo. (2015). *Joint ventures*. London: Druck and Bindung.
Webb, Tarun. (2016). *Internal investment of corporation.* New York: Law Journal Press.