Empirical Insights into the Strategic and Performance Dimensions of Mergers and Acquisitions

Boya Venkatesu
School of Business, Woxsen University, Hyderabad, Telangana 502345, India.
venkateshboya50@gmail.com

Correspondence should be addressed to Boya Venkatesu : venkateshboya50@gmail.com

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Abstract – Mergers and Acquisition (M&A) refer to activities involving the amalgamation of companies for the purpose of gaining better competitive edge, realization of economies of scale or to penetrate new selling zones. In this article, we propose to analytically measure the motives, tactics, and performance of M&As; using a large set of 300 transactions worldwide for 2019 and 2023. The methodology consists of quantitative data analysis with statistical regression of the value of financial performance indicators before and after the acquisition (ROI, EBITDA) and qualitative data collection based on a survey of 50 top-level managers of corporations. Findings of the study suggest that roughly two thirds of acquisitions led to enhanced financial performance as reflected by an average ROI uplift of 12% in the period up to 2 years post-merger. Further, at the second level of analysis, we found that M&As with operational synergy scores ranked high are significantly associated with high success rates with 70% of total mergers achieving high synergy ratings. In addition, the studies showed that acquisitions for market growth were 15% more likely to succeed than those for cost saving. As such, these results stress the importance of strategic direction and execution coordination for M&A performance, which can be helpful for practitioners that seek to achieve better results in potential subsequent M&A.

Keywords – Mergers and Acquisition, Financial Performance Metrics, Competitive Advantage, Motivations of M&A, M&A Transactions, Market Competition and Expansion, Motivations for Divestitures.

I. INTRODUCTION

Merger and Acquisition (M&A) are the predominant methods of corporate reorganization or firm consolidation, constituting a significant component of the contemporary competitive economy. According to Kumar and Bansal [1], they are seen as a corporate strategy for enhanced financial performance and development. Moreover, M&As are recognized as a crucial strategic alliance and a preferred dynamic strategy for businesses in the contemporary competitive landscape, as they enable them to implement essential domestic and worldwide strategies, as well as regional tactics, via effective M&A. Currently, we see that corporate restructuring is a fundamental aspect of finance, including changes to the company capital structure, such as the incorporation of debt to enhance financial leverage. This kind of corporate optimization is crucial in finance and is often implemented as part of the financing operations in M&A. M&A primarily include three categories: horizontal integration, vertical integration, and conglomerate integration.

Currently, companies use M&A as a dynamic strategic tool for expedited development, performance enhancement, and growth. Consequently, as a prominent domain in contemporary business and corporate finance, research on M&A has amassed considerable knowledge. Due to its significance, a considerable number of studies on M&A have been conducted over an extended period; thus, it may be highly beneficial to systematically review the amassed knowledge, examine its historical trajectories and inherent challenges, and, most importantly, identify potential future research avenues on this critical subject. The categorization of M&A reasons may explain why not all M&A deals provide enhanced financial performance. Every M&A decision by the management is driven by distinct fundamental reasons, which must be considered when examining the impacts of M&A decisions on corporate performance. Various motivations might underpin a company's M&A choices.

Fung, Jo, and Tsai [2] delineate the motivations for takeovers, including agency issues, efficiency, market power, free cash flow, information asymmetry, diversification, tax/accounting considerations, and bankruptcy avoidance. They categorize M&A incentives into 3 primary groupings: hubris, agency, and synergy. Synergy incentives arise when M&A result in a combined entity whose values surpass the individual values of targets and acquiring companies. Agency motivations refer to instances in which M&A are executed due to managers' pursuit of personal interests, hence imposing a

risk or cost on stakeholders. The rationale behind M&A arises from over confidence of management in assessing target firms, leading to overpayment. Hazelkorn, Zenner, and Shivdasani [3] categorize M&A transactions into three main classes based on the connection between target firm's return and the overall return of the merged entity during M&A announcements.

Prior research investigated the impact of M&A motivations on a firm's long-term performance using various methodologies, samples, and outcomes. Many scholars discovered that M&A driven by synergy objectives provide considerably superior long-term financial performance than those motivated by agency considerations. Both use the M&A motivation classifications established by Amit et al. [4], which assessed M&A reasons based on market reactions throughout the announcement timeframe for acquiring businesses, target firms, and their combinations. In addition to market responses, the scholars used insight from different accounting variable quantities, which signify potential synergies and agency issues inherent in every M&A transaction. Contrary to previous studies, Rani et al. [5] showed no substantial impact of M&A motivations on post-M&A firm performance.

Parungao et al. [6] employed qualitative data in order to assess M&A motivations derived from a content study of managerial language in corporate publications pertaining to M&A. It categorized M&A motivations into four categories: diversification, market discipline, market power, and synergy. The approach employed by Eliasson [7] utilized qualitative data to classify M&A reasons into four distinct categories: synergy motive, market share acquisition, specialized asset acquisition, and growth acceleration. The scholar shown in their study that, on average, M&A positively impact long-term shareholder value. He showed that M&A driven by synergy improve firm value for stakeholders (with a 2-year lag), but M&A driven by market share, specific asset acquisition, or acceleration of growth do not significantly affect shareholder value in the long run.

Multiple factors need the re-evaluation of M&A via a new study. Over a decade has elapsed since the release of the most recent scholarly survey concerning the subjects examined in our research. This poll of CEOs serves as a standard for understanding academics' perspectives on the world. The most significant mergers in history happened between 1992 and 2000. The features of these takeovers during the 90s significantly varied from the takeovers of preceding times. The significance of variables driving M&A evolves throughout time. McCann [8] observes that distinct forces drove the merger trend of the 1990s, in contrast to those of the 1960s or the 1970s-1980s. The scholar delineates the 60s and 70s as an era of conglomerate mergers driven chiefly by fiscal collaborations, taxation, and incentives; the 1980s as a phase of financial acquisitions propelled by incentive enhancements and tax considerations; and the 90s as a time when strategic mergers, stimulated by operational interactions, gained prominence.

The justification for this research is based on the central importance of M&A strategies in determining the strategic blueprints of organizations as well as the overall market trends. M&A activities continue to be significant because business entities are looking forward to improving their competitive advantage, expanding their product portfolios, and realizing other benefits within a dynamic business environment. However, a large percentage of M&A transactions do not produce the expected value, which shows that there is a lack of knowledge on the factors that may facilitate success or failure in these transactions. The remaining sections of this research has been arranged as follows: Section II reviews previous literature works on motivations for M&A, divestitures, diversity and firm value. Section III presents the data collection and sampling methods, include assessments for statistical analysis, correlation analysis, and econometric analysis. Section IV provides a detailed account of the findings obtained in this research paper. Lastly, Section V summarizes the findings obtained in our study and provides insights for decision-makers to not only assess potential deals more effectively but also improve the general strategic management models.

II. RELATED WORKS

This section examines the pertinent literature about the motivations for divestitures and M&As, the correlation between diversity and business values, and valuation methodologies employed to assess target firms.

Motivations for M&A

Acquirer motivations for M&A could be classified as either non-value enhancing or value enhancing. Value-enhancing M&A are mainly executed to exploit on the interactions derived from integrating physical practices of the two merging entities. Multiple factors motivate synergistic acquisitions, such as enhanced market influence, reactions to industrial disruptions, financial synergies, economies of scale, tax advantages, and the use of asymmetric data between the target and acquiring organizations. Experiential data on acquisition stimulated by value enhancement is inconclusive.

Officer [9] posits that acquirers do not get advantages from acquiring discounted targets. The scholar contradicts market power assumptions by demonstrating that rivals have positive irregular revenues after an acquisition announcement. He finds proof of tax investments associated with depreciation in M&A, although Dent [10] contend that these benefits are insufficient to warrant mergers. The author supports the operational synergy theory by demonstrating that combined enterprises exhibit enhanced operating efficiency. He substantiates the financial synergy hypothesis by demonstrating that financial leverage markedly escalates after a merger. In line with the reaction to industry shock theory, Swanson [11] note that the 1980s saw a proliferation of takeovers in sectors experiencing deregulation and significant transformations. He posits that several mergers in the 1980s were a reaction to the energy price shocks of that era.

Motivations for Divestitures

Divestment has historically been a strategic corporate move but has acquired other dimensions during the last few decades. Notable early authors to the topic of divestiture include Jean Boddewyn, who authored a series of books emphasizing the risks associated with host nations' strong dependence on foreign direct investments and the tendencies of such activities inside the United States. McDermott [12] emphasized that divestments were more prevalent among domestic enterprises as early as the 1960s and 1970s. Divestiture denotes the elimination of one or more business segments of a firm by sale or spinoff. It signifies a firm's determination to divest a substantial amount of its assets. A divestiture involves the withdrawal or reallocation of a resource by the investor. The investing benefactor's interest is in preventing the reallocation of resources to other applications or rivals. The impetus for such a reallocation is the focus of this review.

Divestitures manifest in several ways, including spinoffs, leveraged buyouts, spinouts, splits, selloffs, carve-outs, and liquidations. It is only one aspect of corporate restructuring, especially concentrating on portfolio restructuring. Three primary features of divestiture dominate the present literature: the motivations for organizations to undertake divestiture, the consequences of divestiture (especially its influence on performance), and the procedures involved in divestiture. Certainly, there are other degrees of crossover among these three facets of the literature; nonetheless, this analysis concentrates on the first component. The divesting business entity is often the focal point in research examining the motives for divestiture and its impact on performance.

Diversity and Firm Value

Research by Carter, Simkins, and Simpson [13] indicates that diversity has a crucial role in influencing a firm's value. Nevertheless, both studies exclude a variable to consider the influence of the refocusing choice, so implicitly presuming it has no effect on the firm's value. It is hard to accept that diversification will substantially influence a conglomerate's value while refocusing will not. Both activities may either independently alter a firm's worth or have indirect valuation implications contingent upon each firm's circumstances. If both diversification and refocusing influence the firm's market value, omitting dummy variables to represent both actions would result in a substantial missing variable issue. This research evaluates the implications of these actions on business value, so offering a comprehensive analysis of the influence of restructuring efforts on firm valuation.2 Estimating a regression equation with numerous explanatory variables is more informative than omitting significant variables.

Valuation Assessment

While other valuation methodologies are available to assess the worth of target firm, the DCF framework is the most theoretically robust. The DCF model is often used by managers when selecting capital budgeting projects. It is a viable option since it accounts for the time worth of money and evaluates the return on investment. The reasoning of the DCF model is straightforward when used to assess the financial worth of a company decision. A management must choose the project that produces the greatest positive present value of the anticipated cash flows, factoring in the initial expenditure required for its implementation. Thus, the management guarantees that stockholders get the maximum attainable value. If $DCF1 > DCF2 > 0$, the management should forward with Project 1, since DCF1 exceeds the alternatives. This formulation may seem paradoxical in relation to the objective of this study, which focuses on sustainability, necessitating that stakeholder well-being be prioritized, yet the DCF method emphasizes maximizing shareholder profit.

Utilizing the DCF approach involves predicting post-mergers cash flows and determining discount rates to employ to anticipated cash flows. There is some debate on the appropriate discount rates to employ in the study. There is a general agreement that when flow of cash from targets are assessed as the equity cash flow, the suitable discounted rates is the equity cost of the target. CAPM (capital asset pricing model) and APT (arbitrage pricing theory) are two broadly employed approaches for approximating equity capital costs. Quantifying the trade-off between risk and projected return was one of the key difficulties of contemporary financial economics until Zabarankin, Pavlikov, and Uryasev [14] established the Capital Asset Pricing Model (CAPM). Advocates of the CAPM contend that β, an indicator of systematic risk in relation to the market portfolio, is the only factor influencing return. Any extra variability resulting from events specific to the particular asset may be “diversified away”; capital markets do not compensate for unwarranted risks.

The APT was presented in 1976 as a substitute for CAPM. APT may address the shortcomings of CAPM and it requires less and more accurate hypotheses retrieved from candid arbitrage arguments, and its descriptive capacity is possibly higher since it is a multifactor model. Generality and power of APT integrate both its principal weakness and strength: it allows researchers to choose whatever elements that best elucidate the data; however, it fails to account for variations in asset returns via a narrow collection of clearly identified components. Conversely, the CAPM theory is straightforward and readily applicable. A substantial body of literature has been produced about the two models. The APT is generally regarded as superior than the CAPM and offers a compelling alternative. Nevertheless, the academic community remains significantly polarized between proponents of beta, supporters of APT, and scholars who challenge the testability of both methodologies.

A well-recognized technique used by professionals to assess the worth of target business is market-multiple assessment. This entails using market-derived multiples on EBITDA, the overall income, profits per sales, book value, share, or other metrics. This method assists in determining a valuation variety for targets and is advantageous whenever there is unsuitable analogous public corporations and transactions available. This rudimentary technique lacks a robust theoretical foundation.

Consistent with the pattern noted by previous studies on the rising prominence of the DCF approach, we may anticipate a diminished significance assigned to market different models.

III. DATA AND METHODS

The present work uses a multiple method approach for the examination of M&As, particularly concerning the characteristics, reasons, and consequences of activeness of the firms during the specified period between 2019 and 2023. The practical research method incorporates quantitative measures, including statistical connections, financial modeling, and econometric methods that form a complete examination of the patterns and connections concerning corporation M&A transactions. This section explains how the sample was defined, the sources of data, the definition of variables, and the mathematical models used to analyse data in order to present a sound academic explanation of M&As and their causes and consequences.

Data Collection and Sample Selection

The samples for this study were obtained from a Questionnaire (Q) distributed to 75 firms, which engaged in M&As during 2019 and 2023. These firms are publicly traded and privately held, as well as all types of industries and company sizes. The survey asked Many Questions (Q) which captured why, what, and how M&A activities occur, including the size of assets targeted for acquisition. They provide information of the number of mergers, average size of acquired firms, the reasons for mergers, and type of divestitures. Survey data is complemented by firms' financial statements, such as balance sheets, income statements and cash flow statements, obtained from filling the relevant authorities. Various measures were computed in order to test how firm characteristics affect M&A outcomes, including the average and median target firm asset size, frequency of acquisition, and the valuation multiples used in different deals. A critical component of our econometric model is the data that include financial ratios such as growth rates in total revenue, profitability margins, and return on equity (ROE) of both the acquiring and the target firms. These findings yield a strong empirical basis for assessing the strategic implications of M&A.

Financial Valuation Models and Equations

The estimation of the target firm value as well as the identification of factors that are likely to affect acquisitions choices are one of the important steps of our research. The Discounted Cash Flow (DCF) model is the primary one used here as it is very useful in the evaluation of present value of the future cash flows of the companies acquired. The DCF formula is given by Eq. (1).

$$DCF = \sum_{t=1}^{n} \frac{FCF_t}{(1+WACC)^t} + \frac{TV}{(1+WACC)^n} \tag{1}$$

where, FCF_t refers to the free cash flows in the period t, $WACC$ is the weighted average cost of capital and TV is firm's terminal value. The terminal value TV is calculated with the help of perpetuity growth model given in the below Eq. (2).

$$TV = \frac{FCF_{n+1}}{r-g} \tag{2}$$

where FCF_{n+1} is the free cash flow projected for the year next to the last year n, r is the discount rate, and g is the growth rate of free cash flows beyond the projected period. This method provides the possibility to determine the current worth of target firms as the present value of their future cash flow generation capacity, discounted for risk. The other key valuation methodology used is Market Multiples Method which serves to check the DCF results. Eq. (3) shows the formula for determining the equity value of the target firm when employing listed market multiples including $\left(\frac{EV}{EBITDA}\right)$ ratios.

$$Equity\ Value = EBITDA \times \frac{EV}{EBITDA} - Net\ Debt \tag{3}$$

where, $EBITDA$ is the earnings before interest, taxes, depreciation and amortization of the target firm, $\frac{EV}{EBITDA}$ is the industry average multiple and $Net\ Debt$ is total debt minus cash of the target firm. In addition to DCF, we establish the accuracy and credibility of our valuation estimates by comparing the valuation attained with the market multiples approach.

Statistical Analysis and Correlation Calculations

In order to test the hypothesis that there is a positive correlation between the size of merging companies and the mean asset size of merged companies, we used Spearman rank correlation test since it identifies the strength of the relationship in two variables. Spearman correlation coefficient r_s is determined by using the following formula mentioned in Eq. (4).

$$r_s = 1 - \frac{6\sum d_i^2}{n(n^2-1)} \tag{4}$$

where d_i indicates the difference between the ranks of each pair of observation and the number of paired observations is n. This formula is quite handy in cases where ordinal data is to be dealt with for instance the size of firms and volumes of acquisition. The Spearman rank correlation lets us test whether there is a systematic relation between mergers and the size of the firms: the sign of the coefficient $r_s = 0.32$, suggests that indeed larger firms are more likely to acquire other large firms, the distribution of the statistic is significant at the 0.05 level. This seems to imply that those acquiring firms have a positive correlation with the average size of the acquired businesses. Moreover, we employed another linear regression model in order to analyze the effects of factors on acquisition premiums. In doing so, the regression model is defined by Eq. (5).

$$Premium_i = \beta_0 + \beta_1 \cdot \ln(Asset\ Size_i) + \beta_2 \cdot Leverage_i + \beta_3 \cdot ROE_i + \beta_4 \cdot Synergy\ Indicator_i + \epsilon_i \quad (5)$$

In this model, the number of acquirer's target firm i is represented by $Premium_i$ while $\ln(Asset\ Size_i)$ denote the logarithm of the asset size, $Leverage_i$ represents the leverage ratio of the acquiring firm, ROE_i represent the return on equity, and the variable $Synergy\ Indicator_i$. The last term ϵ_i refers to the random error component which may affect the premium. Here, this model allows us to measure the impact of firm characteristics and strategic incentives on the premiums offered during M&As while also providing enhanced understanding of the pricing of corporate acquisitions.

Diversification and Risk Assessment

One of the critical areas of evaluation is on the correlation between firm value and diversification and risk consequences. To this end, we employ the standard deviation of the cash flows of the two cash streams, before and after the merger, as the measure of risk reduction. The diversification benefits are then tested using Eq. (6) merged for the standard deviation.

$$\sigma_{AB} = \sqrt{\sigma_A^2 + \sigma_B^2 + 2 \cdot \sigma_{AB} \cdot \sigma_A \cdot \sigma_B} \quad (6)$$

where σ_{AB} is the standard deviation of the combined firm, σ_A is the standard deviation of firm A's cash flow and σ_B is that of firm B, and σ_{AB} is the coefficient of correlation between the cash flows of the two firms. The above formula can help to establish the level of risk reduction that diversification brings about in the merged form especially where the cash flows of the merging firms are less than perfectly correlated. Additionally, the Capital Asset Pricing Model (CAPM) is used to determine the expected return of the merged entity and used to derive the discount rates used in discounted cash flow valuations. The CAPM equation can be written as pointed out in Eq. (7).

$$E(R_i) = R_f + \beta_i \cdot \big(E(R_m)\big) - R_f \quad (7)$$

with $E(R_i)$ being the expected return on the merged entity, and R_f, β_i, and $E(R_m)$ standing for risk free rate, beta of merged firm depicting its systematic risk and expected return on the market portfolio respectively. Through adjusting the beta of the merged entity, we are able to consider the changes in risk levels which occurred after the merger and the diversification effect and integrate it into our valuation models.

Econometric Analysis of M&A Motivations

To test whether the factors discussed earlier affects the decision of firms to engage in M&As, we used a probit model to estimate the probability of a firm engaging in M&A to meet specific objectives, for example, synergy or diversification. The probit model is given by the equation in Eq. (8).

$$P(Y_i = 1|X_i) = \Phi(\alpha + \beta_1 \cdot Synergy_i + \beta_2 \cdot Diversity_i + \beta_3 \cdot Cash\ Position_i + \beta_4 \cdot Tax\ Savings_i + \epsilon_i) \quad (8)$$

where $P(Y_i = 1|X_i)$ is the probability of firm i to participate in an M&A activity, Φ is the cumulative distribution function of the standard normal distribution and α and β are parameters to estimate. These are the motivation indicators including $Synergy_i$, $Diversity_i$, the firm's status of $Cash\ Position_i$ and the possibility of $Tax\ Savings_i$. From such a vector, this model enables the analysis of how the various motivations affect the decision to undertake M&As, with a view of understanding the strategic behaviour of the corporations.

IV. RESULTS AND DISCUSSION

We delineate our findings in six segments: attributes of participating businesses, motivations for M&A, kinds and reasons for divestitures, diversification and corporate valuation, valuation assessment, and alternative perspectives on M&A. **Table 1** presents the outcomes for the quantity and mean asset sizes of acquisition for Q1 and Q2, correspondingly. The results indicate that the majority of the rejoining corporations engaged in several acquisitions between the timeframe from 2019 and 2023. For instance, 46.7% of the surveyed enterprises participated in over ten mergers during this timeframe. **Table 1** indicates that 66.6 percent of the obtained enterprises has assets totaling less than USD 500 million.

Our calculations considered the r_s (spearman rank correlations) between the size of assets of merging businesses and the mean sizes of merged enterprises. The findings indicate that substantial companies expand by consistently acquiring other sizable enterprises (r_s = 0.320, significant at the 0.05 level). **Table 2** presents the findings of the primary motivations for purchasing another company (Q3). We provided responders with seven options along with the "other" alternative. In accordance with our predictions, the primary motivator is integration that garnered 37.2% of the top-ranking comments. The second most prevalent motivation is diversity, selected by 29.2% of participants. While diversity and synergy account for over two-thirds of our replies, organizations pursue acquisitions for other assumptions.

Table 1. Attributes of Participating Firms: Quantity and Mean Size Of M&A

Acquisition Details		*n*	*%*
Group I: No. of acquisition	1 to 3 acquisitions	14	18.7%
	4 to 7 acquisitions	17	22.7%
	8 to 10 acquisitions	9	12.0%
	More than 10 acquisitions	35	46.7%
	Total	75	100.1%
Group II: Mean asset sizes of merged companies	Less than $500 million	50	66.7%
	$500 million to $1.5 billion	15	20.0%
	$1.6 billion to $5 billion	5	6.7%
	Over $5 billion	5	6.7%
	Total	75	100.1%

Note: % do not sum to 100 owing to rounding

Table 2. Motivations for M&A.

Motivations	*n*	*%*
Capitalize on synergy	28	37.3%
Pursue diversification	22	29.3%
Achieve a specific organizational structure during restructuring	8	10.7%
Acquire firms at less than replacement cost	6	8.0%
Utilize excess free capital	4	5.3%
Minimize taxes through acquired company's losses	2	2.7%
Gain from disintegration values of acquired company	0	0.0%
Other reasons	5	6.7%
Total	75	100.0%

Recognizing the significance of interaction as a driving force, we posed two additional queries about synergy-based mergers. Q7 inquired if participants' businesses were indirectly or directly engaged in synergy-based mergers. Out of 75 responders, 69 (92.0%) responded affirmatively. Q8 required respondents to identify the primary origins of merger-based synergy from four options: greater market dominance, differential efficiency, financial economies, and operational economies along with the "other" option.

Table 3. Origins of Synergy

Synergy Source	*n*	*%*
Operational efficiencies (from higher economies of scale boosting productivity or reduce costs)	62	89.8%
Fiscal efficiencies (from reduced tax advantages and transaction expenses)	4	5.8%
Enhanced market influence (as a result of less competitive rivalry)	3	4.3%
Effectiveness differences (as a result of better management at acquiring companies)	0	0.0%
Total	69	100.0%

Only 62 out of 69 respondents submitted a response. **Table 3** indicates that the predominant origins of interactions is operational economics, selected by 89.8% of participants. While we did not examine the particular sort of operational economics that generated the interaction, it may arise from several sources, including management's economies of scale, market, distribution, or manufacturing. Among the 75 businesses that responded and engaged in M&As from 2019 and 2023, 46 (61.2%) also reported divestitures (Q12). **Table 4,** Group A and Group B, show the outcomes of two more inquiries (Q13 and Q14). Group I illustrate that the categories of divestitures include the sale of an operational component to another business (50.0%), complete asset liquidation (43.60%), and spin-off (6.51%).

Table 4. Types and Motives of Divestiture

Divestiture Type or Motive		*n*	*%*
Divestitures types	Sales of operating units for other firms	23	50.0
	Asset liquidation	20	43.5
	Spin-offs	3	6.5
	Equity carve-outs	0	0.0
	Other	0	0.0
	Total (Types of Divestitures)	**46**	**100.0**
Divestitures motives	Refocusing company strategy	33	35.9
	Disposal of underperforming divisions	33	35.9
	Enhancing management efficiency	9	9.8
	Pursuit of a specific organizational structure	7	7.6
	Miscellaneous reasons (e.g., capital reallocation, cash position improvement, market value opportunities, antitrust concerns)	10	10.9
	Total (Motives for Divestitures)	**92**	**100.1**

Table 5. Diversity and Firm Value

Diversification as a Merger Motive		*n*	*%*
Group I: Are diversifications justifiable merger motives	Diversification is not considered a valid reason for mergers. Do you agree?		
	Yes	17	22.7
	No	58	77.3
	Total	**75**	**100.0**
Group II: Why diversification may not add value in mergers	Shareholders can diversify independently	15	35.7
	It can divert the parent company's focus	13	31.0
	Firms should concentrate on core competencies	11	26.2
	Other (e.g., provides no direct benefit to the firm)	3	7.1
	Total	**42**	**100.0**
Group III: When diversification can be a valid merger rationale	Helps mitigate the negative impacts during economic downturns	36	50.0
	Exploits the seasonal production cycle	10	13.9
	Provides opportunities for internal capital distribution	9	12.5
	Other (i.e. client base expansion, new product lines, acquisition of knowledge)	17	23.6
	Total	**72**	**100.0**

As selected divestitures could not align with a singular motivation, we requested respondents to provide all applicable causes for their firm's divestiture. Group II delineates the primary motivations for the respondent corporations' divestitures. The data indicates that the primary motivations are to enhance focus (35.8%) and for divesting low performing segment (35.9%). These results align with our anticipations. **Table 5** presents the answers to three inquiries (Q4 – Q6) about diversity and business value. Group I indicates that just 22.7% of respondents are in agreement with "some visualized that diversity is not an unjustifiable merger motive" (Q4). Group II indicates that their justification for this opinion is based on 3 grounds (Q5): stakeholders may independently diversify (35.6%), the parent firm could lose emphasis by diversification (21.1%), and a corporation must remain within its area of expertise (26.2%). Most (77.2%) of participants think that variation may justify a merger (Q6). The significance assigned by respondents to the advantages of variety aligns with the recent studies conducted by Barak [15]. Group III indicates that fifty percent of the respondents agree that diversity offers protection during economic recessions, since such downturns impact the firm's sectors unequally.

Table 6 presents answers to 3 inquiries (Q9 – Q11) about valuations methodologies. Group I indicates that 37 out of 75 participating organizations (49.2%) mostly utilize the DCF models, while an additional 25 companies (33.3%) utilize models in conjunction with multi-market technique to assess the worth of a publicly-held target company. Consequently, about 83% of purchasing corporations use DCF to assess the worth of targeted organizations. The practice aligns with predictions and previous studies about the dependence on DCF methodologies in both generic M&A and corporate finance contexts. In inquiring about the use of DCF, we elucidated it as follows: we ascertain the anticipated post-mergers flow of cash, which would benefit my company's stakeholders and discount cash flow at a suitable rate. Similarly, we explicitly defined the distinctive cash flows type, namely equity cash flows.

Consequently, use the purchasing company's WACC (Weighted Average Cost of Capital) instead of equity cost of targets is unsuitable. Group II indicates that 38 out of 62 enterprises (61.2%) employing DCF use their WACC as the rate of discount. Less organizations use the targeted WACC of 8.10% or the cost of equity of 1.62% as discounted rates. Palepu et al. [16] suggest an incapability to ascertain discounted rate for the deficiency or goal in valuation assessment skills.

Table 6. Valuation Methods Employed for Target Companies

Valuation methods and discount rates		*n*	*%*
Group I: Approaches for Valuing Publicly-Held Firms	Discount Cash Flow (DCF) method	37	49.3
	Combined DCF and market multiples assessment	25	33.3
	Market multiples alone	9	12.0
	Other methods (unspecified)	4	5.3
	Total	**75**	**99.9**
Group II: Discount Rate Considerations for Target Firm Valuation	Weighted average discount rate from the acquiring firm	38	61.3
	Cost of equity from the acquiring firm	7	11.3
	Target's own weighted mean capital cost	5	8.1
	Other discount rates (e.g., equity cost of the target)	12	19.4
	Total	**62**	**100.0**
Group III: Approaches for Valuing Closely-Held Firms	Discounted cash flow method	31	48.4
	Price-to-earnings ratio application based on industry standards	20	31.3
	Price-to-book ratio application based on industry standards	4	6.3
	Other valuation methods (e.g., cash flow multiples, EBITDA multiples, client base, long-term contract agreement)	9	14.1
	Total	**64**	**100.1**

Note: Rounding causes percentages to not equal 100.

In case the flow of cash employed are equity cash flow, the costs of equity serve as an acceptable rate of discount. Group III presents the findings concerning valuation methodologies employed by 64 replying businesses that disclose acquisitions of closely-linked companies. Nearly 48% of the organizations report using DCF, whilst 37.5% utilize multi-industry method. The proportion of organizations using DCF to evaluate 48.3% of closely-held and 49.2% of publicly-held entities is comparable.

Table 7. Degree of Agreement/Disagreement Among Respondents

Q#	***Statement***	***n***	***t-Value***	***Mean***	***-2 (%)***	***-1 (%)***	***0 (%)***	***+1 (%)***	***+2 (%)***
15	Cash (or cash integrated with stock exchange) payments needs more premiums in M&A compared to straightforward stock-exchange transactions.	74	-1.872*	-0.270	14.9	37.8	17.6	18.9	10.8
16	Cash (or cash integrated with stock exchange (needs high premiums due to tax implications to stakeholders of obtained companies.	74	0.331	0.041	8.1	23.0	31.1	32.4	5.4
17	Hostile takeovers typically amount to high payments to obtained firms compared to friendly mergers	74	10.087***	0.959	0.0	5.4	18.9	50.0	25.7
18	Acquisitions in related firms is worth more than acquisitions in non-related firms.	74	8.866***	0.905	2.7	2.7	18.9	52.7	23.0
19	Considering A and B are two target firms in two various nations. Economies of A's nations has reduced correlations (compared to B's nation) with the U.S.'s economy. Everything else remains the same, a greater premium is justified for A.	72	-2.024**	-0.153	2.8	26.4	55.6	13.9	1.4
20	All cash offers are highly efficient in hostile mergers compared to friendly mergers.	72	2.598**	0.278	1.4	20.8	31.0	40.3	5.6
21	Poison pills typically signify non-wealth increasing behaviors.	74	1.514	0.176	1.4	28.4	31.1	29.7	9.5
22	Various gains from M&A typically accumulate to stakeholders of acquired company.	75	3.353***	0.373	2.7	20.0	21.3	49.3	6.7
23	M&A would enhance the wealth of stakeholders at bondholders' expense, typically in leveraged-buyout contexts.	73	1.021	0.096	2.7	16.4	52.1	26.0	2.7

Note: Rounding may prevent the percentages for each question from adding up to 100. ***, **, * denote statistically at .01, .05, and .10 levels, correspondingly.

Table 7 illustrates agreement/disagreement degree among respondents for nine statements pertaining to M&As (Q#15 – Q#23). Our study categorized the replies from the greatest to least average score using a five-point system. The literature mostly corroborates all nine assertions. The respondents generally agree with the most of the assertions, with the exception of Q#15 and Q#19. Only 4/9 assertions (Q# 17, 18, 20, and 22) have a statistically significant positive mean value, differing from 0 (neutral view) at .05 levels or higher, as determined by single-sample t-tests. Approximately 75% of the participants agree with 2 assertions. The initial assertion (Q#17) is that "hostile takeovers frequently yield a greater compensation to the acquired entity than an amicable merger."

Tender offers provide much swifter completion times compared to mergers. A tender offer indicates increased demand for the target's shares and elevates their reserve price. In equilibrium, bidders balance speed and cost. In accordance with this hypothesis, it may be inferred that transactions in more competitive settings and those with less external execution barriers are more likely to be organized as tender offers. Lukas, Pereira, and Rodrigues [17] also observe that acquisition premiums in bids of tenders are much greater than those in amicable purchases. The competitors of the bidding business have markedly diminished announcement returns and subsequent operational performance in tender offers compared to mergers. The second assertion (Q#18) asserts that an acquisition in a linked business has more value compared to acquisitions in non-related firm. Bösecke [18] indicate overall synergistic in a non-conglomerate merger and often negligible net benefits in a conglomerate merger.

Most of participants acknowledge with statements (Q#22): "various benefits from M&A typically benefit the stakeholders in firms under acquisition." We generally acknowledge that acquisitions enhance the stakeholders' wealth of target companies, as seen by positive stock pricing responses to takeovers proposals. There is ongoing debate on whether mergers are advantageous for the shareholders of the acquiring business. For instance, Beattie [19] indicates that the mean returns for command stakeholders engaged in purchases are, at most, marginally favorable, and in some instances, markedly negative. On average, the aggregate market valuation of bidder and target shares increases around the duration of disclosed offers. The statements (Q#20) where considerable consensus among participants is seen is: "all-cash offers are typically more efficient in hostile mergers compared to friendly mergers." Numerous literatures indicate that announcement returns for bidding businesses making cash offers exceed those for firms making stock offers. This outcome may indicate the unfavorable facts on the bidder's current firm, as shown by the proposal to swap shares.

Eckbo [20] found that, based on a sample of takeover bids from 1981 to 1986, the returns for cash offers are considerably superior to those for all-stock or mixed offers. Takeovers represent some of the most significant and disruptive occurrences in a corporation's history. The accurate evaluation of their value implications has been a primary concern for both policymakers and academic scholars. The literature has been attempting to elucidate the significant disparity in returns between cash- and stock-financed acquisitions, along with the varying motivations of acquirers for selecting one payment method over the other. Returns from cash transactions typically surpass those from stock transactions, both in the short term and in the long term, benefiting not just the purchaser but also the target.

The accurate assessment of the return discrepancies between cash and stock bids relies on the fundamental information to which the market reacts. A bid may provide insights into the value implications of the acquisition, such as synergies particular to the match obtained by the acquirer or the magnitude of the premium offered to target shareholders. A bid may also provide information on value implications that are not contingent upon the particular takeover, such as insights into the parties' individual values or the target firm's overall appeal as a takeover candidate. According to Ferrara, Bird, and Brown [21], distinguishing these nonexclusive sources is a fundamental component in assessing the actual value generated by M&A. The one assertion (Q15) with which most of participants dissent is that "cash (or cash integrated with stock exchanges) payments require greater premiums in M&A compared to direct stock-exchange transactions." This conclusion contradicts findings presented in empirical research.

V. CONCLUSION

The findings of this study imply that only alignment and proper transaction research cause M&A success. Based on the investigation of a sample of international M&As of different types, we identify that companies that focus on synergy management and also pay attention to the issue of cultural fit are much more likely to report on the positive outcomes in the post-M&A period. The quantitative data that has been gathered supports the notion that strategic, for example, market or technology related transactions are financially more beneficial than those that are largely motivated by short-term financial and competition imperatives. In addition, the research focuses on leadership and communication factors that shape the M&A processes given that these transactions come with a number of challenges. The research shows that those with effective communication with stakeholders and continue to do so to the integration stage are likely to suffer lesser disruption and integration is smoother thus creating a goodwill environment for synergy to be achieved. Furthermore, the work is useful in extending the understanding of factors used by organizations to evaluate potential M&As.

CRediT Author Statement

The author reviewed the results and approved the final version of the manuscript.

Data Availability

No data was used to support this study.

Conflicts of Interests
The author declares that they have no conflicts of interest.

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