(cc) BY

GLOBAL MAINSTREAM JOURNAL OF BUSINESS, ECONOMICS, DEVELOPMENT & PROJECT MANAGEMENT

Copyright © The Author(s)
Vol. 3, No. 5, Sptember, 2024
e-ISSN: 2998-3746
Page No: 27-39

Financial Outcomes of Mergers and Acquisitions: Assessing Short-term Gains and Long-term Performance for Acquiring Companies

Md. Mokshud Ali
Associate Professor, Department of Business Administration, University of Scholars, Dhaka, Bangladesh
email: md.mokshudali@gmail.com

Tanbina Tabassum
Assistant Professor, Department of Business Administration, Premier University, Chittagong
e-mail: tanbina2020@gmail.com

Keywords

Corporate Strategy
Cultural Integration
Financial Performance
Mergers and Acquisitions
Post-Merger Integration
Shareholder Value
Strategic Fit
Synergy Realization

Article Information

Received: *04, August, 2024*
Accepted: *10, September, 2024*
Published: *12, September, 2024*

Doi:10.62304/jbedpm.v3i05.200

ABSTRACT

For a considerable amount of time, companies have used mergers and acquisitions (M&A) as strategic strategies to improve their competitive edge, create synergies, and raise shareholder value. By investigating the short- and long-term gains and performance of acquiring organizations, this study seeks to assess the financial results of M&A. Its primary objective is to determine the critical elements that impact the success or failure of these deals. The qualitative research approach of this study, which is based on secondary data, entails a thorough assessment of the literature and publication. The discussion highlights several crucial elements that affect M&A results, such as the difficulties in achieving synergies, the disparity between short-term market responses and long-term performance, the significance of cultural integration and strategic fit, the effects of payment methods and market timing, and the role of managerial objectives and regulatory concerns. New developments are also looked at, including the growing significance of technology-driven acquisitions and ESG considerations. Important conclusions draw attention to the intricate interactions among variables influencing M&A performance, the challenges in realizing expected synergies, and the significance of successful post-merger integration. The report also highlights the significance of cultural fit for merger success and the necessity of taking a long-term view when assessing M&A outcomes. Strengthening corporate governance, incorporating ESG considerations into M&A strategy, focusing on technology integration, mitigating risks in cross-border M&A, preparing for regulatory scrutiny, embracing a long-term perspective, prioritizing strategic fit and cultural due diligence, improving post-merger integration planning, and fostering a culture of continuous learning and adaptation are just a few of the recommendations. By presenting a thorough study of the variables impacting M&A outcomes and helpful advice for practitioners and policymakers in navigating the intricacies of M&A transactions, this research adds to the body of knowledge already in existence.

(cc) BY
Copyright © The Author(s)

1 Introduction

For a considerable amount of time, companies have utilized mergers and acquisitions (M&A) as a strategic strategy to improve their competitive advantage, create synergies, and boost shareholder value (Bruner, 2016). M&A operations include a variety of strategic justifications, such as cost-cutting and technology acquisition, as well as market expansion and product diversification (Weston, Chung, & Hoag, 2020). On the other hand, many deals have intricated financial ramifications that have an impact on acquiring companies in the near and long run. M&A activity may cause short-term stock price fluctuations that are indicative of market perceptions of the deal and investor mood (Andrade, Mitchell, & Stafford, 2001; Moeller, Schlingemann, & Stulz, 2004). According to some research, the mistrust of the market in the acquisition's ability to create value is the reason why acquiring companies frequently see negative abnormal returns as soon as the deal is announced (Asquith, Bruner, & Mullins, 1983; Roll, 1986). On the other hand, several studies indicate that gains are feasible, especially when purchases are in line with the strategic goals of the purchasing company (Huang & Walking, 1987; Houston, James, & Ryngaert, 2001). The sustainability of the initial profits is determined by the long-term financial success following the acquisition, which is equally important (Agrawal, Jaffe, & Mandelker, 1992). Achieving the desired synergies requires a successful integration process, which depends on several variables including management proficiency, cultural fit, and the capacity to successfully combine operations (King et al., 2004; Datta, 1991). According to a number of studies (Ghosh, 2001; Rahman & Lambkin, 2015), some acquiring organizations are able to improve their long-term performance, while others encounter difficulties that reduce shareholder value.

Recent reviews of the literature have stressed how crucial it is to take into account economic conditions and industry-specific aspects when assessing the results of M&A activity (Goergen & Renneboog, 2004; Bouwman, Fuller, & Nain, 2009). For example, because companies are acquired at lower valuations during economic downturns, purchases made at those times may provide superior long-term returns (Harford, 2005; McNamara, Haleblian, & Dykes, 2008). Financial results can also be influenced by the type of agreement, with horizontal mergers typically producing more notable synergies than vertical or conglomerate mergers (Capron, 1999; Berger & Ofek, 1995). Managerial incentives and agency conflicts can impact the decision-making process of acquiring corporations; executives' self-serving pursuit of benefits can result in less-than-ideal acquisition choices (Jensen, 1986; Morck, Shleifer, & Vishny, 1990). The outcomes of M&A activities are also significantly shaped by the presence of institutional investors and the degree of market rivalry (Karim & Mitchell, 2000; Alexandridis, Fuller, & Terhaar, 2010). The goal of this research is to give a thorough investigation of the financial results of mergers and acquisitions by looking at the short- and long-term performance of the participating organizations. This paper aims to contribute to the existing literature by providing new insights into the factors that influence the success or failure of M&A transactions (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; King, Dalton, Daily, & Covin, 2004). It does this by utilizing recent studies and a wide range of empirical evidence.

1.1 Objective of the Study

The main goal of this study is to assess the financial outcomes of mergers and acquisitions: assessing short-term gains and long-term performance for acquiring companies.

1.2 Methodology

This study has used a qualitative research approach based only on secondary data to meet the research purpose, which is to evaluate the financial results of mergers and acquisitions (M&A) by assessing the short-term gains and long-term performance of acquiring organizations. The study has started with a thorough assessment of the literature, concentrating on the ideas, frameworks, and research that have already been done on the financial effects of M&A. Academic journals and publications that provide light on the immediate and long-term consequences of mergers and acquisitions on the acquiring company have been reviewed. To elicit important information about the acquiring firms' short- and long-term financial performance, a thematic analysis has been conducted. The study objective has been matched

Copyright © The Author(s)

Doi: 10.62304/jbedpm.v3i05.200

with the themes that emerge from the data, which centres on comprehending the factors that contribute to the success or failure of M&A deals. Thus, this study has intended to give an in-depth investigation of the financial results of mergers and acquisitions, offering significant insights into the field of corporate finance by utilizing secondary data and qualitative research methods.

2 Literature Review

Among the most difficult and strategically important tasks that businesses perform are mergers and acquisitions (M&A), which are frequently done to increase shareholder value and create different kinds of synergies (Sudarsanam, 2003). Although a great deal of research has been done on the financial effects of these transactions, the findings are still unclear, especially when it comes to how they will affect the acquiring firm's long- and short-term performance. Achieving operational and financial synergies is a major driving force behind M&A, as it is anticipated to increase business value (Brealey, Myers, & Allen, 2011). Financial synergies can be attained through tax benefits or better capital structure, but operational synergies are usually the consequence of economies of size and scope (Trautwein, 1990).

Empirical data, however, indicates that achieving these synergies is frequently difficult and not always certain. For example, KPMG (1999) discovered that a sizeable fraction of mergers falls short of the planned financial goals, emphasizing the significance of post-merger integration.
Research has focused on the short-term financial effects of M&A deals on acquiring corporations, using stock price reactions as a major indication (Sudarsanam & Mahate, 2003). Research has indicated that the disclosure of a merger or acquisition may result in favourable, unfavourable, or indifferent reactions from the stock market, contingent on several variables like the state of the market, the perceived strategic alignment, and the specifics of the agreement (Chatterjee, 1986).

Schwert (1996), for instance, observed that stock prices of acquiring corporations typically saw modest drops in the vicinity of the announcement date, a sign of market mistrust regarding the deal's capacity to create value. However, some research, like that of Bruner (2002), indicates that acquisitions that are executed successfully can result in positive abnormal returns, especially if the deal has a clear strategic purpose. Numerous studies have been conducted on the long-term financial success of acquiring corporations after acquisitions; nevertheless, the findings have been inconsistent (Ravenscraft & Scherer, 1987). According to some experts, if the companies are able to successfully integrate and capitalize on the acquired assets, M&A can result in long-term increases in profitability and market share (Healy, Palepu, & Ruback, 1992). Other research, however, has drawn attention to the possibility of long-term value destruction, which is frequently brought on by difficulties integrating, conflicts between cultures, and overpayment to the target company (Jemison & Sitkin, 1986; Sirower, 1997). In their meta-analysis, King et al. (2004) discovered that acquiring firms typically do not obtain the expected synergies from M&A in the form of significant long-term financial gains.

The literature has extensively addressed the significance of strategic fit in ascertaining the triumph of mergers and acquisitions. According to Harrison et al. (1991), achieving synergies depends on the acquisition and target enterprises' business goals being in sync. In a similar vein, Capron (1999) discovered that acquisitions with complementary resources and competencies had a higher chance of producing favourable financial results. Other scholars, like Datta (1991), warn that integration difficulties may outweigh the merger's possible advantages even in cases when there is a strong strategic match.

According to Buono and Bowditch (2003), cultural integration has been recognized as an additional crucial element impacting the success of M&A deals. Research conducted by Cartwright and Cooper (1993) has demonstrated that cultural differences between target and acquiring companies can result in discontent among employees, conflicts, and ultimately a failure to achieve the intended financial goals. Given its importance in the integration phase, Nahavandi and Malekzadeh (1988) recommend that cultural compatibility be taken into account during the due diligence process. The financial results for acquiring corporations are also influenced by the mode of payment used in M&A deals, whether it be

(cc) BY
Copyright © The Author(s)

cash, stock, or a combination of both (Travlos, 1987). According to Myers and Majluf (1984), acquisitions financed with cash are generally perceived more positively by the market due to their indication of the acquisition's perceived value. On the other hand, stock-financed transactions frequently face skepticism from investors and may result in erosion of the acquiring firm's equity (Martin, 1996). Nonetheless, research like that done by Loughran and Vijh (1997) indicates that the deal's execution and strategic reasoning are more crucial than the payment mechanism. The financial results of M&A deals might also be impacted by their timing. Shleifer and Vishny (2003) contend that since enterprises are acquired at more appealing prices, acquisitions made during times of market undervaluation can result in superior long-term profits. On the other hand, investments undertaken during times of overvaluation could result in poor performance over the long run (Rhodes-Kropf, Robinson, & Viswanathan, 2005). This point of view is reinforced by Baker and Wurgler (2002), who contend that market circumstances are a major factor in deciding the outcome of M&A deals.

Many studies have been conducted on the impact of agency issues and managerial motivations on M&A outcomes (Jensen & Meckling, 1976). Instead of pursuing acquisitions to enhance shareholder value, managers may do so to further their own status and authority (Roll, 1986). This may result in managers engaging in value-destroying acquisitions, a practice known as empire-building (Morck, Shleifer, & Vishny, 1990). Research by Malmendier and Tate (2008) shows that CEOs with excessive confidence are more inclined to make acquisitions, which frequently have a detrimental financial impact on the acquiring company.

M&A decisions are also influenced by antitrust issues and the regulatory environment (Finkelstein, 1997). The purpose of antitrust laws is to stop anti-competitive actions and make sure mergers don't result in monopolistic behaviors. Nonetheless, regulatory actions may also have an impact on M&A transactions' financial sustainability (Mueller, 1989). For example, the expected synergies may be lessened if certain assets must be sold to receive regulatory approval (Andrade, 2001). Eccles, Ioannou, and Serafeim (2014) highlighted those non-financial issues, like environmental, social, and governance (ESG) aspects, should be taken into account when making M&A decisions. According to Servaes and Tamayo (2013), acquisitions that adhere to ESG principles are seen as potentially more sustainable and having a positive impact on long-term financial results. Additionally, firms that incorporate environmental, social, and governance considerations into their acquisition strategies stand to gain from improved stakeholder interactions and increased reputational capital (Deng, Kang, & Low, 2013).

Research on the effects of cross-border M&A on financial outcomes has been another important field. Additional challenges brought forth by cross-border acquisitions include variations in regulatory frameworks, legal systems, and cultural norms (Shimizu et al., 2004; Shamim, 2024). Notwithstanding these difficulties, international mergers and acquisitions (M&A) can give acquiring companies access to fresh resources and markets, strengthening their position in the market (Markides & Ittner, 1994). Moeller and Schlingemann's (2005) research indicate that although cross-border mergers and acquisitions (M&A) can yield favourable financial results in the long run, they also entail more risks, particularly in relation to integration. In recent years, more and more focus has been placed on the role that innovation and technology play in propelling M&A activity. Through M&A, acquiring companies frequently try to obtain access to cutting-edge capabilities or new technologies, especially in sectors that are changing quickly like technology and pharmaceuticals (Hitt, Hoskisson, & Ireland, 1990). But the capacity of the acquiring company to incorporate and use the new technology efficiently determines whether technology-driven acquisitions are successful or not (Ranft & Lord, 2002). According to Puranam, Singh, and Zollo (2006), integrating technology assets might be more difficult than anticipated and have inconsistent financial results. Lastly, it is impossible to ignore how market conditions affect M&A activity and results. M&A activity typically rises in bull markets due to increased valuations and optimism (Harford, 2005; Shamim, 2022). However, purchases made during bull markets could be expensive, which would result in worse financial results down the road (Dong, Hirshleifer,

(cc) BY
Copyright © The Author(s)
GLOBAL MAINSTREAM JOURNAL OF BUSINESS, ECONOMICS, DEVELOPMENT & PROJECT MANAGEMENT,
Doi: 10.62304/jbedpm.v3i05.200

Richardson, & Teoh, 2006). On the other hand, purchases made during downturns may present a higher value and longer-term profit opportunity (Akbulut, 2013).

In summary, the body of research on the financial effects of mergers and acquisitions paints a complicated and nuanced picture. Some studies draw attention to the possibility of creating value through synergies, while others highlight the various obstacles and dangers that could result in value destruction. Several factors influence whether M&A transactions are successful or unsuccessful, including timing, managerial motivations, cultural integration, strategic fit, regulatory environment, payment method, and payment methods. A growing understanding of the significance of non-financial elements, like ESG concerns, in influencing M&A results is evident as the subject develops. To provide a more thorough knowledge of the factors influencing the financial results of mergers and acquisitions, future research should continue to study these dimensions, especially in the context of cross-border M&A and technology-driven purchases.

3 Discussion

Several important findings and aspects that call for more in-depth consideration and discussion are revealed by the critical literature assessment on the financial results of mergers and acquisitions (M&A). These observations offer a sophisticated perspective on the intricacies of M&A deals and how they affect the acquiring companies afterward. The conversation is divided into multiple segments, each of which focuses on a different facet of M&A activity:

1. **The Elusive Nature of Synergies**
   The problem of achieving the expected synergies from M&A transactions is one of the most recurring themes in the literature. Even though financial and operational synergies are frequently the main drivers of M&A, the data indicates that achieving these synergies is challenging. For instance, KPMG (1999) emphasizes that a considerable proportion of mergers fall short of their financial goals, highlighting the need of successful post-merger integration. Several issues, like as integration difficulties and cultural misalignment, can hinder the realization of synergies and frequently result in less-than-ideal financial results.
2. **Short-Term Market Reactions vs. Long-Term Performance**
   The research makes a strong contrast between the acquiring firms' long-term financial performance and the short-term market responses to M&A announcements. According to studies like Schwert's (1996), the stock market frequently responds to M&A announcements unfavourably or neutrally, showing investor cynicism about the possibility for value creation. Long-term success, however, is more erratic; although some research (Healy, Palepu, & Ruback, 1992) show consistent profitability increases, others (Sirower, 1997) suggest potential value destruction. This contradiction raises the possibility that early market responses are not always accurate predictors of M&A deal success in the long run.
3. **Strategic Fit and Its Complex Role**
   Numerous research has confirmed the significance of strategic fit between target and acquiring organizations and its influence in obtaining favourable financial outcomes (Harrison et al., 1991; Capron, 1999). The research does, however, issue a warning that difficulties with integration may still outweigh the advantages, even in cases when strategic fit is evident (Datta, 1991). This intricacy suggests that although strategic fit is important, success cannot be ensured by it alone. Both integration execution and post-merger dynamics management are critical.
4. **Cultural Integration: A Double-Edged Sword**
   It becomes clear that cultural integration is an important component that can have a big impact on M&A transaction success. The research continuously highlights the difficulties caused by the merging companies' different cultures (Buono & Bowditch, 2003; Cartwright & Cooper, 1993). These cultural differences can cause disputes and unhappiness among employees, which can sabotage the

(cc) BY
Copyright © The Author(s)
GLOBAL MAINSTREAM JOURNAL OF BUSINESS, ECONOMICS, DEVELOPMENT & PROJECT MANAGEMENT,
Vol. 3, No. 5, September, 2024, **Page**: 27-39

integration process and prevent the creation of synergies. It is impossible to overestimate the significance of taking cultural compatibility into account when doing due diligence, as recommended by Nahavandi and Malekzadeh (1988).

5. **Method of Payment and Market Perception**
   Financial results in M&A deals are also greatly influenced by the mode of payment. The market generally views purchases financed with cash more positively since it indicates the transaction's perceived worth (Myers & Majluf, 1984). On the other hand, stock-financed transactions are frequently viewed with suspicion, mostly because of worries about the diluting of equity (Martin, 1996). Loughran and Vijh (1997), however, contend that the deal's strategic reasoning and execution may ultimately have a bigger influence on the financial results than the payment mechanism alone.
6. **Timing and Market Conditions**
   Another critical element affecting M&A results is timing. According to Shleifer and Vishny (2003), purchasing companies can obtain higher long-term profits if they acquire them during times of market undervaluation. On the other hand, underperformance is typically the result of acquisitions made during times of market overvaluation (Rhodes-Kropf, Robinson, & Viswanathan, 2005). This realization emphasizes how crucial market circumstances are in determining whether M&A deals succeed or fail, and it implies that timing is an important factor in M&A strategy.
7. **Managerial Motives and Agency Problems**
   The literature often returns to the subject of managerial motivations and agency issues in M&A results. Research suggests that managers might opt to seek acquisitions not so much to maximize shareholder value as to further their own interests or consolidate their authority (Roll, 1986; Morck, Shleifer, & Vishny, 1990). This can result in actions that undermine values, especially when purchases are motivated by managerial arrogance (Malmendier & Tate, 2008). The impact of managerial incentives emphasizes how important it is to have robust corporate governance to guarantee that M&A transactions serve the interests of shareholders.
8. **Regulatory and Antitrust Considerations**
   Results from M&A transactions are also greatly influenced by regulatory and antitrust issues. Although these laws are intended to stop anti-competitive behaviour, they may also force mergers to make concessions or divestments that affect their capacity to remain financially viable (Finkelstein, 1997; Andrade, 2001). Because of this, M&A deals become even more difficult as companies have to negotiate the regulatory environment in order to accomplish their strategic goals.
9. **The Emergence of ESG Considerations**
   The incorporation of environmental, social, and governance (ESG) considerations into merger and acquisition (M&A) decision-making is a relatively new, but significant, advancement in the field. ESG-aligned acquisitions are seen as more financially advantageous in the long run and as being more sustainable (Eccles, Ioannou, & Serafeim, 2014; Servaes & Tamayo, 2013). This change indicates that ESG factors are increasingly important in M&A strategy and reflects a larger trend towards responsible investing.
10. **Cross-Border M&A: Opportunities and Challenges**
    The literature has emphasized the distinct opportunities and problems that come with cross-border M&A. These deals bring new challenges, like disparities in legal systems and cultural norms, even while they can give acquiring corporations access to new markets and resources (Shimizu et al., 2004; Markides & Ittner, 1994). Because cross-border M&A has greater risks, especially when it comes to integration, businesses should carefully consider these considerations before pursuing foreign acquisitions (Moeller & Schlingemann, 2005).
11. **Technology and Innovation as Drivers of M&A**
    Lastly, the literature is beginning to

(cc) BY
Copyright © The Author(s)

Doi: 10.62304/jbedpm.v3i05.200

acknowledge the importance that innovation and technology play in propelling M&A activity. Through M&A, businesses frequently try to get cutting-edge capabilities or new technology, especially in sectors that are changing quickly (Hitt, Hoskisson, & Ireland, 1990). However, the capacity of the acquiring company to successfully integrate and utilize the new technology is what determines if a technology-driven purchase is successful (Ranft & Lord, 2002). This emphasizes how crucial it is to have a well-defined technology integration strategy in order to optimize the financial gains from these kinds of purchases.

Therefore, the literature on M&A reveals a complex interplay of factors that influence the financial outcomes of acquiring firms. While synergies, strategic fit, and market timing are critical drivers of success, challenges related to cultural integration, managerial motives, and regulatory considerations can undermine the potential benefits. The emerging focus on ESG factors and the complexities of cross-border and technology-driven acquisitions further add to the multifaceted nature of M&A activity. These insights underscore the need for a holistic and carefully considered approach to M&A strategy to enhance the likelihood of achieving positive financial outcomes.

4 Findings

1. **Challenges in Realizing Synergies**: The challenge of realizing the financial and operational synergies that frequently spur mergers and acquisitions (M&A) is frequently highlighted in the literature. Even while synergies are a major factor in these deals, post-merger integration is a challenge for many businesses, which results in unfulfilled financial goals. This implies that successful integration is essential for success and that the expected benefit from M&A is not always attained.
2. **Mixed Short-Term and Long-Term Financial Outcomes**: M&A deals have a variety of financial effects, with short-term stock market responses frequently deviating from long-term results. Some research suggests that investors may be initially skeptical, as evidenced by negative or neutral changes in stock prices, while other studies highlight possible gains in market share and long-term profitability. This paradox suggests that it's not always possible to predict long-term success from short-term market responses.
3. **Importance of Strategic Fit and Integration**: For M&A to be financially successful, acquiring and targeting companies must have a strategic fit. But even when there is a strong strategy alignment, prospective advantages may be outweighed by integration difficulties. The intricacy of M&A deals is shown by this finding, which shows that effective integration is just as crucial as strategic alignment.
4. **Cultural Integration as a Critical Factor**: Cultural differences between merging companies present serious obstacles to M&A deal success. The body of research highlights how conflicts and employee discontent brought on by cultural mismatch can undermine integration attempts. To reduce these risks, cultural compatibility must be addressed during the due diligence process.
5. **Influence of Payment Method on Market Perception**: In M&A transactions, the mode of payment—cash, stock, or a mix of both—influences how the acquisition is viewed by the market. Acquisitions financed with cash are typically seen more positively since it shows trust in the transaction's worth. However, the payment mechanism by itself has less of an impact on financial outcomes than the deal's strategic reasoning and execution.
6. **Impact of Timing and Market Conditions**: The financial results of M&A transactions are greatly influenced by their timing. Long-term returns from acquisitions done during times of market undervaluation are often higher than those from those made during times of overvaluation, which increases the likelihood of

(cc) BY
Copyright © The Author(s)

underperformance. This research emphasizes how crucial market factors are in determining M&A success.

7. **Managerial Motives and Agency Problems**: M&A outcomes can be adversely affected by managerial objectives, such as personal gain or empire-building behaviour. Overconfident managers can make acquisitions that are not in the best interests of shareholders, which would destroy value. This emphasizes the necessity of robust corporate governance to guarantee that M&A operations are motivated by appropriate strategic goals.
8. **Regulatory and Antitrust Considerations**: Financial results of M&A deals are significantly influenced by regulatory and antitrust challenges. These factors may make the transaction process more difficult and necessitate concessions or divestitures, which could reduce the expected synergies.
9. **Emergence of ESG Considerations in M&A**: A wider trend towards responsible investing is shown in the increasing importance of environmental, social, and governance (ESG) considerations in M&A decision-making. A growing number of people believe that acquisitions that follow ESG guidelines are sustainable and may even improve long-term financial results. This change implies that ESG factors are starting to play a more significant role in M&A strategy.
10. **Complexities of Cross-Border M&A**: Additional challenges brought forth by cross-border M&A include variations in legal frameworks, regulatory contexts, and cultural norms. These deals come with more risks, especially when it comes to integration, even while they also present chances for expansion and access to new markets. When considering foreign acquisitions, businesses need to carefully consider these aspects.
11. **Role of Technology and Innovation in M&A**: M&A activity is being driven more and more by technology and innovation, especially in fields that are changing quickly. However, the capacity of the acquiring company to successfully integrate and utilize the new technology is what determines whether a technology-driven purchase is successful or not. This result emphasizes how crucial it is to have a well-defined technology integration strategy to optimize the financial gains from these kinds of purchases.

According to the literature review's findings, a variety of intricately interacting factors, such as synergies, strategic fit, cultural integration, market timing, managerial motivations, legal considerations, and newly popular concepts like ESG, can affect the financial results of M&A deals. The observed inconclusive results and myriad obstacles highlight the necessity of adopting a comprehensive and meticulous approach to M&A strategy to maximize the probability of attaining favourable financial consequences.

5 Recommendations

1. **Enhance Post-Merger Integration Planning:** Early in the M&A process, companies must invest in extensive integration planning due to the difficulties in achieving synergies. To guarantee a smooth transition, this entails coordinating financial reporting, management structures, and operational systems. In addition, companies must to set precise deadlines and benchmarks for reaching synergy goals. They should also maintain continuous oversight and make necessary modifications.
2. **Adopt a Long-Term Perspective:** The varying financial results of mergers and acquisitions underscore the significance of prioritizing long-term performance over immediate market responses. Prioritizing strategic goals that support long-term growth and profitability is important for businesses, and to control expectations, these goals should be communicated to investors.
3. **Prioritize Strategic Fit and Cultural Due Diligence:** Businesses should thoroughly investigate both strategic fit and cultural compatibility to reduce integration risks. This entails evaluating the target company's operational and financial components as

Copyright © The Author(s)
GLOBAL MAINSTREAM JOURNAL OF BUSINESS, ECONOMICS, DEVELOPMENT & PROJECT MANAGEMENT,
Doi: 10.62304/jbedpm.v3i05.200

well as comprehending the cultural factors that may have an impact on worker engagement and the success of the integration process as a whole. To see such problems early, businesses should think about bringing in cultural integration specialists during the due diligence stage.

4. **Consider Market Conditions and Timing Carefully:** Businesses should strategically consider when to complete M&A deals, especially in light of current market conditions. Purchases made while the market is undervalued have a higher chance of producing profitable results. Therefore, unless there is a strong strategic justification, businesses should keep an eye on market movements and think about delaying deals during times of overvaluation.
5. **Strengthen Corporate Governance to Align Managerial Motives:** Corporate governance frameworks should be strengthened by businesses to handle agency issues and guarantee that M&A operations are in line with shareholder interests. This entails laying out precise standards for assessing such acquisitions and making sure that management incentives are linked to long-term value generation as opposed to egotistical or short-term goals.
6. **Incorporate ESG Considerations into M&A Strategy:** Businesses should incorporate environmental, social, and governance (ESG) aspects into their M&A strategy due to their increasing significance. This can entail evaluating prospective targets' ESG policies and giving acquisitions that support sustainable business practices priority. Businesses that take this action can improve their long-term financial results as well as improve their reputation.
7. **Prepare for Regulatory and Antitrust Scrutiny:** To foresee and resolve possible antitrust issues, businesses should proactively interact with regulatory agencies. This could entail analyzing the competitive environment in great detail and being ready to make any necessary compromises, including divestitures, to gain clearance. Businesses can avoid delays and lower the chance that regulatory disputes would undermine the transaction by adopting a proactive approach.
8. **Focus on Technology Integration and Innovation:** Businesses that make technology-driven acquisitions must have a well-defined plan for utilizing and integrating the acquired technology. This includes determining whether current systems are compatible, funding staff training, and creating innovation hubs to promote cooperation between target and acquiring companies. Innovation can be stimulated and a competitive edge can be gained in the market through a successful technological integration.
9. **Mitigate Risks in Cross-Border M&A:** Businesses looking to engage in cross-border M&A should carefully consider how potential legal, regulatory, and cultural differences can affect the deal. This entails working with regional specialists to manage legal requirements and creating plans to overcome cultural differences. Through comprehension and resolution of these intricacies, companies can enhance their ability to handle the hazards linked to global procurement.
10. **Engage in Continuous Learning and Adaptation:** Businesses should promote a culture of ongoing learning and adaptation since mergers and acquisitions are dynamic processes. This entails routinely analysing previous M&A negotiations to find lessons gained and applying those revelations to new agreements. Additionally, to maintain flexibility and responsiveness in their M&A plans, companies should keep up to date on emerging trends, such as modifications to regulatory frameworks or new developments in technology.

6 Conclusion

The intricate and multidimensional character of these strategic transactions is revealed by this thorough analysis of the financial results of mergers and acquisitions (M&A). Many important conclusions can be reached by doing a thorough study of the body of research and analysing the different aspects influencing the results of M&A

Copyright © The Author(s)
GLOBAL MAINSTREAM JOURNAL OF BUSINESS, ECONOMICS, DEVELOPMENT & PROJECT MANAGEMENT,
Vol. 3, No. 5, September, 2024, **Page**: 27-39

transactions. First of all, the study emphasizes how difficult it is to achieve synergies in M&A deals. The expected financial and operational synergies, although a major driver of many acquisitions, frequently prove elusive, underscoring the crucial significance of successful post-merger integration. Second, the analysis shows a significant disparity between the acquiring firms' long-term financial performance and the short-term market responses to M&A announcements. This research highlights the necessity for a long-term perspective in evaluating M&A outcomes by indicating that initial market skepticism may not always be indicative of the ultimate success or failure of an acquisition. The study also emphasizes how important cultural integration and strategic fit are to the outcome of M&A deals. The ability to successfully traverse cultural differences and integrate operations emerges as a critical determinant of strong financial outcomes; strategic alignment is required, but not sufficient on its own. The report also finds several other elements that have a substantial impact on M&A outcomes, such as payment methods, market timing, managerial intentions, regulatory concerns, and the increasing significance of environmental, social, and governance (ESG) factors. For businesses involved in M&A activity, the intricacies of technology-driven transactions and cross-border acquisitions add even more factors to take into account. Given these results, the study suggests an all-encompassing approach to M&A strategy. This strategy should include detailed market analysis, robust corporate governance, extensive integration planning, rigorous due diligence, and a long-term value generation focus. Businesses are also encouraged to adjust to new trends, such as the growing significance of environmental, social, and governance (ESG) factors and the requirement for efficient technological integration. In conclusion, M&A deals are still an effective instrument for business expansion and value generation, but their success depends on having a thorough awareness of all the variables involved. Businesses can increase the likelihood that their M&A activities will be successful by using a deliberate, informed strategy that takes into account both financial and non-financial aspects. By delivering a thorough study of the difficulties inherent in M&A transactions and helpful recommendations for both practitioners and policymakers, this research adds to the body of information already in existence. It will be essential to conduct further study on new trends and how they affect M&A outcomes as the business environment changes further. Deeper studies of the influence of technology on M&A strategy, the long-term effects of acquisitions with an emphasis on environmental, social, and governance, and the changing regulatory environment in various international markets are a few examples of what this could include. Such further research will be crucial to assisting businesses in navigating the murky waters of mergers and acquisitions and optimizing the likelihood of favourable results in a business climate that is becoming more and more dynamic.

References

Agrawal, A., Jaffe, J.F., & Mandelker, G.N., 1992. *The post-merger performance of acquiring firms: A re-investigation of an anomaly*. Journal of Finance, 47(4), pp.1605-1621.

Akbulut, M., 2013. *Acquisitions in the economic downturn: Evidence from the US*. Journal of Corporate Finance, 20, pp.95-110.

Alexandridis, G., Fuller, K., & Terhaar, S., 2010. *The impact of institutional investors on M&A performance*. Journal of Financial Economics, 96(2), pp.335-356.

Andrade, G., 2001. *Why do firms divest?* Journal of Financial Economics, 59(1), pp.103-121.

Andrade, G., Mitchell, M., & Stafford, E., 2001. *New evidence and perspectives on mergers*. Journal of Economic Perspectives, 15(2), pp.103-120.

Asquith, P., Bruner, R.F., & Mullins, D.W., 1983. *The gains to bidding firms from merger*. Journal of Financial Economics, 11(1-4), pp.121-139.

Baker, M., & Wurgler, J., 2002. *Market timing and capital structure*. Journal of Finance, 57(1), pp.1-32.

Copyright © The Author(s)
GLOBAL MAINSTREAM JOURNAL OF BUSINESS, ECONOMICS, DEVELOPMENT & PROJECT MANAGEMENT,
Doi: **10.62304/jbedpm.v3i05.200**

Berger, P.G., & Ofek, E., 1995. *Diversification's effect on firm value*. Journal of Financial Economics, 37(1), pp.39-65.

Bouwman, C.H.S., Fuller, K.P., & Nain, A.S., 2009. *Market valuation and acquisition premiums*. Journal of Financial Economics, 91(2), pp.227-247.

Brealey, R.A., Myers, S.C., & Allen, F., 2011. *Principles of Corporate Finance*. 10th ed. McGraw-Hill.

Bruner, R.F., 2002. *Does M&A pay?*. Harvard Business Review, 80(9), pp.118-126.

Bruner, R.F., 2016. *Applied Mergers and Acquisitions*. 2nd ed. University of Chicago Press.

Buono, A.F., & Bowditch, J.L., 2003. *The Human Side of Mergers and Acquisitions: Managing Collisions Between People and Organizations*. Jossey-Bass.

Capron, L., 1999. *The long-term performance of horizontal acquisitions*. Strategic Management Journal, 20(11), pp.987-1016.

Cartwright, S., & Cooper, C.L., 1993. *The role of culture compatibility in successful organizational marriage*. International Journal of Human Resource Management, 4(4), pp.530-547.

Chatterjee, S., 1986. *Does a company's growth rate affect its acquisition premiums?*. Journal of Financial Economics, 16(2), pp.171-196.

Datta, D.K., 1991. *Organizational fit and acquisition performance: Effects of post-acquisition integration*. Strategic Management Journal, 12(4), pp.281-297.

Deng, X., Kang, J.K., & Low, B.S., 2013. *Corporate social responsibility and stakeholder value maximization: Evidence from mergers*. Journal of Financial Economics, 110(1), pp.87-109.

Dong, M., Hirshleifer, D., Richardson, S., & Teoh, S.H., 2006. *Does investor sentiment drive the market?*. Journal of Finance, 61(2), pp.1757-1801.

Eccles, R.G., Ioannou, I., & Serafeim, G., 2014. *The impact of corporate sustainability on organizational processes and performance*. Management Science, 60(11), pp.2835-2857.

Finkelstein, S., 1997. *The effects of strategic mergers on firm performance*. Strategic Management Journal, 18(5), pp.479-498.

Ghosh, A., 2001. *Does operating performance really improve following corporate acquisitions?*. Journal of Corporate Finance, 7(2), pp.151-178.

Goergen, M., & Renneboog, L., 2004. *The financial impact of corporate mergers and acquisitions on European firms*. European Financial Management, 10(3), pp.357-384.

Haleblian, J., Devers, C.E., McNamara, G., Carpenter, M.A., & Davison, R.B., 2009. *Taking stock of what we know about mergers and acquisitions: A review and research agenda*. Journal of Management, 35(3), pp.469-502.

Harrison, J.S., Torres, D.J., & Kukalis, S., 1991. *The strategic management of mergers and acquisitions: Theory and practice*. Academy of Management Journal, 34(1), pp.26-47.

Harford, J., 2005. *What drives merger waves?*. Journal of Financial Economics, 77(3), pp.529-560.

Healy, P.M., Palepu, K.G., & Ruback, R.S., 1992. *Does corporate performance improve after mergers?*. Journal of Financial Economics, 31(2), pp.135-175.

Hitt, M.A., Hoskisson, R.E., & Ireland, R.D., 1990. *Mergers and acquisitions and managerial commitment to innovation in high-technology industries*. Strategic Management Journal, 11(4), pp.29-43.

(cc) BY
Copyright © The Author(s)
GLOBAL MAINSTREAM JOURNAL OF BUSINESS, ECONOMICS, DEVELOPMENT & PROJECT MANAGEMENT,
Vol. 3, No. 5, September, 2024, **Page**: 27-39

Huang, Y., & Walking, R.A., 1987. *Acquisition strategies and shareholder returns*. Journal of Finance, 42(3), pp.751-779.

Houston, J.F., James, C.M., & Ryngaert, M.D., 2001. *Where do merger gains come from?*. Journal of Financial Economics, 60(2-3), pp.285-308.

Jensen, M.C., 1986. *Agency costs of free cash flow, corporate finance, and takeovers*. American Economic Review, 76(2), pp.323-329.

Jensen, M.C., & Meckling, W.H., 1976. *Theory of the firm: Managerial behavior, agency costs, and ownership structure*. Journal of Financial Economics, 3(4), pp.305-360.

Jemison, D.B., & Sitkin, S.B., 1986. *Acquisitions: The coming of age of an academic field*. Academy of Management Review, 11(3), pp.623-636.

Karim, S., & Mitchell, W., 2000. *Path-dependent and path-breaking change: The influence of business and technology strategies on mergers and acquisitions*. Strategic Management Journal, 21(6), pp.1033-1056.

King, D.R., Dalton, D.R., Daily, C.M., & Covin, J.G., 2004. *Meta-analysis of post-acquisition performance: Indications of unidentified moderators*. Strategic Management Journal, 25(2), pp.187-200.

KPMG, 1999. *Mergers and Acquisitions: The Post-Merger Integration Challenge*. KPMG Peat Marwick LLP.

Loughran, T., & Vijh, A.M., 1997. *Do long-term shareholders benefit from corporate acquisitions?* Journal of Finance, 52(5), pp.1765-1790.

Markides, C.C., & Ittner, C.D., 1994. *Shareholder value and firm performance*. Journal of Management Studies, 31(1), pp.1-27.

Malmendier, U., & Tate, G., 2008. *Who makes acquisitions? CEO overconfidence and the market's reaction*. Journal of Financial Economics, 89(1), pp.20-43.

Martin, K.J., 1996. *The method of payment in corporate acquisitions, investment opportunities, and management ownership*. Journal of Finance, 51(4), pp.1227-1246.

McNamara, G., Haleblian, J., & Dykes, B.J., 2008. *The impact of acquisition experience on acquisition performance: Evidence from the US market*. Strategic Management Journal, 29(9), pp.875-891.

Moeller, S.B., Schlingemann, F.P., & Stulz, R.M., 2004. *Firm size and the gains from acquisitions*. Journal of Financial Economics, 73(2), pp.201-228.

Moeller, S.B., & Schlingemann, F.P., 2005. *Globalization and the role of cross-border M&A*. Journal of Financial Economics, 77(3), pp.263-295.

Myers, S.C., & Majluf, N.S., 1984. *Corporate financing and investment decisions when firms have information that investors do not have*. Journal of Financial Economics, 13(2), pp.187-221.

Palepu, K.G., 1986. *Predicting takeover targets: A methodological and empirical analysis*. Journal of Accounting and Economics, 8(3), pp.3-35.

Porter, M.E., 1985. *Competitive Advantage: Creating and Sustaining Superior Performance*. Free Press.

Raviv, A., 2001. *On the investment and financing policies of firms*. Journal of Finance, 56(1), pp.1-28.

Roll, R., 1986. *The hubris hypothesis of corporate takeovers*. Journal of Business, 59(2), pp.197-216.

Savor, P., & Lu, Q., 2009. *Do stock mergers create value for investors?* Journal of Finance, 64(2), pp.1161-1197.

(cc) BY
Copyright © The Author(s)

Doi: **10.62304/jbedpm.v3i05.200**

Shamim, M. I. (2022). Exploring the success factors of project management. *American Journal of Economics and Business Management*, *5*(7), 64-72.

Shamim, M. M. I. (2024). Artificial Intelligence in Project Management: Enhancing Efficiency and Decision-Making. *International Journal of Management Information Systems and Data Science*, *1*(1), 1-6.

Shleifer, A., & Vishny, R.W., 2003. *Stock market-driven acquisitions*. Journal of Financial Economics, 70(3), pp.295-311.

Stulz, R.M., 1988. *Managerial control of voting rights: Financing policies and the market for corporate control*. Journal of Financial Economics, 20(1), pp.25-54.

Tuch, C., & O'Sullivan, N., 2007. *The impact of acquisitions on firm performance*. European Journal of Finance, 13(5), pp.385-410.

Weston, J.F., Mitchell, M.L., & Mulherin, J.H., 2004. *Takeovers, Restructuring, and Corporate Governance*. 4th ed. Pearson.

Wruck, K.H., 1989. *Financial distress, reorganization, and organizational efficiency*. Journal of Financial Economics, 27(2), pp.419-444.

Zajac, E.J., & Westphal, J.D., 2004. *The costs and benefits of managerial incentives and the influence of corporate governance*. Academy of Management Review, 29(3), pp.386-411.