



## Original Research Article

# Mergers and acquisitions: Historical trends and present drives, effects on shareholders' wealth, company's valuation, synergy creation and post deal performance

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## Abstract

This research paper provides a comprehensive analysis of mergers and acquisitions (M&A), exploring their historical evolution, present-day drivers, and implications on corporate performance. Drawing upon primary data, the study evaluates the strategic motivations behind M&A activities, such as market expansion, synergy creation, and diversification. It investigates the financial, operational, and organizational impacts of M&A on shareholders' wealth, company valuation, and employee productivity. Primary data was collected using a structured questionnaire distributed among professionals in finance-related fields, with results analyzed through correlation and ANOVA tests. Findings highlight that horizontal mergers are predominant, with strategic fit and due diligence playing critical roles in deal success. The study also identifies key valuation methods and integration challenges post-merger. Despite limitations in sample size and data variability, the research offers practical insights for managers, investors, and policymakers, while recommending further empirical studies with broader and more diversified datasets.

**Keywords:** Strategic Fit, Synergy Creation, Post-Merger Integration, Horizontal Mergers, Due Diligence

**Received:** 03-04-2024; **Accepted:** 19-05-2025; **Available Online:** 23-07-2025

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## 1. Introduction

Mergers and acquisitions (M&A) have long served as strategic tools for corporate growth, restructuring, and market expansion. Historically, M&A activity has evolved through distinct waves driven by economic, regulatory, and technological changes. In the present era, globalization, digital transformation, and competitive pressures have become dominant forces behind M&A decisions. These transactions can significantly impact shareholders' wealth, alter company valuations, and create—or sometimes fail to create—synergies. Furthermore, post-deal performance remains a critical measure of success, influenced by factors such as integration efficiency, cultural alignment, and strategic execution. This study explores the historical trends and current drivers of M&A, and critically examines their effects on shareholders, valuation, synergy realization, and long-term performance.

## 2. Objectives

This research provides an in-depth understanding of the concepts and industry dynamics surrounding mergers and acquisitions (M&A). It incorporates perspectives from industry leaders and identifies critical factors that determine the success or failure of M&A transactions, such as the nature of the deal, the profiles of the acquiring and target firms, and industry-specific conditions. The study evaluates the financial performance impacts of M&A—focusing on revenue growth, profitability, and cash flow—by comparing post-transaction financial data of participating firms with those that did not undergo M&A. Furthermore, it investigates M&A effects on strategic outcomes such as market share and customer base, employee-related outcomes including morale, retention, and productivity, and the broader competitive landscape through metrics like market concentration and industry structure.

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### 2.1. Scope

The scope of this research encompasses several critical dimensions of mergers and acquisitions (M&A). Firstly, it focuses on deal performance, evaluating the financial outcomes, operational effects, and achievement of strategic goals of specific M&A transactions. Secondly, it explores the factors influencing M&A success, such as the financial health of the acquiring firm, industry dynamics of the target company, and the degree of cultural compatibility between entities. Thirdly, it investigates integration challenges, including employee resistance, cultural misalignment, and structural changes that arise post-merger. The study also covers M&A trends, analyzing prevalent deal types, active geographic regions, and key drivers behind transaction activity. Lastly, it addresses valuation, assessing contemporary strategies used by industry leaders to determine the value of potential M&A targets in today's market.

### 3. Literature Review

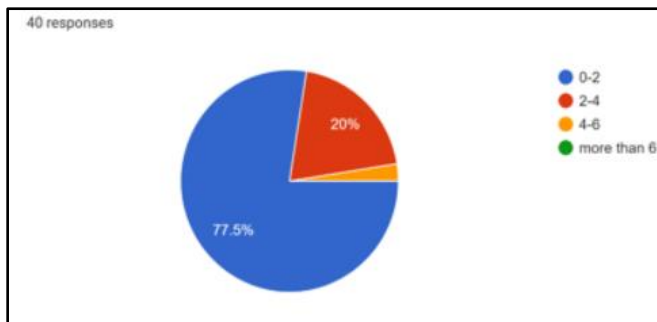
1. **Cartwright, S., & Schoenberg, R.** This study offers a retrospective on 30 years of M&A research, highlighting developments in empirical methods and emerging themes such as the role of governance, ownership structure, and industry context in deal outcomes. It suggests future research should address environmental, social, and innovation-related dimensions of M&A. *Journal of Applied Corporate Finance*, 2019;31(4):110–121.
2. **DeYoung, R., Evanoff, D. D., & Molyneux, P. (2016):** Focusing on financial institutions post-2000, this paper outlines how technological change, regulatory shifts, and corporate governance influence M&A outcomes. The authors underscore the sector-specific complexities and call for a nuanced understanding of integration processes. *Journal of Financial Services Research*, 49(2–3), 153–189.
3. **Rossi, S., & Volpin, P. F. (2014):** Using data from 104 countries, this research identifies key macroeconomic and institutional drivers of M&A activity. It finds that M&A is more prevalent in countries with higher financial development, openness to trade, and political stability. *Journal of International Money and Finance*, 38, 267–284.
4. **Bena, J., & Li, K. (2014).** The paper examines how corporate innovation correlates with M&A activity. It reveals that innovative firms are more acquisition-active and that M&As serve as mechanisms for spreading innovations. *Journal of Business Research*, 67(5), 819–26.
5. **Marks, M. L., & Mirvis, P. H. (2003).** This research addresses strategic and psychological aspects of M&A integration. It emphasizes leadership, communication, and emotional management as vital for post-merger success. *Journal of Applied Psychology*, 88(3), 418–429.
6. **Hitt, M. A., Ireland, R. D., & Harrison, J. S. (1990).** Analyzing 153 M&A cases, this paper finds that value creation hinges on strategic fit, cultural compatibility, and effective integration. It concludes that M&A can enhance shareholder value when these factors align. *Journal of Management*, 16(4), 461–476.
7. **Datta, D. K., Pinches, G. E., & Narayanan, V. K. (2009).** Conducting a meta-analysis of 200 studies, the authors identify strategic alignment, cultural fit, and integration capability as primary factors influencing M&A success. *Journal of Applied Corporate Finance*, 21(2), 50–70.
8. **Kumar, S., & Bansal, L. K. (2016).** This India-focused study demonstrates that M&A can enhance firm performance when strategic fit and leadership execution are aligned. The findings emphasize context-specific dynamics in emerging markets. *International Journal of Management Studies*, 3(1), 1–14.
9. **Vazirani, N. (2017).** The author reviews methodologies used to evaluate M&A performance, including financial, market, and stakeholder analysis. The study reinforces the importance of synergy, integration, and cultural fit. *International Journal of Management Research and Reviews*, 7(4), 289–296.
10. **Schuler, R., & Jackson, S. (2003).** This paper explores the HR dimension in M&A processes. It highlights communication, cultural integration, and talent retention as essential for successful mergers. *Journal of Management Development*, 22(3), 239–257.

#### 3.1. Research design

The research design of this particular research goes as follows:

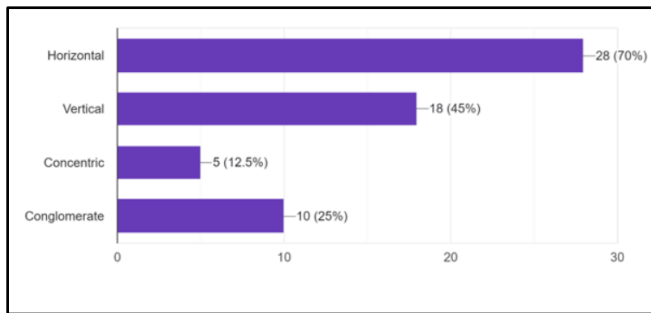
1. Type of research: Primary research
2. Research tool: Questionnaire- Google forms
3. Responses: 40 responses received through questionnaire
4. Sampling method: Convenience to individuals related to CA or CFA or MBA
5. Data interpretation: Charts and graphs
6. Data analysis: Hypothesis testing using statistical test.

### 3.2. Data analysis



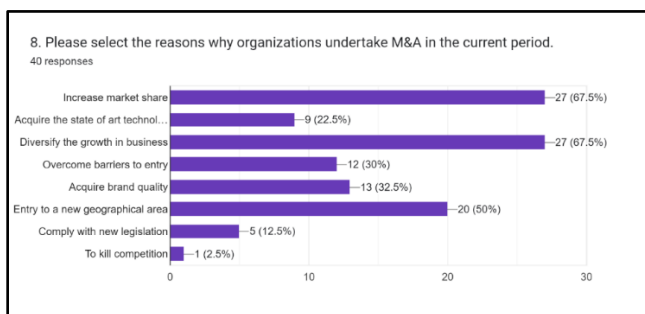
**Figure 1:** No of years' experience in M&A Industry

Out of 40 responses, 77.5% respondents possess experience less than 2 years. 20% respondents possess experience between 2-4 years. And the rest possess experience between 4-6 years.



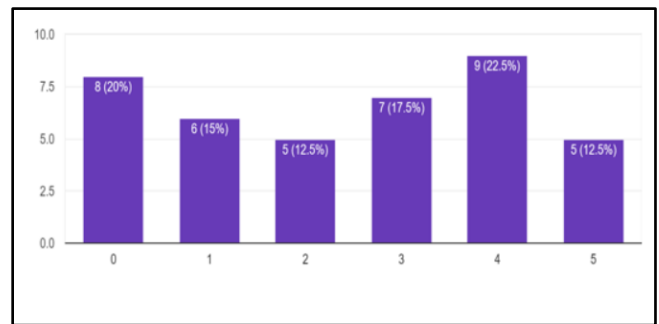
**Figure 2:** What type of M&A is usually seen in the industry?

Most of the respondents have selected the option of horizontal M&A, followed by vertical, then conglomerate and then concentric.



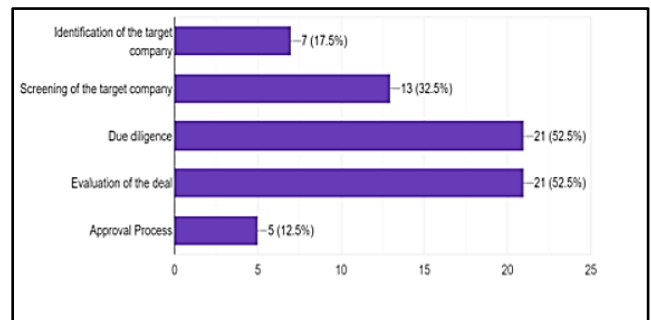
**Figure 3:** Please select the reasons why organizations undertake M&A in the current period.

The major reasons found from the responses were to increase market share and diversify the growth in business. Entry to a new geographical area stands at the second position in the list of reasons. Following them, to acquire brand quality, overcome barriers to entry, acquire the state of art technology, comply with new legislation stand in the list of reasons. The last reason selected by the respondents is to kill competition.



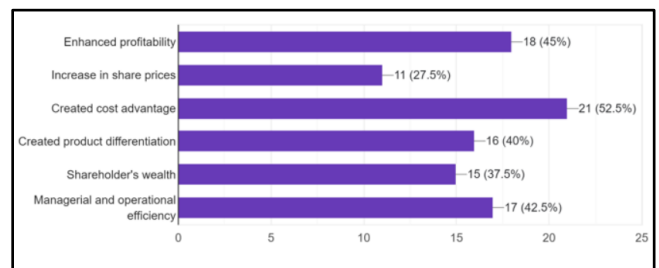
**Figure 4:** To what degree do the managers in your company involve themselves in the M&A process?

9 respondents out of 40, that is 22.5% say that the managers participate in the M&A process high. 5, that is 12.5% respondents consider that they actively participate in the process. 12.5% and 17.5% people say that their participation is neutral. 6 respondents, that is 15% people consider low participation. And 8 respondents, that is 20% people say that the managers do not participate all.



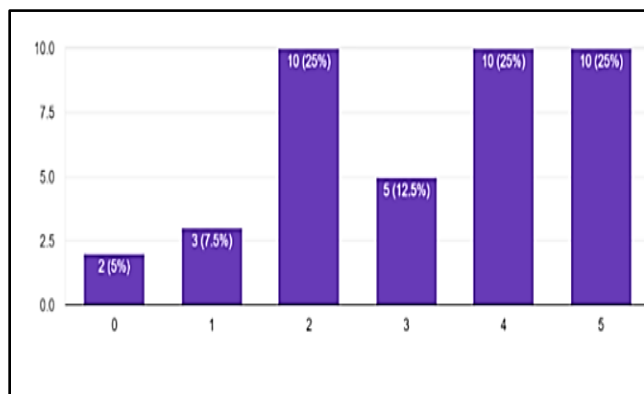
**Figure 5:** Which step of M&A is the most difficult to execute?

Due diligence and evaluation of the deal result as the most difficult steps to execute in the M&A deal. The next steps in the list of hardest to easiest sequence follow screening of the target company, identification of the target company and at the last, approval process.



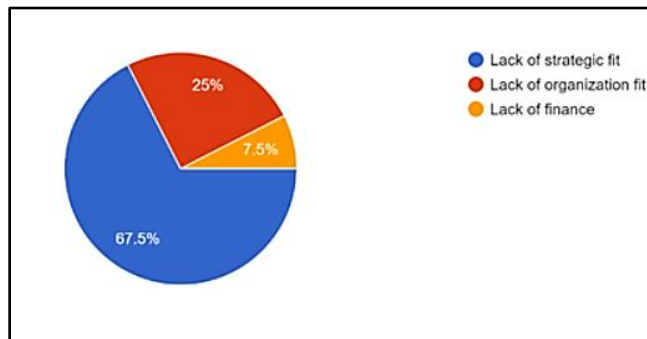
**Figure 6:** How is the synergy created after M&A deal?

The major reasons selected for creation of synergy resulted as creation of cost advantage, followed by enhanced profitability. The other reasons in the sequence of selection from most to least stand as, Managerial and operational efficiency, created product differentiation, shareholder's wealth and at the last, increase in share prices.



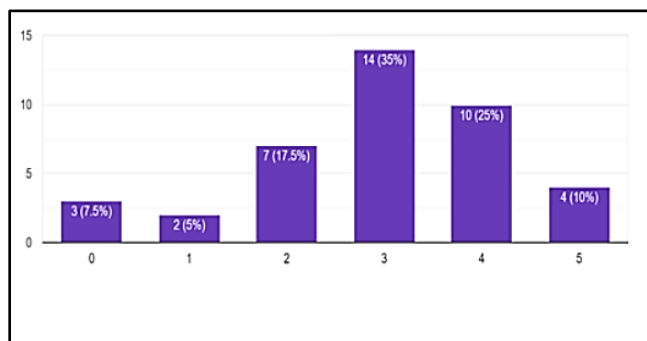
**Figure 7:** Post M&A activities when not well planned leads to the failure of deal\.

Most of the respondents feel that not well-planned post M&A activities lead to the failure of deal.



**Figure 8:** What is the main reason of failure of M&A deals ?

The main reason found as the reason for failure of M&A deals was lack of strategic fit with 67.5% respondents choosing that option. Lack of organization fit was selected by 25% making the second reason as the reason of failure. The least important reason found was the lack of finance.



**Figure 9:** Rate the turnover of the management during and after M&A.

14 respondents (35%) say that the turnover is medium or neutral, not very high or not very low. 10(25%) respondents say that it is high. The other respondents found it in extremes of very low or very high.

62.5% respondents say that the most practiced method of takeover is by agreeing with major shareholders to sell their shares. 32.5% respondents say that the next option selected is buying stock in the market directly. The least selected option was to obtain proxies from the shareholders.

45% respondents say that the employees' productivity and efficiency affected by M&A. 42.5% respondents conclude that they are affected sometimes and 12.5% respondents do not agree with the question.

82.5% respondents say that the employees are retained in the organization whereas 17.5% respondents disagree.

45% responses suggest supportive behavior from the employees when they hear about their company's M&A. 40% respondents say that the employees are usually seen against the deal. 15% respondents say that the employees show no reaction.

62.5% respondents say that the effect on shareholder's wealth is dependent on the deal. 35% say that it increases and very less respondents say that it decreases.

Operating profit increases or at the least remains neutral. Gross profit increases or at the least remains normal. Net profit increases progressively. ROCE increases or remains neutral. Debt Equity ratio either shows significant impact in increase or decrease. EPS majorly increases. P/E ratio increases or shows near to neutral change. Compensation of the employees mostly remains neutral. Retention of net worth majorly increases or stays neutral.

Majority of the respondents say that the statements listed are generally true in nature with very less responses in false or neutral.

Majority of the respondents have selected market-based approach as the best measure to evaluate the company. The next approaches in the sequence of highest to lowest options are net assets, P/E analysis, EBITDA approach, DCF analysis, cost approach, EPS valuation, comparable analysis, revenue yield and at the last, dividend yield approach.

#### 4. Results

Here, the F critical value is Greater than F value thus the hypothesis is accepted.

## 5. Statistical test Analysis

### Test 1: Correlation test

| Variables                                        | Lack of strategic fit/<br>Increase | Lack of organization fit/<br>Decrease | Lack of finance/ Depends on<br>the deal |
|--------------------------------------------------|------------------------------------|---------------------------------------|-----------------------------------------|
| What is the main reason of failure of M&A deals? | 27                                 | 10                                    | 3                                       |
| How is the shareholder's wealth affected by M&A? | 14                                 | 1                                     | 25                                      |

H0: There is a correlation between reasons of failure of merger & acquisitions deals with shareholders wealth

H1: There is no correlation between reasons of failure of merger & acquisitions deals with shareholders wealth

| Correlation         | Lack of strategic fit | Lack of organization fit | Lack of finance |
|---------------------|-----------------------|--------------------------|-----------------|
| Increase            | 1                     | 1                        | -1              |
| Decrease            | 1                     | 1                        | -1              |
| Depends on the deal | -1                    | -1                       | 1               |

### Results

Here, the results suggest that there is strong correlation between failure of merger & acquisitions and shareholders' wealth. Therefore, null hypothesis is accepted.

### Test 2: Anova single factor

What is the usual impact of M&A deals on the following factors?

| Variables                 | Increase | Decrease | Neutral | Cannot say |
|---------------------------|----------|----------|---------|------------|
| Operating profit          | 26       | 4        | 7       | 3          |
| Gross profit              | 25       | 5        | 7       | 3          |
| Net profit                | 27       | 5        | 4       | 4          |
| ROCE                      | 16       | 9        | 12      | 3          |
| Debt Equity ratio         | 14       | 13       | 5       | 8          |
| EPS                       | 19       | 8        | 11      | 2          |
| P/E Ratio                 | 10       | 5        | 10      | 5          |
| Compensation of employees | 7        | 13       | 17      | 3          |
| Retention of net worth    | 12       | 10       | 12      | 6          |

H0: There is a significant change seen in the financial parameters in the performance of the merged companies Let's assume the value of  $\alpha$  is 5%.

H1: There is no significant change seen in the financial parameters in the performance of the merged companies

| Operating Profit | Gross Profit | Net Profit | ROCE | Debt Equity ratio | EPS | P/E ratio | Compensation of employees | Retention of net worth |
|------------------|--------------|------------|------|-------------------|-----|-----------|---------------------------|------------------------|
| 1                | 1            | 1          | 1    | 2                 | 1   | 1         | 2                         | 2                      |
| 3                | 2            | 1          | 2    | 2                 | 1   | 2         | 2                         | 2                      |
| 1                | 3            | 1          | 2    | 1                 | 2   | 1         | 2                         | 1                      |
| 4                | 1            | 1          | 3    | 4                 | 4   | 4         | 2                         | 2                      |
| 1                | 1            | 1          | 1    | 2                 | 1   | 3         | 3                         | 1                      |
| 1                | 3            | 1          | 4    | 1                 | 3   | 1         | 1                         | 2                      |
| 1                | 4            | 4          | 3    | 1                 | 2   | 3         | 1                         | 1                      |
| 3                | 3            | 2          | 1    | 2                 | 1   | 3         | 3                         | 3                      |
| 1                | 1            | 1          | 1    | 2                 | 3   | 1         | 3                         | 2                      |
| 1                | 1            | 1          | 1    | 2                 | 1   | 1         | 3                         | 4                      |
| 1                | 1            | 1          | 1    | 1                 | 1   | 1         | 3                         | 1                      |
| 3                | 3            | 3          | 3    | 3                 | 3   | 3         | 3                         | 3                      |
| 1                | 1            | 1          | 1    | 4                 | 1   | 3         | 4                         | 4                      |

|   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|
| 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| 2 | 2 | 2 | 2 | 1 | 2 | 2 | 2 | 4 |
| 1 | 1 | 1 | 1 | 2 | 1 | 1 | 3 | 1 |
| 4 | 4 | 4 | 1 | 4 | 4 | 1 | 4 | 4 |
| 1 | 1 | 1 | 1 | 3 | 3 | 1 | 2 | 1 |
| 3 | 1 | 1 | 1 | 4 | 1 | 4 | 3 | 3 |
| 1 | 1 | 1 | 3 | 2 | 1 | 1 | 3 | 1 |
| 4 | 1 | 1 | 1 | 4 | 3 | 4 | 2 | 2 |
| 1 | 2 | 1 | 2 | 1 | 2 | 1 | 2 | 1 |
| 1 | 3 | 1 | 3 | 1 | 1 | 1 | 3 | 3 |
| 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| 1 | 3 | 2 | 2 | 1 | 2 | 1 | 3 | 4 |
| 1 | 1 | 3 | 2 | 1 | 2 | 3 | 1 | 3 |
| 1 | 2 | 1 | 2 | 2 | 1 | 1 | 2 | 1 |
| 1 | 1 | 1 | 1 | 2 | 1 | 2 | 1 | 2 |
| 1 | 1 | 4 | 3 | 4 | 1 | 1 | 4 | 4 |
| 2 | 1 | 1 | 2 | 2 | 3 | 2 | 2 | 3 |
| 3 | 1 | 3 | 4 | 1 | 3 | 1 | 1 | 3 |
| 1 | 4 | 4 | 3 | 2 | 1 | 4 | 2 | 2 |
| 1 | 1 | 1 | 3 | 4 | 3 | 3 | 3 | 3 |
| 3 | 1 | 2 | 3 | 2 | 1 | 3 | 2 | 1 |
| 1 | 1 | 1 | 3 | 3 | 3 | 1 | 3 | 3 |
| 1 | 1 | 1 | 3 | 1 | 3 | 3 | 3 | 3 |
| 2 | 2 | 2 | 2 | 1 | 2 | 2 | 3 | 2 |
| 1 | 1 | 1 | 4 | 4 | 2 | 4 | 3 | 3 |

| Summary                   |       |     |         |             |
|---------------------------|-------|-----|---------|-------------|
| Groups                    | Count | Sum | Average | Variance    |
| Operating Profit          | 40    | 67  | 1.675   | 1.045512821 |
| Gross Profit              | 40    | 68  | 1.7     | 1.035897436 |
| Net Profit                | 40    | 65  | 1.625   | 1.060897436 |
| ROCE                      | 40    | 82  | 2.05    | 1.023076923 |
| Debt Equity ratio         | 40    | 86  | 2.15    | 1.258974359 |
| EPS                       | 40    | 76  | 1.9     | 0.964102564 |
| P/E ratio                 | 40    | 80  | 2       | 1.282051282 |
| Compensation of employees | 40    | 96  | 2.4     | 0.758974359 |
| Retention of net worth    | 40    | 92  | 2.3     | 1.138461538 |

| Anova               |             |     |             |            |            |             |
|---------------------|-------------|-----|-------------|------------|------------|-------------|
| Source of Variation | SS          | df  | MS          | F          | P-value    | F crit      |
| Between Groups      | 24.67222222 | 8   | 3.084027778 | 2.90096141 | 0.00382455 | 1.964807827 |
| Within Groups       | 373.15      | 351 | 1.063105413 |            |            |             |
| Total               | 397.8222222 | 359 |             |            |            |             |

## 6. Findings

Mergers and acquisitions (M&A) is a complex field requiring in-depth expertise. Mergers significantly influence the financial performance of companies and shareholder wealth, which can be negatively affected by factors like lack of strategic or organizational fit. Horizontal mergers are the most common, typically driven by growth and diversification motives. Synergies often arise through cost advantages. Valuation is commonly done using the market approach, and the preferred method of acquisition involves negotiating with major shareholders. While employees are usually retained post-merger, their productivity and efficiency can be impacted.

### 6.1. Limitations

The study faced limitations such as a low response rate from companies, time constraints, and challenges with data availability and accuracy. The dynamic and complex nature of mergers and acquisitions made it difficult to analyze at a specific point in time, and varying perspectives led to generalized responses.

## 7. Conclusion

This research paper provides a comprehensive exploration of mergers and acquisitions (M&A), focusing on the motivations behind these transactions, the processes of integration and synergy creation, and their associated performance outcomes. While offering valuable insights, the study acknowledges limitations such as data constraints, potential biases, and the complex nature of M&A, which challenge the generalizability of its findings. Emphasizing the significance of strategic fit, cultural integration, and post-deal performance assessment, the paper offers practical implications for managers and policymakers. It calls for future research with improved methodologies, better data, and context-specific analyses to deepen the understanding of M&A dynamics. Ultimately, the study contributes to the ongoing discourse on M&A by balancing its potential benefits with its inherent challenges.

## 8. Source of Funding

None.

## 9. Conflict of Interest

None.

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**Cite this article:** Thakker K. Mergers and acquisitions: Historical trends and present drives, effects on shareholders' wealth, company's valuation, synergy creation and post deal performance. *J Manag Res Anal*. 2025;12(2):100–106.