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DO PRE-M&A PERFORMANCES OF THE ACQUIRER AND THE TARGET PREDICT M&A SUCCESS? THE MIXED EFFECT OF EMPLOYMENT

Abstract:

Due to the high failure rate of the M&A strategy, this study raises the question of whether the performances of the acquirer and the target in the pre-M&A period, could predict an M&A's success. The study presents a mediation model with the aim to examine the impact of the pre-M&A performances on integration success, synergy success and profitability success. The model includes four pre-performances variables: the revenue and profitability of the acquirer and the target. The model also includes employment change as a mediating variable. The study uses a sample of 394 public companies. The study highlights the novelty of this research. The results show that the revenue of the target and the employment ratio have a dominant impact on integration success with relation to the other variables. The revenue of the acquirer has a dominant impact on synergy success, while the revenue and the profitability of the acquirer and the revenue ratio have a dominant impact on the profitability success. The study also indicates that the employment change during the M&A process has a mixed impact on the M&A's success. An increase in employment leads to integration success and synergy success, but it leads to a negative effect on the profitability success. The study emphasizes the delicate balancing that is needed in implementation of M&A strategy to keep both, the synergy success and the profitability success, particularly with regard to employment change during the M&A process.

Keywords:

Employment; Performances; Integration; Mergers and Acquisitions (M&A); Synergy