

[DOI: 10.20472/IAC.2016.027.040](https://doi.org/10.20472/IAC.2016.027.040)

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DO PRE-M&A PERFORMANCES OF THE ACQUIRER AND THE TARGET PREDICT M&A SUCCESS? HORIZONTAL VS. VERTICAL VS. CONGLO

Abstract:

Due to the high failure rate of the M&A strategy, this study raises the question of whether there are differences between horizontal M&A vs. vertical M&As vs. conglomerate M&As with regard to the prediction of M&A success by the pre-performances of the acquirer and the target. This study presents a research model with an aim to understand if differences exist between the types of M&A with regard to the prediction of M&A success. The study uses three samples, which includes 121 horizontal M&As, 19 vertical M&As and 57 conglomerate M&As. The research model includes four variables that reflect the pre-performances of the acquirer and the target – the revenue of the acquirer/target and the profitability of the acquirer/target. The study reveals that horizontal M&As and vertical M&As lead to a failure of the integration stage, while conglomerate M&As leads to integration success. The results also show that in horizontal M&As, the profitability of the target has a positive effect on the integration success, but it has a negative effect on synergy success, while in conglomerate M&As, it has a negative effect on synergy success. The revenue of the target has a negative effect on integration success, but only with regard to horizontal M&As. The study highlights that conglomerate M&As have more probability for success compare to horizontal M&As and vertical M&As.

Keywords:

Conglomerate, Horizontal, Integration, Mergers and Acquisitions (M&A), Performances, Profitability, Synergy, Vertical