Impact of Mergers and Acquisitions on Various Stakeholders: An Analytical Study

Dr. AJAY KUMAR,
Department of SAINI School Management Studies, Graphic Era Hill University,
Dehradun, Uttarakhand, India 248002,
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Abstract

Mergers and acquisitions (M&A) are transactions in which two or more companies combine their operations, assets, or ownership structures to create a single entity. M&A activities can take various forms, such as mergers, acquisitions, consolidations, or joint ventures. The research that follows explores the impact of mergers and acquisitions (M&A) on various stakeholders, including shareholders, employees, customers, and the broader community. The following literature review is a collected study of various researchers which analyse the impact of M&A activities on these stakeholders, including the benefits and costs associated with the consolidation of companies. It also considers the motivations and strategies of firms engaging in M&A, as well as the regulatory and legal frameworks that shape the M&A landscape. Through a detailed analysis of several studies, the literature review provides insights into the complex and multifaceted effects of M&A on different stakeholders, highlighting the importance of considering the broader social and economic implications of these activities. Conclusions of further research in this area has implications for corporate decision-making, public policy, and academic research on mergers and acquisitions.

Keywords: Mergers and Acquisitions, Strategic Considerations, Financial Considerations, Legal Frameworks, Regulatory Frameworks, Economic Efficiency

Introduction

Mergers and acquisitions (M&A) are now increasingly prevalent in the contemporary global business landscape as organisations strive to achieve growth, gain competitive advantages, and increase shareholder value. M&A activities involve combining two or more companies through various forms such as mergers, acquisitions, consolidations, or joint ventures. While M&A activities can create significant value for companies, they can also have significant implications for various stakeholders, including shareholders, employees, customers, and the broader community.

M&A activities can be motivated by strategic considerations such as expanding market share, diversifying product offerings, or achieving economies of scale. Alternatively, they can be motivated by financial considerations, such as improving profitability, increasing shareholder value, or reducing costs. M&A activities have significant implications for various stakeholders. Shareholders may benefit from M&A through increased share prices, dividends, or improved growth prospects. However, they may also face risks associated with the integration of the two companies, such as cultural clashes, operational disruptions, or regulatory challenges. Employees may benefit from M&A through improved job security, better pay and benefits, or career advancement opportunities. However, they may also face risks associated with downsizing, relocation, or changes in corporate culture. Customers may benefit from M&A through increased product offerings, improved quality, or better pricing. However, they may also face risks associated with reduced competition, loss of brand identity, or changes in product availability. Therefore, it is important to consider the broader social and economic implications of M&A activities. M&A activities are subject to various legal and regulatory frameworks that aim to ensure fair competition, protect consumers and workers, and promote economic efficiency. In the United States, M&A activities are regulated by the Antitrust Division of the Department of Justice and the Federal Trade Commission. The European Commission regulates M&A activities in Europe. These regulatory frameworks aim to balance the interests of various stakeholders and promote economic efficiency.

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Literature Review

The impact of M&A on various stakeholders has been an area of interest in the field of management and finance for several decades. Several studies have explored the relationship between M&A and post-acquisition performance, with a particular focus on the role of employee retention, political connections, corporate governance, and returns on investment.

Boubakri, Cosset, and Saffar (2013) investigated the influence of political ties on recently privatised business performance. The study found that enterprises with political links performed better after privatisation than companies without such connections. This implies that political relationships can benefit corporations in emerging markets. Gugler, Mueller, and Yurtoglu (2008) studied the effect of company governance on investment returns. According to the study, organisations with superior corporate governance practises had greater returns on investment, demonstrating that excellent governance practises can help with financial success. Kedia and Philippon (2009) examine the economics of fraudulent accounting practices in the context of M&A. They argue that firms engaging in fraudulent accounting practices use M&A as a tool to hide their fraudulent activities. The authors analyze a sample of M&A deals in which at least one of the firms was accused of fraudulent accounting practices. They find that the acquiring firm experiences negative abnormal returns when it acquires a target firm with fraudulent accounting practices. The authors suggest that these findings highlight the importance of careful due diligence before engaging in M&A activity to avoid the negative consequences of fraudulent accounting practices.

Martynova and Renneboog (2017) examine the fifth takeover wave in Europe from 2001 to 2008, and investigate the determinants of bidder and target performance in M&As. The authors find that the performance of bidding firms is positively related to deal size, and negatively related to bidder CEO ownership and the use of cash in the transaction. On the other hand, the authors find that target firm performance is positively related to deal size, the use of cash in the transaction, and the target's prior stock price performance. The authors also find evidence of positive wealth effects for target shareholders, but negative effects for bidders.

Xin (2013) state that mergers completed by high CSR buyers require lesser duration and are more unlikely to be unsuccessful than integrations completed by weak CSR buyers. These findings imply that acquirers' social reputation is a significant predictor of merger success and complete likelihood, and they corroborate the stakeholder value maximisation interpretation of the theory of stakeholder value.

Cording (2014) realised that the results of their study reveal that an absence of organisational reliability, as measured by both insufficiently and overselling to workers and clients, is connected with reduced efficiency, which is associated with for a long-time merger success, hence hurting investor returns. The results presented reinforce the relevance of genuineness and will be relevance to administrators in charge of maintaining continuity among what a company claims alongside what it does, and also to those who engage in and research the merger and integration process. Fatemi et al., (2017) also look at the anomalous returns achieved by purchasing stockholders in the sixty months after the incident and discover no obvious pattern of long-term profits. Finally, when we look at the long-term consequences of acquisitions on the purchasing firm's governance, social, and environmental efficiency, we discover no obvious improvement in any of these areas. Williams et al., (2017) conducted a survey and the questionnaire's findings appear to imply that the anticipations of all the stakeholders did not alter much following the acquisition's execution.

Stensaker et al., (2016) contends that the involvement and activities of external stakeholders have a significant impact on merger outcomes. The examination of an unsuccessful merger effort in Norwegian higher education presents arguments that not solely shed light on the fundamental forces fueling the sector's interest in mergers, but also provide fresh concrete insights on the consequences of merger endeavours. Weber et al., (2011) delve into the critical but often overlooked aspects that determine negotiating results. It offers an empirical framework for rigorous study on the linkages between cultural variances, bargaining organising, and their interdependence, as well as negotiation results. Meglio and Risberg (2012) seek to add to the existing scholarship through their study by evaluating the multitude of variables surrounding the term "M&As" as well as investigating the range of contexts where management researchers have previously used it to assess M&A success. They will enhance researchers' understanding of the need of specifying the scope circumstances under which the acquisition and merger success construct applies or fails to apply.

Oghuvwu, and Omoye's (2017) research project used a purposive selection approach to choose 31 listed corporations from diverse industries on the Nigerian Stock Exchange that were active in acquisitions and mergers throughout the study period. As a result, data were estimated using combined information for regression analysis, and their results show, first and foremost, that mergers and acquisitions had no statistically significant influence on firm's environmental sustainability (p >5%) over time. Second, acquisitions and mergers both have a statistically significant long-term influence on consumer satisfaction.

Objective:

To measure impact of mergers and acquisitions on various stakeholders

Methodology:

This study is descriptive in nature in which the data were obtained from the 185 respondents to find the impact of mergers and acquisitions on various stakeholders. Different stakeholders that are covered in this study are shareholders, top management, competitors, employees, customers and others. A checklist question was used to analyse and interpret the data. In a checklist question respondents choose "Yes" or "No" for all the questions.

Data Analysis and Interpretations:

Table 1 Impact of Mergers and Acquisitions on Various Stakeholders

SL No.	Impact of Mergers and Acquisitions on Various Stakeholders	Yes	% Yes	No	% No	Total
1	The acquiring firm pay a little extra than it is supposed to pay therefore the acquired firm shareholders will get more benefits	165	89.19	20	10.81	185
2	M&A results in clashes among the top management due to the variation in cultures of the two organizations	160	86.49	25	13.51	185
3	Vendors have a great interest on the M&As as it would disrupt their businesses as well	171	92.43	14	7.57	185
4	M&A includes debt where lenders role come in to picture therefore selection of good lenders is very important	174	94.05	11	5.95	185
5	Advisors are required in order to speed up the process of M&A	168	90.81	17	9.19	185

6	Customer experience is affected during M&As, therefore it is necessary to maintain strong communication to prevent losing customers	177	95.68	8	4.32	185
7	Competitors will try to attract customers by planting doubts in the customer's mind, therefore It is good to have acquisition announcement publicly and clear	152	82.16	33	17.84	185
8	M&As lead to create anxiety in employees mind which converts to job search, therefore it is better to maintain a strong communication with employees	157	84.86	28	15.14	185

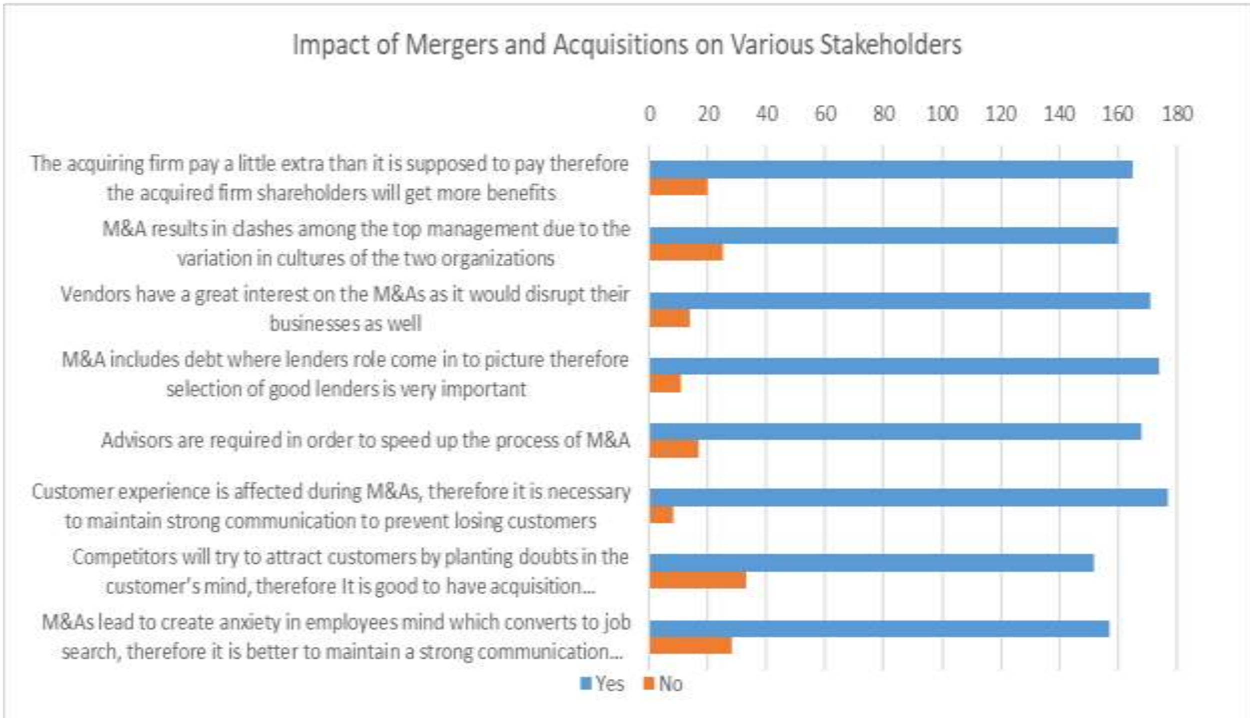

Figure 1 Impact of Mergers and Acquisitions on Various Stakeholders

Table 1 and Figure 1 show the impact of mergers and acquisitions on various stakeholders. It was found that around 95.6% respondents accept that Customer experience is affected during M&As, therefore it is necessary to maintain strong communication to prevent losing customers, M&A includes debt where lenders role come in to picture therefore selection of good lenders is very important (94.5%), Vendors have a great interest on the M&As as it would disrupt their businesses as well (92.4%), Advisors are required in order to speed up the process of M&A (90.8%), The acquiring firm pay a little extra than it is supposed to pay therefore the acquired firm shareholders will get more benefits (89.1%), M&A results in clashes among the top management due to the variation in cultures of the two organizations (86.4%), M&As lead to create anxiety in employees mind which converts to job search, therefore it is better to maintain a strong communication with employees (84.8%) and Competitors will try to attract customers by planting doubts in the customer's mind, therefore It is good to have acquisition announcement publicly and clear (82.1%).

Conclusion

Overall, these articles highlight the complexities and challenges involved in M&As and emphasize the importance of considering various factors when assessing the potential value and success of these transactions. The findings suggest that careful planning and management, as well as a focus on both financial and non-financial factors, are crucial for achieving positive outcomes in M&As.

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