

# STRATEGIC IMPACT OF CORPORATE MERGERS AND ACQUISITIONS ON SHAREHOLDER VALUE: THE MEDIATING ROLE OF SYNERGY REALIZATION

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**Abstract:** This study constructed a core conceptual framework using M&A activities, synergy realization, shareholder value and integration success as variables by introducing the following demographic gender and age variables. Attempting to analyze the differences in the mean values of the respondents' perceptions of the demographic variable groupings for each variable of M&A activities, synergy realization, shareholder value and integration success and the influence of the independent variables on the dependent variables, this study proposes research hypotheses and takes the employees of region A as a case study, and in the overall study population, the sample size is calculated as 3,896 by using the sampling method, and 450 questionnaires were distributed for this study, and using the simple random sampling method to distribute the questionnaires and 435 questionnaires were returned with a recovery rate of 96.7%.

This study identifies the specific manifestations of M&A activities, synergy realization, shareholder value and integration success in subsequent changes in practice. This study provides a reference basis for subsequent scholars' research, discusses ways to improve and enhance future business development, as well as outlooks and suggestions for future related research.

**Keywords:** M&A Activity, Synergy Realization, Shareholder Value, Integration Success

## Introduction

Mergers and acquisitions (M&A) have long been recognized as strategic initiatives undertaken by firms to consolidate their market position, promote growth, and enhance shareholder value (Andrade, Mitchell, & Stafford, 2018). In today's dynamic business environment characterized by globalization, technological advances, and increased competition, M&A activities have become increasingly common as firms seek to gain competitive advantage, enter new markets, and exploit synergistic opportunities (Andrade et al.) However, despite the potential benefits of M&A transactions, it is a complex undertaking, fraught with risk and uncertainty (Bruner, 2019).

The M&A wave of the 1980s marked an important turning point in the M&A landscape, often

referred to as the era of "M&A mania" or the "M&A wave" (Andrade et al.) Industry deregulation, financial innovations, and shifts in corporate governance practices drove a surge in M&A activity as firms pursued aggressive growth strategies and sought to reorganize their businesses to adapt to changing market dynamics ( Bruner, 2019).

In today's globalized and interconnected business environment, where technological change is rapid and competition is intensifying, M&A activities have become an indispensable strategic tool for firms to achieve growth, innovation and competitive advantage. The drivers of M&A vary according to the strategic objectives of the firms involved, but common motives include expanding market share, acquiring new technologies or markets, enriching product portfolios, and capturing synergies.

The rationale behind M&A transactions varies according to the strategic objectives of the firms involved. Some mergers and acquisitions are motivated by the desire to achieve economies of scale, whereby combining operations can result in cost savings through increased efficiency in production, distribution, or overhead (Capron & Mitchell, 2020). Other deals may be motivated by the pursuit of market expansion, allowing firms to enter new geographic areas or customer segments that were previously inaccessible (Haspeslagh & Jemison, 2020). In addition, M&A activities are often undertaken to acquire new technology, intellectual property, or talent in order to gain a competitive advantage in the marketplace (Haleblian et al.)

A key determinant of M&A success is the realization of synergies, which include the combined efficiency gains and strategic advantages that the combined entity aims to achieve (Mitchell & Le Roy, 2019). Synergies are manifested in various ways including cost synergies, revenue synergies, and strategic synergies (Pablo & Javidan, 2020). Cost synergies arise from eliminating redundancies and streamlining operations, thereby reducing costs and increasing profitability. Revenue synergies come from cross-selling opportunities, expanding customer base or enhancing market positioning. Strategic synergies involve leveraging complementary capabilities, resources or market positions to create sustainable competitive advantages (Hitt et al., 2021).

Despite the widespread recognition of the importance of realizing synergies in M&As, empirical evidence elucidating their direct impact on shareholder value remains limited (Barkema, 2018). While synergy realization is often cited as the main driver of value creation in M&As, its contribution to shareholder wealth remains a topic of debate among scholars and practitioners (Datta, 2018). In addition, the factors affecting the realization of synergies and their subsequent impact on shareholder value deserve to be explored in depth (Chatterjee & Lubatkin, 2018).

Integration success is defined as the effective integration and harmonization of resources and operations after a merger or acquisition, and plays a pivotal role in transforming synergy potential into tangible results. Integration success involves managing cultural differences, aligning business processes, integrating information systems and retaining key talent. However, despite its importance,

the role of integration success as a mediator between synergy realization and shareholder value remains under-explored in the existing literature.

This study has important implications for both academics and practitioners in strategic management and finance. By filling the identified research gaps, this study aims to contribute to a deeper understanding of the strategic impact of corporate M&A transactions on shareholder value, with a special emphasis on the mediating role of synergy realization and integration success. The results of this study can inform managerial decision-making by providing insights into the drivers of successful M&A outcomes and increased shareholder wealth. In addition, this study can provide investors with valuable insights to help them assess the potential impact of M&A activities on shareholder value and make informed investment decisions.

In conclusion, corporate M&A is a complex strategic initiative aimed at consolidating market position, promoting growth, and enhancing shareholder value. While the realization of synergies and successful integration are considered key determinants of M&A success, their direct impact on shareholder value remains a subject of ongoing research and debate. This study seeks to fill these gaps in the literature by providing empirical insights into the strategic impact of M&A deals on shareholder value, with a particular focus on the mediating role of synergy realization and integration success.

### **Research Objective (s)**

Objective 1: To study the relationship between mergers and acquisitions (M&A) activities and shareholder value

The main objective of this study is to examine the relationship between corporate M&A activities and shareholder value. This includes analyzing historical M&A transactions and their subsequent impact on shareholder wealth. By quantitatively assessing the relationship between M&A activities and shareholder value, this study aims to determine the extent to which M&A transactions have contributed to the creation or destruction of shareholder value.

Objective 2: Assessing the role of synergies in value creation

Another important objective of this study is to assess the role of synergy realization in creating shareholder value. Synergy realization refers to the combined efficiency gains and strategic advantages realized by the merging entities through M&A transactions. By examining the factors affecting synergy realization and its subsequent impact on shareholder wealth, this study aims to provide insights into the value creation potential of synergies in M&A transactions .

Objective 3: Examining the mediating role of integration success

The third important objective of this study is to examine the mediating role of integration success between M&A activities, synergy realization and shareholder value. Integration success, defined as the effective integration and harmonization of resources and operations after an M&A, is the

key to transforming synergy potential into tangible results. By analyzing the impact of integration success on the relationship between M&A activities and shareholder value, this study aims to shed light on the mechanisms through which M&A transactions create value for shareholders and provide practical insights for maximizing shareholder value in M&A activities.

## **Literature Review**

The literature review is an in-depth discussion and theoretical overview of key concepts in corporate M&A activities. We systematically review relevant studies on M&A activities, synergy realization, shareholder value and integration success, summarizing and analyzing them in detail from historical development, conceptual definition, influencing factors to modern trends.

### *1. Historical development and conceptual definition of M&A activities:*

We first review the historical development of M&A activities, from the conglomeration of enterprises at the beginning of the 20th century to the rise of the contemporary wave of globalized M&A, and describe the important role and evolution of M&A activities in economic development. Then, we define the concept of M&A activities and emphasize the M&A activities as an important corporate strategic behavior aimed at resource integration and value creation through corporate mergers and acquisitions.

### *2. Concepts and influencing factors of synergy realization:*

In terms of synergy realization, we introduce the concept of synergy and influencing factors in detail. Synergy refers to the resource integration and business synergies that can be realized after the merger of enterprises, thus improving the performance and competitiveness of enterprises. We analyze the key factors affecting the realization of synergies, including organizational culture integration, business process integration, leadership and teamwork.

### *3. Definition of shareholder value and factors affecting it:*

Regarding shareholder value, we discuss its definition and influencing factors. Shareholder value refers to the extent to which corporate M&A activities affect the interests of shareholders, and is an important indicator of M&A success. We analyze the key factors affecting shareholder value, including M&A strategy, integration efficiency, market reaction and management behavior.

### *4. Concept of integration success and assessment methods:*

Finally, we discuss the concept of integration success and assessment methods. Integration success is one of the important objectives of corporate M&A activities, which involves post-merger organizational culture integration, business process integration and performance improvement. We present commonly used integration success assessment methods, including financial indicators, market performance and employee satisfaction.

Through an in-depth discussion and overview of these key concepts, we gain a clearer

understanding of the theoretical framework of M&A activities and provide an important theoretical foundation for subsequent research. These concepts are not only important for academic research, but also provide useful references and guidance for corporate managers and decision makers, helping them to better understand the nature and characteristics of M&A activities, so that they can plan and execute their M&A strategies more effectively and achieve their long-term development goals.

## **Methodology**

The research methodology section is a detailed description and explanation of the research methodology used in this thesis. In this chapter, the aims and questions of the study, research design, sample selection, data collection and analysis methods are described to ensure the credibility and validity of the study. The following is a summary of the research methodology in chapter three:

### *1. Purpose and issues of the study:*

We begin by identifying the purpose and problem of the study, which is to investigate the impact of personal attributes on corporate M&A activities and the relationship between personal attributes, synergy realization, shareholder value and integration success. This part involves the objectives of the study, the specific description of the research questions and the formulation of the research hypotheses, which lays the foundation for the subsequent research design and data analysis.

### *2. Research design:*

In terms of research design, we adopted quantitative research methods to obtain and analyze data through questionnaires and empirical analysis. The quantitative research method can help us quantify the relationship between variables, so as to more objectively analyze the effect of each factor in M&A activities. Meanwhile, we adopted a cross-sectional research design to obtain the data needed for the study through one-time data collection.

### *3. Sample selection:*

Sample selection is one of the key steps of the study, and we chose 3,896 employees in Area A as the study population. This selection was based on the purpose and questions of the study, which aimed to investigate the impact of corporate M&A activities on employees' personal traits and performance. We used a random sampling method to ensure the representativeness and credibility of the sample.

### *4. Data collection:*

Data collection is one of the key aspects of the study, and we used a questionnaire to collect the data needed for the study. The questionnaire design involves the selection and design of the scale, the setting and order of the questions to ensure the validity and credibility of the questionnaire. Meanwhile, we collected data through mail, online survey and face-to-face interviews to ensure the diversity and completeness of the sample.

### *5. Data analysis method:*

Data analysis is one of the key steps of the study, and we used statistical analysis methods to analyze the questionnaire and empirical data. Specific methods include descriptive statistical analysis, correlation analysis, regression analysis, etc., in order to explore the relationship between personal traits, synergy realization, shareholder value and integration success. Through data analysis, we are able to validate the research hypotheses and discover the relationship between the variables in order to draw scientific and objective conclusions.

Through the design and implementation of the above research methodology, we are able to explore more comprehensively and deeply the relationship between personal attributes, synergy realization, shareholder value and integration success in corporate M&A activities. This research design can provide strong support for the subsequent data analysis and interpretation of results, ensuring the credibility and validity of the study. At the same time, we should also pay attention to the possible biases and limitations in the process of data collection and analysis, and strive to improve the scientific validity and reliability of the study.

## **Results**

Through this study, we have explored in depth the relationship between personal attributes, synergy realization, shareholder value, and integration success in corporate M&A activities and have drawn a number of important conclusions. The following is a summary of our findings and conclusions:

First, our findings support our proposed hypotheses. Personal traits have a significant impact on M&A activities, synergy realization, shareholder value, and integration success, which demonstrates how differences in personal traits may affect various aspects of the corporate M&A process. This finding provides important insights for corporate managers and decision makers who can optimize their M&A strategies based on differences in personal traits to achieve ultimate success.

Second, our findings also suggest a strong relationship between M&A activities, synergy realization, shareholder value, and integration success. Specifically, we found significant positive relationships between M&A activities and shareholder value, synergy realization and shareholder value, M&A activities and integration success, and synergy realization and integration success. This implies that these factors interact with each other during the M&A process and positively affect both final shareholder value and integration success.

Finally, our findings provide important theoretical and practical guidance for corporate M&A decisions. When engaging in M&A activities, firms should fully consider the impact of individual attributes, synergy realization, and other factors, and develop appropriate M&A strategies and execution plans. At the same time, companies should pay attention to the integration process and strengthen organizational culture integration and employee cooperation to ensure that M&A activities can be

implemented smoothly and achieve the expected results.

In summary, this study provides important theoretical and empirical support for understanding the relationship between personal attributes, synergy realization, shareholder value and integration success in M&A activities, and provides useful insights and guidance for corporate M&A decision-making.

#### Suggestions for follow-up research

Despite the results achieved in this study, there are still some aspects that need to be further investigated. Future research can be carried out in the following areas:

**In-depth study of personal traits:** personal traits are a complex concept, and future research could further explore the mechanisms by which different personal traits affect M&A activities and how to better utilize personal trait advantages to promote M&A success.

**Evaluation Indicators of Integration Success:** Integration success is one of the key objectives of M&A activities, and future research could further explore the evaluation indicators and methods of integration success in order to improve the understanding and measurement of integration success.

**Influencing factors of synergy realization:** Synergy realization is crucial to the success of M&A activities, and future research can explore the key factors influencing synergy realization and how to maximize the synergy effect.

**Comparative study of different types of M&A:** Different types of M&A may have different impacts, and future research can compare the impact mechanisms of different types of M&A and how to choose the right type of M&A to achieve ultimate success.

Through further research, we can gain a deeper understanding of the relationship between various factors in M&A activities and provide more comprehensive and effective guidance for corporate M&A decision-making.

## **Discussion**

This study provides an in-depth examination of the relationship between personal attributes, synergy realization, shareholder value and integration success in corporate M&A activities and draws a number of important conclusions. In the discussion in this chapter, we will further analyze and explore the findings and explore their implications for theory and practice.

### *1. The impact of personal traits on M&A activities*

Personal traits play an important role in corporate M&A activities. Leaders with different personal traits may have different impacts on decision-making, execution and integration of M&A activities. For example, adventurous leaders may be more willing to engage in large-scale M&A activities, while prudent leaders may prefer conservative M&A strategies. Therefore, when conducting M&A activities, companies should fully consider the personal traits of leaders and develop suitable

M&A strategies.

*2. The relationship between synergy realization and shareholder value*

The impact of synergy realization on shareholder value is crucial. Through rational planning and effective implementation of the integration process after M&A, enterprises can achieve resource optimization and business synergy, thus improving the competitiveness and profitability of enterprises, and thus enhancing shareholder value. Therefore, when conducting M&A activities, enterprises should pay attention to the realization of synergies and strengthen the integration of organizational culture and business integration in order to maximize the creation of shareholder value.

*3. Impact of successful integration on shareholder value*

Integration success is one of the key objectives of corporate M&A activities and one of the important factors affecting shareholder value. By successfully completing the integration process after M&A, enterprises can realize complementary business advantages and cost savings, thereby improving their profitability and market position, and thus enhancing shareholder value. Therefore, when conducting M&A activities, enterprises should pay attention to the planning and execution of the integration process to ensure that M&A can be implemented smoothly and achieve the expected integration effect.

*4. Limitations of the study and future prospects*

Although this study has achieved some results, there are still some limitations. First, this study adopted a quantitative research methodology, which may not be able to fully capture the complex relationship between individual attributes, synergy realization, shareholder value, and integration success. Therefore, future studies could adopt a mixed-method approach, combining qualitative and quantitative analysis to obtain a more comprehensive and in-depth understanding. Secondly, the sample data of this study may have limitations, and future research could expand the sample to increase the representativeness and credibility of the study.

Future research can also be conducted in the following areas: first, to further explore the relationship mechanisms between personal attributes, synergy realization, shareholder value and integration success to deepen the understanding of corporate M&A activities; second, to compare different types and sizes of M&A activities and analyze the differences in their impacts on shareholder value and integration success; and third, to explore the impact mechanisms of M&A activities in different industries and market environments in order to provide targeted management recommendations and policy support.

In summary, this study provides important theoretical and empirical support for understanding the relationship between personal attributes, synergy realization, shareholder value and integration success in corporate M&A activities, and provides useful insights and guidance for corporate M&A decision-making. We expect that future studies will further deepen the research in this area and provide



more comprehensive and effective support for the successful practice of corporate M&A activities.

## Conclusion

The purpose of this study is to investigate the relationship between personal traits, synergy realization, shareholder value and integration success in corporate M&A activities and their impact on firm performance. Through a survey and empirical analysis of 3,896 employees in Region A, we draw the following conclusions:

*Personal traits have a significant impact on M&A activities:*

The results of the study show that personal traits have a significant impact on corporate M&A activities. Different personal traits affect the decision-making and execution of M&A activities to different degrees. For example, personal traits such as leaders' decision-making style, employees' communication ability and adaptability can affect the success of M&A activities. Therefore, the role of personal traits needs to be emphasized in M&A decision-making and considered in team building and talent selection.

There is a significant relationship between synergy realization and shareholder value and integration success:

The research results show that there is a significant positive relationship between synergy realization and shareholder value and integration success. Firms that are able to realize synergies in M&A activities tend to increase the probability of shareholder value and integration success. The realization of synergies requires firms to fully integrate resources and optimize business processes, thereby improving firm performance and market competitiveness.

There is a significant positive relationship between shareholder value and integration success:

The research results show that there is a significant positive relationship between shareholder value and integration success. In M&A activities, achieving integration success is one of the key factors to increase shareholder value. Enterprises are able to achieve integration success and ultimately increase shareholder value by optimizing resource allocation, improving operational efficiency and enhancing innovation.

*M&A activities have a significant impact on shareholder value:*

The research results show that M&A activities have a significant impact on shareholder value and there is a significant positive relationship between the two. Proper M&A activities can create more value for shareholders through resource integration and business optimization. However, it is also important to note that inappropriate M&A activities may bring risks and uncertainties that affect the realization of shareholder value.

*The effect of personal traits on integration success is not significant:*

Surprisingly, the results of the study show that the effect of personal traits on integration success

is not significant. Although personal traits play an important role in M&A activities, their impact on integration success is not significant. This may be related to the interference of other factors and further research is needed to explore this in depth.

The findings of this study provide important theoretical and empirical support for the decision-making and practice of corporate M&A activities. Individual traits, synergy realization, shareholder value and integration success are key factors in corporate M&A activities, and there are complex interactions among them. When engaging in M&A activities, enterprises need to fully consider the impact of these factors and formulate reasonable strategies and measures to achieve their long-term development goals.

In addition, this study also found that the impact of personal traits on integration success is not significant, which provides new perspectives and ideas for further research. Future research can delve into the role mechanism of personal traits in M&A activities and further reveal the relationship between personal traits and firm performance.

In summary, this study provides important theoretical guidance and empirical support for the decision-making and practice of corporate M&A activities, and provides new ideas and directions for future related research. We expect that future research will further deepen the understanding of corporate M&A activities and provide more effective support and guidance for the sustainable development of enterprises.

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