Chapter 14

AI With Mergers and Acquisitions on Business Growth:

A Comprehensive Analysis

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ABSTRACT

The chapter discusses how mergers and acquisitions (M&A) affect business growth specifically accounting measures such as return on assets (ROA), return on equity (ROE), and realization of synergy. The research blends quantitative data from multiple industries with qualitative input from industry leaders to identify the successes and challenges of post-merger integration. However, the results show that—and this is hardly a surprise—mergers seldom create shareholder value without difficulties, especially regarding cultural integration and realization of expected synergies. There are widely diverging outcomes from sector to sector, and deal size is a key determinant of price. In this analysis, the authors take two distinct theories – the resource-based view (RBV) and synergy theory. Emerging literature on resource-based view (RBV) argues that M&A allows firms access to and effective deployment of resources, sources of sustainable competitive advantage.

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1. INTRODUCTION

Mergers and acquisitions (M&A) have long stopped being a clandestine staple for companies aiming to scale, diversify, or gain greater market share. M&A are used by companies to grow, expand their resource base, and achieve synergies (AlWadi, Aravamudhan, Mohanasundaram, Al-Ramahi, & Alghizzawi, 2024; Fältén, 2016). In theory, it's quite simple: you put two organizations together and the sum of the parts ought to be greater than what either could have done alone. But, as is the case with most things in life, theory and practice are not necessarily in alignment (Clegg, Pitsis, & Kornberger, 2019). Mergers are commonplace in industries such as technology, health care, and financial services. In fact, it is practically a given. Just think about the tech big fishes like Google or Facebook (Yip & McKern, 2016; Alnaser, Rahi, Alghizzawi, & Ngah, 2024). Their strategy of acquiring smaller firms to access innovative products or high-end talent has become part and parcel with their tactics for maintaining those market dominance (Alghizzawi, Omeish, Abdrabbo, Alamro, Al Htibat, & Ghani, 2024). In health care, it is usually cost or service quality driven to either reduce duplication of services (and therefore costs) within geographical areas through mergers versus acquisitions or provide a more efficient means to operate in an increasingly regulatory charged environment (Al-Ramahi, Kreishan, Hussain, Khan, Alghizzawi, & AlWadi, 2024).

For all the promises and opportunities held by M&A transactions, however — there is a catch: most deals do not live up to expectations. According to research, most mergers do not generate new shareholder value and 50%–70% of the acquisitions result in a loss for the acquirer (Renneboog & Vansteenkiste, 2019). What is the difference between success and failure? Integration. The story of how two companies coming together after a merger—how they align their cultures, systems, and leadership—is the best indicator as to whether synergies will be achieved or just wishes on a PowerPoint slide. This holds true more so in the case of cross-border mergers, where cultural and regulatory differences can add a layer of complexity (Bach, 2014). In a more recent paper, we turn our attention to how M&A—financially and operationally—contributes toward greater integration of the firm making acquisitions. Performance will be gauged by means of financial measures such as ROA and ROE, but the research of how companies have handled post-merger integration and achieved those necessary synergies will also be examined. We take a broad-brush approach, surveying across several industries to shed some light on what really drives successful mergers and where things seem to go awry.

2. LITERATURE REVIEW

There is a substantial amount of research out there on M&A. There has been analysis from every angle — the cost, the challenge of merging distinct corporate cultures In addition to the development of business intelligence and artificial intelligence and its impact on the business environment. With M&A deals becoming an increasing prevalence in sectors such as tech, health care and financial services, and the conversation has turned to the subtlety of post-merger integration.

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