

## **A NOTE ON CORPORATE MERGERS, BUSINESS PERFORMANCE AND THE THEORY OF THE FIRM: EVIDENCE FROM GREEK ACQUIRING LISTED FIRMS**

**Michail Pazarskis**

Department of Accounting  
Technological Educational Institute of Serres  
pazarskis@gmail.com

**Alexandros Alexandrakis**

Department of Accounting  
Technological Educational Institute of Serres  
alex@teiser.gr

**Panagiotis Pantelidis**

Department of Business Administration  
Technological Educational Institute of Serres  
pan@teiser.gr

**Panagiotis Serifis**

Department of Business Administration  
Technological Educational Institute of Serres  
panaseris@hotmail.com

### **ABSTRACT**

This study examines the success of merger decision in Greece during the last years in accordance with some basic issues of the theory of the firm. According to this theory, several research conclusions can be specified, reviewed and categorized on a bi-fold basis: the neoclassical theories and the managerial theories. From this point of view, the events of mergers and acquisitions (M&As) that have been performed from all merger-involved firms listed on the Athens Stock Exchange (ASE) in the period from 2005 to 2007 are evaluated using accounting data (financial ratios); from them, after several constraints, the final sample of the study consists from thirty five acquiring Greek firms. The study employs a set of sixteen ratios, in order to measure firms' post-merger performance and to compare pre- and post-merger performance for three years before and after the M&As announcements (with data analysis from 2002 to 2010). Towards the above referred analysis from the theory of the firm, the impact of the size of the acquiring firms (according to the ASE categorization) to the business performance after the M&As events is evaluated. The results revealed that firstly, mergers have not any impact on the post-merger performance of the acquiring firms, and, secondly, concerning the impact of the size of the firm, there is evidence that large and medium sized firms presents better relative performance than smaller firms and thus, it could signalise that neoclassical theories -and not managerial theories, at least, for the larger firms- could be employed to explain these merger decisions of larger firms from this research sample.

Key words: merger, acquisition, performance, size of acquirer, theory of the firm, neoclassical theories, managerial theories

JEL Classifications: D21, G34, M21

### **REFERENCES**

- Agorastos, K., Pazarskis, M. and Karagiorgos, T. (2011) "An Accounting Comparison of the Post-Merger Economic Performance of Greek Acquiring Listed Firms in Domestic vs. International M&As at Southeast Europe", *International Journal of Trade and Global Markets*, 4(3), pp. 328-342.
- Artikis, P., Vrakas, S. and Karmi E. (2010) "Factors Affecting Expected Stock Returns: Evidence from the Secondary and Tertiary Sectors of the Athens Stock Exchange", *International Journal of Financial Services Management*, 4 (3), pp 175-198.
- Baumol, W. (1959) "*Business Behavior, Value and Growth*", Macmillan Press, London, U.K.
- Baumol, W. (1962) "On the Theory of the Expansion of the Firm", *American Economic Review*, 52, pp. 1078-1087.

- Chatterjee, S. and Meeks, G. (1996) "The Financial Effects of Takeover: Accounting Rates of Return and Accounting Regulation", *Journal of Business Finance & Accounting*, 23, pp. 851-868.
- Cornett, M. and Tehnarian, H. (1992) "Changes in Corporate Performance Associated with Bank Acquisitions", *Journal of Financial Economics*, 31, pp. 211-234.
- Cosh, A., Hughes, A. and Singh, A. (1980) "The Causes and Effects of Takeovers in the U.K.: An Empirical Investigation for the late 1960s at the Microeconomic Level", in D. Mueller, eds., *The Determinants and Effects of Merger: An International Comparison*, Gunn & Horn Publications, Cambridge, U.K.
- Dickerson, A., Gibson, H. and Tsakalotos, E. (1997) "The Impact of Acquisitions on Company Performance: Evidence from a Large Panel of U.K. Firms," *Oxford Economic Papers*, 49, pp. 344-361.
- Firth, M. (1980) "Takeovers, Shareholder Returns, and the Theory of the Firm", *Quarterly Journal of Economics*, 94, pp. 235-260.
- Ghosh, A., (2001) "Does Operating Performance Really Improve Following Corporate Acquisitions?", *Journal of Corporate Finance*, 7, pp. 151-178.
- Healy, P., Palepu, K. and Ruback, R. (1992) "Does Corporate Performance Improve After Mergers?", *Journal of Financial Economics*, 31, pp. 135-175