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RESEARCH ARTICLE

Merger and acquisition motives and outcome assessment

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Research on merger and acquisition (M&A) outcome often focuses on tangible financial results and the reaction of stock markets. This research attempts to provide a more accurate assessment of M&A performance by linking tangible as well as intangible M&A motives to outcome assessment. The theoretical framework is based on evaluation theory. We analyze four case studies of international M&As conducted by European companies. The findings indicate that M&A outcome can be more accurately measured by aligning it with the motives defined by the acquiring firms. They suggest that M&A outcome assessment should be considered as a process covering both premerger and postmerger stages.

KEYWORDS

mergers and acquisitions, motives, outcome assessment, performance criteria, process research

1 | INTRODUCTION

Mergers and acquisitions (M&As) are significant for companies involved in the deals, but also for national economies and industrial structures (Buckley & Ghauri, 2002; Caiazza, Shimizu, & Yoshikawa, 2017). Strategically, they reconfigure industries, reshape corporate structures, transform organizational cultures, and affect individual careers (Marks & Mirvis, 2001). In contrast with the important volume of transactions taking place across the world, available studies indicate that M&As do not necessarily enhance the value of acquiring firms. For example, Bertrand and Betschinger (2012) show that M&As increase the value of target firms, while the outcome is less clear for acquirers. Several scholars argue that factors used for performance measurement are inaccurate, which may explain inconsistencies in empirical findings (Berkovitch & Narayanan, 1993; Brouthers, van Hastenburg, & van den Ven, 1998; Deng, 2010; Lin & Chou, 2016).

The terms *merger* and *acquisition* are often used as synonyms, even if there exist some differences between the two types of operation: in a merger, two companies agree to form one single company (both companies lose their independence), whereas in an acquisition, one company purchases another firm (and thus becomes its owner). M&A research has remained under criticism for insufficient theory development (Faulkner, Teerikangas, & Joseph, 2012; Schweiger & Goulet, 2001). The debates in the literature concern questions related to how M&A outcome is measured (Meglio & Risberg, 2011; Very, 2011; Zollo & Meier, 2008), how M&As perform (King, Dalton, Daily, & Covin, 2004; Trichterborn, Knyphausen-Aufseß, & Schweizer, 2016), and which factors explain M&A performance (Chalençon, 2017; Haleblian, Devers, McNamara, Carpenter, & Davison, 2009). Trautwein (1990) suggests that research on M&As should focus more on process-related aspects than on efficiency-related issues.

This research attempts to contribute to a better understanding of merger outcome (or performance) and its assessment (or measurement). The objective is twofold: (a) to investigate how companies define merger motives and whether they are used to assess merger outcome, and (b) to determine if the alignment of merger motives with merger outcome allows assessing performance in a more accurate way. Our empirical study focuses on cross-border M&As involving acquirers and target companies from European countries and the United States. It follows an exploratory research design (Denzin & Lincoln, 2000; Ghauri & Grønhaug, 2010) and takes the form of four case studies in the information and communications technology industry. Data were mainly collected through semistructured interviews with key managers of acquiring firms and completed by the analysis of internal and external documents.

The findings of our research indicate that M&A outcome can be more accurately measured by aligning it with the motives defined by the acquiring firm. They show that it is necessary to determine M&A motives in an appropriate way and then link them with outcome assessment factors. While several earlier studies are based on resource-based view (RBV) and transaction cost economics (TCE) (Ahammad, Tarba, Liu, Glaister, & Cooper, 2016), our theoretical framework is based on evaluation theory developed by Scriven (1991) and Chelimsky (1997). Moreover, while most previous studies on merger motives are based on quantitative surveys (Brouthers et al., 1998; Gaffney, Karst, & Clampit, 2016), this research adopts a process perspective including premerger and postmerger phases and shows how the M&A motive-defining process can influence the assessment of merger outcome. We will first present the literature review and the elaborated research model. We will then explain the research methodology before analyzing and discussing major findings of our qualitative study.

2 | LITERATURE REVIEW AND RESEARCH MODEL

2.1 | Literature review

The measurement of M&A performance is a well-researched area and a variety of factors are used for the evaluation of such deals: the stock market value of acquirers before and after the announcement of the operation, financial ratios (e.g., return on assets, return on equity), changes in sales volume, profits, and so on (Chalençon, Colovic, Lamotte, & Mayrhofer, 2017; Kukalis, 2012; Thanos & Papadakis, 2012). Franceschini, Galetto, and Turina (2013) and Sung and Gort (2006) discourage the use of standard methods for the assessment of M&A performance, considering the different objectives set by acquirers. In fact, the benefits of such operations can be tangible as well as intangible (Faccio & Masulis, 2005; Kiessling, Harvey, & Heames, 2008; Zueva-Owens, Fotaki, & Ghauri, 2012). Yook (2004) suggests that financial ratios should be aligned with the objectives of the transaction. Despite an abundance of empirical studies, no consensus has been reached concerning the most appropriate measures of M&A performance (Chan & Cheung, 2016; Ghauri & Park, 2012).

Seth, Song, and Pettit (2002) analyze the factors that create or destroy value in cross-border M&As. The findings of their study indicate that one reason for failure could be the nonalignment of performance measurement with the motives underlying the transaction. We argue that in M&As that attain their objectives successfully, managers develop a clear strategic vision leading to a more accurate evaluation whether goals are achieved, a better position of the company for long-term success, and the creation of significantly higher value. Similarly, Epstein (2005) emphasizes the necessity to examine strategies developed for M&A operations and whether the objectives are accomplished. He recommends evaluating whether the strategy and vision are well conceived, also in regard to other possible alternatives.

Motives play a major role in M&A operations, since they determine the selection of target firms, their valuation, and the assessment of performance (Porrini, 2004) as well as the organizational outcomes of the operation (Cording, Harrison, Hoskisson, & Jonsen, 2014; Kiessling et al., 2008). According to Brouthers et al. (1998), M&A motives can be divided into three categories: (a) improved economic performance (Brockman, Rui, & Zou, 2013; Trautwein, 1990; Walter & Barney, 1990); (b) personal benefits for managers, for example, prestige or increased remuneration (Berkovitch & Narayanan, 1993; El-Khatib, Fogel, & Jandik, 2015; Trautwein, 1990); and (c) increased market power (Boateng, Qian, & Tianle, 2008; Lin & Chou, 2016; Walter & Barney, 1990; Yamanoi & Sayama, 2013). Managerial motives such as status and power associated with managing larger firms tend to be associated with low performance (Hayward & Hambrick, 1997). Similarly, Haspeslagh and Jemison (1991) show that poor postacquisition returns are often linked to inaccurate merger motives, inadequate target selection, and costly integration processes. It is therefore important that M&A motives are rationally defined and then used for the assessment of merger outcomes (Cartwright & Cooper, 1993; Epstein, 2005).

When they decide to conduct M&A operations, companies attempt to obtain both tangible (e.g., attaining sales targets or capturing specific markets) and intangible (e.g., brand reputation, learning, or access to new technology) benefits (Faccio & Masulis, 2005; Kiessling et al., 2008; Zou & Ghauri, 2008). In cross-border M&As, the empirical challenges to isolate and measure process-related capabilities are considered as critical (Anderson, Sutherland, & Severe, 2015; Barkema & Vermuelen, 1998; Child, Faulkner, & Pitkethly, 2001; Gomes, Angwin, Weber, & Yedidia Tarba, 2013).

The motive-defining process and its relationship with performance assessment can be drawn from evaluation theory developed by Scriven (1991) and Chelimsky (1997). This theory is based on the point of view that evaluation covers defining standards, implementing those standards, and measuring their impact. Chelimsky (1997) defines the evaluation process as a logical or chain relationship between defining policies and drawing programs to assess the outcomes of the policies. Evaluation thus essentially involves the collection of data to examine two aspects: the status of the problem, addressed by the policy, and the assessment of the program itself (Jackson, 2001). Based on these assumptions, we will investigate the relationship between the premerger phase and the outcomes of the postmerger phase.

2.2 | Research model

The literature review helped us to elaborate a research model, which is presented in Figure 1.

The proposed model explains the relationship between M&A motives and outcome assessment, and describes the process involved. We assume that in the premerger phase, motives are determined on the basis of tangible and intangible factors, which in the postmerger phase are used to define criteria for the potential assessment of the operation. Hence, merger transaction motives act as a reliable basis to assess its outcome. We therefore assume that the outcome assessment of M&As cannot be carried out by adopting standardized methods—that is, analyzing the financial results or stock market reactions before and after the transaction—but that it should be linked to M&A motives defined during the premerger process. The research model thus emphasizes the necessity to assess M&A performance by relying on well-defined motives.

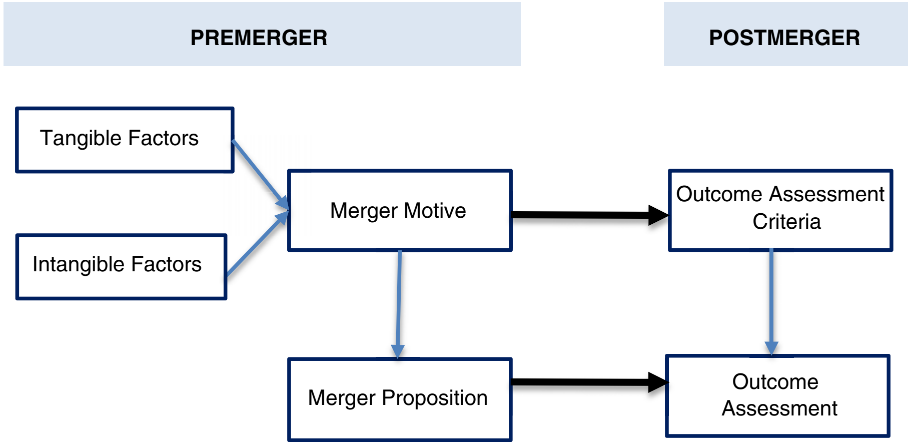

FIGURE 1 Research model

3 | RESEARCH METHODOLOGY

3.1 | Methodology and data collection

In this study, we applied an exploratory research design since the research subject required a holistic view and an understanding of the process by interviewing managers who were directly involved in the M&A process (Ghauri & Grønhaug, 2010). A qualitative approach was used to describe and interpret the experiences of research participants in a context-specific setting (Denzin & Lincoln, 2000). We conducted semistructured face-to-face interviews with senior members of the management team of acquiring firms, who were part of the merger decision-making and implementation process. The objective was to find out how outcomes of M&A transactions were affected by a set of related factors or processes. The interviewees were selected from the M&A and legal departments of the respective firms and were familiar with the process, as they were involved in the particular merger transaction in the respective firms. In aggregate, eight persons were interviewed to get insight of the process followed by the respective firms to define merger motives with the objective of identifying merger motives and criteria used by them for the assessment of M&A outcome.

Based on our research question and framework, we prepared an interview guide to cover the whole M&A process including premerger and postmerger events. We also used secondary data to select the cases and to triangulate the primary data collected through interviews (Ghauri, 2004). In addition to publicly available data, merger records including minutes of meetings, due diligence and valuation reports, and related correspondence, were examined. The objective of analyzing such records was to corroborate the information collected through the interview process as well as, where required, to complete the missing links of information gathered through interviews.

Case study methodology was adopted to get insight of the research area with reference to a particular management situation to develop a contextual understanding of the related issues. This approach was validated on the ground that such organizational functions are not well documented and often difficult to investigate through distant contact with organizations by adopting other methodologies (Eisenhardt, 1989; Yin, 2013). Four organizations were studied with the same approach to develop a comparative case study methodology.

Our empirical study focuses only on one sector, as the organizational processes and their outcomes might differ substantially across industries (Alegre, Pla-Barber, Chiva, & Villar, 2012). The information and communications technology industry was selected on the premise that, during the past two decades, M&As in this sector were one of the largest contributors to M&A transactions worldwide (United Nations Conference on Trade and Development [UNCTAD], 2016). Because M&A operations in developed countries differ substantially from those conducted in emerging or developing economies (Chalençon, 2017; Nicholson & Salaber, 2013), we focus on operations initiated by European firms. Transactions above $100 million were selected to ensure that they were carried out by firms of a reasonable size having well-defined merger processes. M&A agreements were signed at least three years before so that the impact of their outcome could be reasonably assessed.

3.2 | Data analysis

The analysis was carried out by defining the tangible and intangible factors related to the pre- and postmerger phases, which were further classified into subfactors for the purpose of preparing the interview guideline as well as parameters for the data analysis. Weight to all such subfactors was assigned on the basis of the information gathered during the interviews, and substantiated with the data collected from secondary sources such as firm-related records and publicly available information. Accumulation of data at different levels provided the basis of analysis for each phase and finally the framework.

The qualitative data collected through semistructured interviews and secondary data was choreographed for the analysis by developing codes and categories (Miles & Huberman, 1994). Line-by-line analysis of transcripts was used to develop categories, which were then built up into themes. The category structure was defined by following the approach of a predetermined framework.

The analysis was structured on scoring criteria, allocating equal maximum scores to the tangible and intangible factors of each phase. The scores attained by each factor reckoning its relevance were assigned: those which were "weak" were given "0," "average" were given "1," and "robust" were given "2." Scores assigned to the factors of each phase were accumulated by clustering the percentage of score attained against the maximum scores; up to 50% were ranked as "weak," from 51% to 75% were grouped as "average," and above 75% were grouped as "robust." Following similar criteria, the effectiveness of each phase was determined to analyze its influence and the impact of its factors on the

TABLE 1 Presentation of case studies

Acquiring firm	Target firm	Acquirer's country of origin and business	Target's country of origin and business	Form of transaction	Value of transaction	Main motive
LT	CT	United Kingdom, telecommunication	France, software development	Acquisition of 68.6% shares of CT (LT becomes a majority shareholder compared to previous minority shareholder position)	€108.5 million was settled by issue of 5,566,022 shares of LT (representing 42.9% of shares acquired) and remaining by cash.	To develop the size of the business in order to become more competitive in the French market.
ZN	VG	Netherlands, semiconductor business	United States, GPS products for cellular handsets and electronic devices	Acquisition of 100% shares of the target	Payment of $87 million in cash and $25 million in deferred payment.	To complete the product portfolio of connectivity by adding GPS products. It was becoming important for mobile handset application.
MT	PS	Switzerland, semiconductor business	Netherlands, semiconductors for 3G technology	Merger of MT and PS to form a new firm MT-PS with MT acquiring 80% shares of the merged firm	MT paid PS $1.50 billion for acquiring 80% shares in the merged firm.	To achieve greater economies of scale to meet customer needs in 2G, 2.5G, 3G, multimedia, and future wireless technologies.
Aone	Fone business in Italy and Spain	United Kingdom, telecommunication	Sweden, telecommunication	Acquisition of 100% shares of the Fone businesses registered in Italy and Spain	Aone paid Fone £457 million cash for both businesses.	To ensure the compliance of the strategic guideline of "Total Com," by exploring new market opportunities.

subsequent phase and related factors. The factors related to each phase and weights assigned to them were conceived through literature and refined, later, while conducting case studies (Ghauri, 2004).

4 | FINDINGS AND DISCUSSION

4.1 | Presentation of case studies

The four case studies are briefly presented in Table 1. The acquiring companies are European, and the target firms are located in Europe and the United States.

The findings of each case study are explained in the following section by focusing on M&A motives and the assessment of outcomes.

4.1.1 | Acquisition of CT by LT

The British LT group had a relatively small business in France as compared to the other large European markets where it was operating. The main motive for this acquisition was to develop the size of the business and thus to become more competitive in the French market.

> The acquisition would then position LT group as one of the top 10 suppliers of IT services in France, from a position of only being in the top 50 previously. (Director Corporate Finance, LT)

When selecting the target company, LT did not consider intangible factors. The assessment of potential target firms was carried out by the acquirer, without the help of external professionals, by keeping in view the objective of the transaction. The selection process was followed by the operating committee of the acquirer. According to the management, there was no tangible shortcoming in the identification procedure. The board of directors approved the choice to expand through an acquisition, and several target companies were shortlisted. The board of directors was composed of a chairman and six executive and nine nonexecutive directors. Nonexecutive directors, who were appointed by the board on the basis of their specialization in different industries, ensured a contribution by managers having diversified backgrounds and an independent view on business issues.

The outcome assessment was carried out one year after the deal was closed, by reporting back to the operating committee the evaluation of synergies and integration costs generated by the operation.

> In case of portfolio businesses like this, one should look at every year or so and say ok what fits, what doesn't. So the evaluation is an ongoing process, even after initial acquisition. (Director Corporate Finance, LT)

After the transaction, LT Group found itself as one of the top 10 suppliers of information technology (IT) services in France, which corresponded to its strategy to have effectively leading positions in major European countries along with Germany, Italy, and Spain. Intended synergies were achieved, and restructuring led to positive results.

> It's not an exact science, but what you want to make sure is that you are well within a range of things, and again we only pay value for the things that we can control. (Director Corporate Finance, LT)

4.1.2 | Acquisition of VG by ZN

At the initial stage of the process, the impact of the transaction on existing customers and the market was briefly assessed. The effects of the acquisition on suppliers and new customers were also taken into consideration, but no formal study or report was prepared and the requirement of restructuring was not examined at the selection stage.

> The objective behind this acquisition was to complete the product portfolio of connectivity by adding GPS products. GPS was becoming very important for mobile handset application, and the attach rate of GPS was expected to increase from less than 1% to greater than 50% in 2012. (Senior Manager Merger and Acquisition, ZN)

The technological aspects of the operation were not assessed in an appropriate way, which then had an impact on the transaction's outcome.

> There was lot of excitement to acquire a company having GPS technology because at that time GPS was evolving very fast as a feature and it was expected to create a big hype in the mobile handset market. (Senior Manager Business Development, ZN)

All discussions concerning the transaction were documented in the form of minutes after the meetings held at the operational, board, and executive management team levels in order to obtain the approval for the transaction.

The outcome was evaluated on the basis of several criteria: revenue generation by VG products, progress in the development of new products, and integration of the new organization (research and development [R&D], production, customer support, etc.). Concerning the revenues, the initial objective of reaching additional revenues of $15 to $20 million was not achieved. The technology was not up to the mark and required further improvements. The actual results therefore remained below expectations. The assessment was reported to the concerned committee, but no formal report based on these criteria was communicated to the bodies that had approved the transaction.

4.1.3 | Merger of MT and PS

The objective for undertaking the merger was to benefit from economies of scale and to better meet customer expectations in multimedia and wireless technologies. It was not very specific, and it was defined by MT to satisfy the broader objective of growth for the group.

> We are doing these mergers and acquisitions to survive, to gain some position in certain markets or to have some advantage that is sustainable for the company. (Director Mergers & Acquisitions, MT)

No specific study to justify the objective of signing the transaction was carried out by an independent company. Surprisingly, the transaction was primarily structured for one customer of the target firm, which was the major source of its revenue. The French and Italian governments had controlling shareholding of MT group, and they were represented at the board level by nominated members. The nominated members did not have enough background to understand the technical side of the business. Approval for the transaction was obtained from the board of directors, and the nominated members followed the decision of the other board members.

The outcome assessment was carried out by the respective business units, since the management defended the view that performance had to be measured in terms of sales and related costs, impacting the profitability, which were under the control of the business units. They thought that profit-and-loss accounts generated at the time of evaluation were the right basis to measure performance. The concerned business units thus were required to evaluate the performance by comparing the profit-and-loss accounts prepared at the time of evaluation with the one generated after the merger. The outcome assessment function was not assigned to a specific team established for the purpose and involved in the entire M&A transaction process. Accordingly, there was no evaluation at the corporate level that could result in rational approval of the transaction.

4.1.4 | Acquisition of Fone Business by Aone

The primary reason for undertaking this acquisition was to expand the business geographically. To evaluate the opportunities and the risks associated with the operation, the target firm sent some key documents like sales records, which were used for the initial assessment of the transaction. This evaluation was done by the acquiring company without the help of independent consulting companies. Approval was then obtained from the relevant internal committee, which also associated managers involved in the identification of the target who had experience in making such decisions.

The outcome assessment was not carried out at the M&A department at the headquarters but at the regional office level. At the Aone group, the head office intervenes only when difficulties arise and when the transactions do not reach the fixed objectives.

> After the acquisition, we don't involve in day-to-day execution, direction, and forming of businesses, not at all. There is no role of any other except those who have presented a business case, the sponsors of the acquisition are ultimately responsible, and if something goes wrong, they are basically accountable for that. (Senior Manager Legal, Aone)

The M&A operation comprises the purchase of two entities whose performance was first evaluated jointly at the European level before being globally assessed at the level of the head office.

4.2 | Case comparison

After having presented the four cases, we will now compare them by analyzing the motives and outcome assessment defined by acquiring firms.

4.2.1 | M&A motives

According to our research model (see Figure 1), M&A motives are the outcome of a process covering the definition of motives, the potential assessment of target firms, and the approval by the concerned bodies of acquiring firms. This premerger phase provides a reliable base for assigning value to the transaction and for undertaking the assessment of its outcome. The case comparison shows that M&A motives are defined in a different way by the acquiring companies. For LT and ZN, the premerger process is more robust, since the management had established clear objectives for the intended transaction and determined how the transaction was going to affect the concerned business units.

> Those projects, which were related to their business and could generate money, were considered by them. (Director Corporate Finance, LT)

For MT and Aone, the premerger process was rather weak, since the motives for conducting an M&A operation was defined in a very broad way without being transaction specific.

> The transaction is carried out to get hold of the market by just preventing other people from acquiring an asset. (Senior Manager Mergers & Acquisitions, Aone)

Concerning the potential assessment of the target firm, all acquiring firms decided to evaluate the target firms in-house, without collaborating with an independent consulting company. LT relied upon the feedback from their subsidiary in France and ZN used data available about the market.

> That in-house assessment of future market prospects was based on the GPS market data, used to make our own judgment, since we had some insight on that market. (Senior Manager Business Development, ZN)

The management of Aone wanted to capture the Italian and Spanish markets, which were relatively new as its competitors did not have effective presence in those countries. The management of MT believed that profit-and-loss accounts were suitable for evaluating the potential value of the merger.

> I would look at company's P&L statement and say here's an engine of the company that is producing or that is generating revenue, within that you start breaking it down into the different groups and estimating their viability. (Director Mergers & Acquisitions, MT)

Concerning the approval process, LT and ZN relied on detailed documentation, and the approval bodies were composed of managers with different backgrounds and having gained an experience in deciding on this type of transaction. Aone and MT also collected appropriate documents on the target firm, but the board/approving committee did not have the desired competency level. MT was represented by a board of nominated representatives with no significant experience in the field of M&As and the chief executive officer (CEO) thus became a major actor in the merger process. Aone's approval process is delegated to a committee composed of managers belonging to the departments who were engaged in conceiving the transaction and assessing its viability.

> Majority of the board members were nominated and … largely dependent upon the input of the CEO, while making significant decisions including merger and acquisition transactions. (Director Mergers & Acquisitions, MT)

We can thus conclude that, for the four M&A operations, the process of defining M&A motives and assessing the potential value of the transactions was not satisfactorily undertaken. The main reason is an inappropriate motive-defining process as well as an ineffective and influenced assessment of the target firms to achieve the desired results. The approval-seeking process involved bodies characterized by a lack of interest or an inadequate professional know-how, which were unable to apprehend the sensitivity of the issues associated with M&A operations.

4.2.2 | Outcome assessment

The M&A outcome assessment analysis allows connecting the outcome assessment with the criteria adopted for initiating the transaction (see Figure 1). Therefore, the performance assessment is dependent on the M&A motive-defining process. Among our four cases, LT Group is the acquiring company that aligned outcome assessment in the most effective way with the outcome assessment criteria. The selected criteria are also well aligned with the defined motives for undertaking the transaction. The implementation of the assessment criteria is executed in an impartial and transparent manner, and the approval process involves managers who are neutral and have gained a vast experience in deciding on M&A operations.

> … performance assessment means that you are well within a range of the fundamentals defined at the time of initiating the acquisition and stay in control of this alignment process. During this phase, one should constantly observe and say ok what fits, what doesn't. (Director Corporate Finance, LT)

For ZN, the outcome assessment is aligned to a certain extent with the outcome assessment criteria and partly linked to the M&A motive definition process. The approval of assessment is based on detailed documentation and monitored by the approving body. The company was facing some difficulties due to technical defects of the products.

> Performance assessment function was not effectively carried out, we were unable to achieve our

Acquiring Firms	MERGER MOTIVE ANALYSIS: Defining Motives	Potential Assessment	Aggregate	OUTCOME ASSESSMENT ANALYSIS: Defining Motives	Potential Assessment	Aggregate
MT	Weak	Weak	WEAK	Weak	Weak	WEAK
ZN	Average	Weak	AVERAGE	Average	Weak	AVERAGE
LT	Average	Weak	AVERAGE	Robust	Robust	ROBUST
Aone	Weak	Weak	WEAK	Weak	Weak	WEAK

FIGURE 2 Comparative Analysis. *Note:* Weak = not considered; Average = considered but not effective; Robust = effective

> conservative revenue targets because of technical defects in the products, which was highlighted much later, after the damage was done. (Senior Manager Mergers & Acquisitions, ZN)

For MT and Aone, the outcome assessment was not aligned with the outcome assessment criteria and the M&A motive definition process. The assessment function was handed over to managers of business units who were responsible for the operational management of the acquired companies, but who were not part of the team who initiated and executed the operations. The link with the motives of the transaction and the potential assessment criteria is therefore missing for these two M&As.

> There is no separate department mandated for performance assessment, the main guy who takes care of it is the P&L owner, the business unit, not anybody at the corporate level. (Director Mergers & Acquisitions, MT)

When investigating the potential assessment criteria used by the acquiring firms, we observed that they were not satisfactorily aligned with the merger motives. Consequently, the management did not evaluate the outcome of the operations in a rational manner. This is primarily due to the fact that merger motives were not defined in a transparent and professional manner.

Defining merger motives in an inappropriate way leads to evaluating the outcome with bias or leaves the management with the option of assessing performance by relying on standardized methods, such as analyzing the financial results or drawing conclusions from stock market reactions before and after the operation (Click, 2005; Sung & Gort, 2006; Yook, 2004). It is therefore necessary to enhance the scope and methodology of this research field as suggested by Bruner (2004) and Epstein (2005) to better assess the outcome of M&As by connecting it with the motives defined.

The analysis, based on case comparison discussion, is provided in Figure 2.

5 | DISCUSSION

The analysis of the four cases shows that acquiring companies were facing difficulties in the premerger phase when defining the motives and the potential assessment of the conducted transactions. Management teams were not always aware of the necessity of defining clear goals. Thus, they attempted to capture new technologies or to increase the market power and did not systematically collaborate with independent consulting companies to evaluate the potential performance of planned operations.

> No formal potential assessment was carried out at the time of selection of the target businesses, our in-house assessment was driven by the need to capture the market before our competitors. (Senior Manager Mergers & Acquisitions, Aone)

The board of directors and related committees did not always have the required experience to evaluate potential targets and were influenced by the enthusiasm shown by management teams.

> Decisions of most board members were dependent upon the input of the CEO as they didn't have an understanding of the business. (Director Mergers & Acquisitions, MT)

Therefore, a lack of clearly defined objectives combined with biased potential assessment and approval-seeking processes can make the outcome assessment of the transaction more difficult. Vaguely defined motives are likely to lead to inaccurate results. Moreover, the outcome assessment function itself is not effective, except for LT Group. It is performed on the basis of financial results by managers who are not part of the team involved in the management of the operation.

> After acquisition, the merger and acquisition department is not involved in the evaluation of performance, the respective business units are basically responsible for the post-merger assessment function. (Senior Manager Legal, Aone)

As indicated by previous research, linking merger motives with the outcome of the transactions (Anderson et al., 2015; Berkovitch & Narayana, 1993; Bruner, 2004; Epstein, 2005) is useful and more realistic than applying standardized evaluation tools to all transactions. Our study shows that such evaluation criteria can be effective only when based on appropriate and independently defined motives. It seems that acquiring companies do not attach enough importance to the motive-defining process during the premerger phase when assessing the outcome of M&As.

Available empirical studies are based on quantitative surveys relying on the feedback of management to identify M&A motives (Brouthers et al., 1998) or to assess whether the motives are achieved or not (Bruner 2004; Chan & Cheung, 2016). These authors assume that M&A motives are defined by management in an appropriate way, which is not always the case and thus may question certain results.

Our study investigates M&A motives through a case study methodology, by getting deeper insights from the managers involved in the transactions as to what really happened. We studied whether M&A motives were rightly defined by the management by adopting a process that ensures their reliability. This premerger process stems from circumstances that trigger the M&A transaction. It leads to the selection of the target firm and its valuation based on such motives. In the postmerger process, these motives form the basis for the assessment of merger outcome. The logical sequence of this process can be substantiated by referring to evaluation theory (Jackson, 2001; Lin & Chou, 2016; Scriven, 1991). Our findings also shed light on the paradox that M&A transactions continue to develop despite the poor performance found in many empirical studies (Bertrand & Betschinger, 2012). They show that M&A motives—even when used as a basis—are not defined by adopting a logical process to establish them as a valid basis for measuring M&A outcome. This may cause difficulties for both acquiring firms and independent consulting companies that attempt to evaluate the performance of M&As.

6 | CONCLUSION

This research reveals that M&A motives are not well defined by the management of acquiring firms and are not always used for assessing their outcome. It is therefore difficult to determine whether M&As are a success or a failure. By investigating the M&A motive-defining process as a foundation for the assessment of the outcome, this study should help acquiring firms to better assess the performance of M&A operations.

Studies investigating the outcome of M&As often rely on financial results and stock market reactions. Some authors have attempted to relate the outcome of M&As with the motives of the transactions, but without questioning the motive-defining process and how it should be taken as a basis to assess M&A performance. Our research shows that M&A objectives are not always well defined and linked to the outcome assessment, which is consistent with the findings of Chelimsky (1997) and Jackson (2001). Therefore, M&A motive-based outcome assessment can be biased in empirical studies, notably in quantitative surveys.

Our study highlights that M&A motives offer a logical basis to measure the outcome of conducted operations. Measuring outcome on the basis of standardized methods cannot offer a reliable basis because of the unique characteristics of each transaction involving various subjective as well as objective goals (Barmeyer & Mayrhofer, 2014; Faccio & Masulis, 2005; Kiessling et al., 2008). Furthermore, the motive can be used as a basis for measurement only if it is defined by adopting a transparent and independent process, since not well-defined motives would provide a flawed outcome assessment basis. Evaluation theory developed by Scriven (1991) and Jackson (2001) provides a useful framework to guide the motive-defining and outcome assessment process. We therefore enrich earlier research by highlighting the importance of defining M&A objectives in the outcome assessment process. It extends the scope of evaluation theory to make it applicable to the merger outcome assessment process.

The findings of our study can help the acquirer's management to better define merger motives and thus evaluate M&A outcomes in a more appropriate way. They show that the assessment of performance concerns both the premerger and postmerger phases. Our study can also be useful for investors and independent consulting companies that are involved in the outcome assessment process.

One limitation of our study is that by relying on interviews with key persons in acquiring companies, we could not get the insight of all managers involved in the premerger and postmerger stages. It would be useful to extend the number of interviews and to conduct observations at meetings that are important for the identified processes. It would also be interesting to consider companies of different sizes and industries to validate the findings of our empirical investigations. Finally, future studies should also investigate the validity of our research model in emerging economies where M&As can result from different motives (Nicholson & Salaber, 2013).

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