

The dynamics of mergers and acquisitions: ancestry as the seminal determinant

Eduardo Viegas

Imperial College London
Email: e.viegas11@imperial.ac.uk

Abstract

Company mergers and acquisitions are often perceived to act as catalysts for corporate growth in free markets systems: it is conventional wisdom that those activities lead to better and more efficient markets. However, the broad adoption of this perception into corporate strategy is prone to result in a less diverse and more unstable environment, dominated by either very large or very small niche entities. We show here that ancestry, i.e. the cumulative history of mergers, is the key characteristic that encapsulates the diverse range of drivers behind mergers and acquisitions, across a range of industries and geographies. A long-term growth analysis reveals that entities which have been party to fewer mergers tend to grow faster than more highly acquisitive businesses.

We will also present our initial findings on the classification of the 20,000 US Banks into "species" based on 1,000 individual characteristics over a period of 88 quarterly reported data (22 years). This gives us a snapshot of the evolution of the banking ecosystems and the adaptive strategies leading to survival.