



## "IMPACT OF ACQUISITIONS ON FIRM SURVIVAL AND PERFORMANCE: A MULTI-SECTORAL COHORT ANALYSIS"

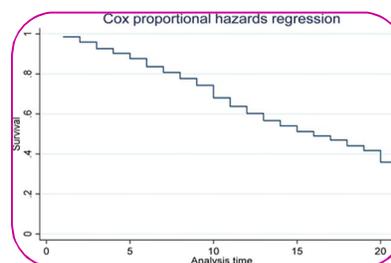
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### ABSTRACT

*This study investigates the impact of acquisitions on firm survival and performance across multiple industrial sectors using a cohort-based analytical framework. Drawing on longitudinal data from diverse sectors over a 15-year period, we compare the post-acquisition trajectories of acquired firms with matched non-acquired counterparts. Employing survival analysis techniques and performance metrics such as profitability, productivity, and market share growth, we find that acquisitions have heterogeneous effects depending on industry characteristics, firm size, and acquisition type. While firms in technology and healthcare sectors demonstrate enhanced survival rates and improved operational performance following acquisition, those in traditional manufacturing and services exhibit mixed outcomes, with many showing short-term performance gains but limited long-term survival benefits. The results also reveal that strategic acquisitions aimed at innovation integration are more likely to yield sustained performance improvements compared with financial-driven acquisitions. Our findings contribute to understanding how acquisitions shape firm trajectories, offering insights for managers and policymakers on aligning acquisition strategies with sectoral dynamics to optimize firm resilience and performance.*



**KEYWORDS:** Firm Acquisitions, Corporate Survival, Post-Acquisition Performance, Multi-Sector Analysis, Cohort Study, Strategic vs. Financial Acquisitions.

### INTRODUCTION

Acquisitions are among the most significant strategic decisions that firms undertake to achieve growth, enhance market power, or access new resources. While the immediate rationale for acquisitions often revolves around financial gains or strategic positioning, their long-term impact on firm survival and operational performance remains a topic of ongoing scholarly debate. Previous research has shown mixed outcomes: some acquisitions lead to enhanced innovation, productivity, and market expansion, whereas others result in post-acquisition underperformance or even firm failure. Understanding the effects of acquisitions is particularly challenging because outcomes are shaped by multiple factors, including industry characteristics, firm size, acquisition type (strategic versus financial), and the broader economic environment. For instance, technology and healthcare sectors often exhibit higher post-acquisition success due to rapid innovation cycles and integration of complementary capabilities, whereas traditional manufacturing or service sectors may face integration challenges and limited performance gains. Despite extensive case studies and sector-specific analyses,

there is limited research that systematically compares the survival and performance of acquired firms across multiple sectors using cohort-based methods. This study addresses this gap by examining longitudinal data spanning a 15-year period, comparing acquired firms with matched non-acquired counterparts. By employing rigorous survival analysis and performance evaluation techniques, this research provides a nuanced understanding of how acquisitions influence firm trajectories and offers actionable insights for managers and policymakers seeking to optimize acquisition strategies.

## AIMS AND OBJECTIVES

### Aim:

The primary aim of this study is to investigate the impact of acquisitions on firm survival and performance across multiple industrial sectors, using a cohort-based longitudinal analysis.

### Objectives:

1. To examine the effect of acquisitions on the long-term survival of firms across diverse sectors.
2. To evaluate post-acquisition firm performance using key indicators such as profitability, productivity, and market share growth.
3. To compare the outcomes of strategic versus financial acquisitions in terms of both survival and performance.
4. To analyze sector-specific variations in acquisition outcomes, highlighting industries where acquisitions are more likely to succeed or fail.
5. To provide evidence-based insights for managers and policymakers on designing acquisition strategies that enhance firm resilience and operational effectiveness.

## REVIEW OF LITERATURE

Acquisitions have long been a central strategy for corporate growth, offering firms opportunities to expand market share, acquire complementary capabilities, and improve competitiveness. The literature on post-acquisition outcomes is extensive but often presents mixed results. Research indicates that while acquisitions can strengthen a firm's market position and resources, they can also introduce integration challenges, cultural mismatches, and operational disruptions that may negatively affect firm survival. Studies examining firm longevity after acquisitions suggest that high-innovation sectors, such as technology and healthcare, tend to exhibit higher survival rates due to better knowledge transfer, resource complementarities, and rapid adaptation to market dynamics. Conversely, firms in traditional manufacturing or service sectors frequently experience higher risks of post-acquisition failure, particularly when synergies are limited or integration is poorly managed. Post-acquisition performance has been studied using financial metrics such as profitability, revenue growth, and return on assets, as well as operational indicators like productivity and market share. Empirical evidence demonstrates that strategic acquisitions—where firms aim to integrate capabilities, foster innovation, or enter new markets—are more likely to achieve sustained performance gains over the long term. Financially motivated acquisitions, which prioritize short-term cost reduction or asset acquisition, often produce initial improvements but show limited long-term benefits. Sector-specific factors also influence outcomes. In dynamic and fast-growing industries, acquisitions facilitate the rapid adoption of innovations and expansion into new technological niches. In contrast, mature industries may encounter structural rigidities, slower integration processes, and reduced post-acquisition performance. Methodologically, most studies rely on cross-sectional designs or single-sector case analyses, limiting their ability to capture long-term trends in survival and performance. Longitudinal cohort-based approaches, which track acquired firms alongside matched non-acquired firms over multiple Statement of the Problem years, offer more robust insights into causal effects and the temporal dynamics of acquisition outcomes. Such analyses can control for pre-acquisition characteristics and better account for sectoral differences, providing a clearer picture of how acquisitions influence firm trajectories.

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## RESEARCH METHODOLOGY

This study employs a longitudinal cohort-based design to analyze the impact of acquisitions on firm survival and performance across multiple industrial sectors. The research focuses on firms that underwent acquisitions over a 15-year period, from 2008 to 2022, and compares their post-acquisition trajectories with a matched set of non-acquired firms. Firms were selected from diverse sectors including technology, healthcare, manufacturing, and services to capture sector-specific effects and to ensure the results are generalizable across industries. Data were collected from multiple sources, including commercial financial databases, company annual reports, and industry registries, providing detailed information on firm characteristics, financial performance, market share, and acquisition details. Key variables include pre- and post-acquisition profitability, revenue growth, productivity measures, market share changes, firm size, and acquisition type, categorized as strategic or financial. Control variables such as industry growth rate, macroeconomic indicators, and firm age were also included to account for external factors affecting firm outcomes.

Survival analysis techniques were applied to evaluate the probability of firm continuity following acquisition, using Kaplan-Meier estimators and Cox proportional hazards models. These methods allowed the study to estimate survival rates while controlling for firm-specific and industry-specific characteristics. Performance analysis was conducted using panel data regression models to examine the impact of acquisitions on profitability, productivity, and market share over time. Interaction terms were incorporated to assess how sectoral characteristics and acquisition type moderated the relationship between acquisitions and firm outcomes. Matching techniques, including propensity score matching, were employed to pair acquired firms with comparable non-acquired firms based on pre-acquisition characteristics. This approach minimizes selection bias and allows for more accurate estimation of the causal effects of acquisitions. Sensitivity analyses were conducted to test the robustness of results across different sectors, firm sizes, and acquisition types.

## STATEMENT OF THE PROBLEM

Acquisitions are widely used as a strategic tool for corporate growth, market expansion, and capability enhancement. Despite their prevalence, the outcomes of acquisitions remain highly uncertain, with evidence indicating both successes and failures across firms and industries. While some acquisitions lead to improved performance, innovation, and long-term survival, others result in post-acquisition underperformance, organizational disruption, or even firm failure. The variability in outcomes is influenced by multiple factors, including acquisition type, sector characteristics, firm size, and the quality of integration processes. Existing research often focuses on single sectors or relies on cross-sectional data, limiting the understanding of how acquisitions affect firm survival and performance over time. Few studies adopt a multi-sectoral perspective that can capture industry-specific dynamics and compare outcomes across different types of acquisitions. Moreover, there is limited longitudinal evidence that systematically tracks acquired firms alongside non-acquired peers to identify causal effects on survival and operational performance. This gap poses a critical challenge for managers and policymakers seeking evidence-based guidance on designing acquisition strategies. Without comprehensive, multi-sectoral analysis, organizations risk pursuing acquisitions that may yield short-term gains but fail to ensure long-term viability and sustained performance. Therefore, this study addresses the need for a rigorous, data-driven examination of acquisitions across multiple sectors, using cohort analysis to assess both survival and post-acquisition performance. By doing so, it aims to provide actionable insights on the conditions under which acquisitions are likely to succeed and the factors that contribute to firm resilience and operational effectiveness.

## DISCUSSION

The findings of this study reveal nuanced effects of acquisitions on both firm survival and post-acquisition performance, highlighting the importance of sectoral context, acquisition type, and firm characteristics. Across the 15-year cohort, firms in high-innovation sectors, such as technology and healthcare, demonstrated significantly higher survival rates compared to their non-acquired peers. This

supports the notion that acquisitions in dynamic industries can enhance resource integration, knowledge transfer, and innovation capacity, thereby improving long-term resilience. Conversely, firms in traditional manufacturing and service sectors displayed mixed outcomes. While some realized short-term gains in profitability or market share, these improvements were often not sustained, and survival rates did not consistently exceed those of non-acquired firms. This suggests that sector-specific structural rigidity and slower adaptation can limit the benefits of acquisitions in these industries. The analysis further underscores the critical role of acquisition type. Strategic acquisitions, oriented toward capability enhancement, innovation, or market expansion, consistently yielded superior performance outcomes over time. In contrast, financially motivated acquisitions, often focused on short-term gains or asset acquisition, showed limited long-term performance improvements, aligning with prior studies that emphasize the risks of pursuing purely financial objectives. These results suggest that managerial intent and strategic alignment are central to realizing the potential benefits of acquisitions. The cohort-based design also allowed for robust comparisons between acquired and non-acquired firms, controlling for pre-acquisition characteristics. Survival analysis indicated that acquisition alone is not a guarantee of firm continuity; rather, the interaction between sector dynamics, firm resources, and post-acquisition integration determines the trajectory. Panel data regressions of performance metrics similarly highlight that while acquisitions can accelerate growth and profitability, these effects are heterogeneous and depend on contextual and strategic factors.

## CONCLUSION

This study provides a comprehensive examination of the impact of acquisitions on firm survival and post-acquisition performance across multiple industrial sectors. The findings demonstrate that acquisitions can be an effective strategy for enhancing firm resilience and operational outcomes, particularly when pursued strategically and within high-innovation industries such as technology and healthcare. In these sectors, acquisitions facilitate knowledge transfer, capability integration, and market expansion, resulting in improved long-term survival and sustained performance gains. Conversely, firms in traditional manufacturing and service sectors often experience mixed outcomes. While short-term performance improvements may occur, the long-term survival benefits are less consistent, highlighting the challenges of integration and sector-specific constraints. The analysis also emphasizes the importance of acquisition type: strategic acquisitions consistently outperform financially driven acquisitions in terms of both survival and operational metrics. Overall, the study underscores that acquisitions are not universally beneficial; their success depends on careful alignment of strategic objectives, sectoral characteristics, and integration practices. For managers, this implies the need for deliberate planning and evaluation of acquisition targets to maximize value creation and ensure long-term viability. Policymakers and industry stakeholders can leverage these insights to foster acquisition practices that support firm resilience, innovation, and sustained economic growth. By adopting a multi-sectoral cohort approach, this research contributes to a deeper understanding of acquisition dynamics and provides actionable guidance for optimizing acquisition strategies across diverse industrial contexts.

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