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Abstract

Theory suggests that sy ult of acquisitions. This dominant theory often argues for similarities among resources in the acquiring and targetfirms. However; it is argued here that uniquely valuable synergy might be created where differences (versus similarities) exist between resources in the acquiring and target firms. Tests of these competing hypotheses confirmed that differences contributed significantly to performance in the mergedfirm. Thisfinding may suggest that traditional distinctions between related and unrelated mergers may not be as useful as once thought. A focus on specific resources rather than strategy types in the merger and acquisition research may better explain firm performance.

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1Complete data were available for 441 mergers in the capital intensity tests, 396 in the administrative intensity tests, 429 in the debt intensity tests and 198 in the R&D intensity tests.

2Although pooling versus purchase approaches to accounting for acquired firm assets may affect the analysis (Ravenscraft & Scherer, 1987), most of the merged firms in this analysis were completed in a period when the purchase approach was required. Therefore, this issue was unlikely to have affected the results.

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