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Abstract

Knowledge and identification of contextual factors that can influence postmerger performance is 'strategic' in nature, and should be considered in the analysis of future acquisitions. Within the context of the health maintenance organization (HMO) industry, this study examines the impact of strategic relatedness on postmerger financial performance. Strategic relatedness is conceptualized as similarity between the acquirer and target HMOs in terms of operational efficiency, marketing orientation, organizational structure and profit orientation. Regression analysis showed that similarity in operational efficiency and similarity in HMO structure were associated with better postmerger financial performance. However, marketing orientation similarity and profit orientation similarity were not significantly related to postmerger performance. This finding suggests that HMO mergers involving firms with similar strategic orientations and similar approaches to the delivery of care have greater strategic fit and experience better financial performance.

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