

[Home](#) > [Review of Quantitative Finance and Accounting](#) > Article

Firm Financial Performance Following Mergers

| Published: March 2003

| Volume 20, pages 115–126, (2003) [Cite this article](#)

[Review of Quantitative Finance and Accounting](#)

[Aims and scope](#) →[Submit manuscript](#) →[K. P. Ramaswamy](#)¹ & [James F. Waagelein](#) ² **2522** Accesses  **78** Citations [Explore all metrics](#) →

Abstract

This study, using a sample of 162 firms and industry-adjusted cash flow returns on market value of assets as performance criteria, examines the financial performance of the combined target and acquiring firms over a 5-year post-merger period in relation to the corresponding pre-merger period. We find that post-merger performance is negatively associated with relative target size and positively associated with long-term incentive compensation plans. Firms that are in dissimilar industries also show improved performance, as do firms that merged prior to 1983.

This is a preview of subscription content, [log in via an institution](#)  to check access.

Access this article

Log in via an institution →

Subscribe and save

✓ Springer+

from €37.37 /Month

- Starting from 10 chapters or articles per month
- Access and download chapters and articles from more than 300k books and 2,500 journals
- Cancel anytime

View plans →

Buy Now

Buy article PDF 39,95 €

Price includes VAT (Poland)

Instant access to the full article PDF.

[Institutional subscriptions](#) →

Explore related subjects

Discover the latest articles, books and news in related subjects, suggested using machine learning.

[Corporate History](#)

[Corporate Finance](#)

[Corporate Governance](#)

[Mergers and Acquisitions](#)

[Performance Assessment](#)

[Common Company Law](#)

References

DeAngelo, H., L. DeAngelo and E. Rice, "Going Private: Minority Freezeouts and Stockholder Wealth." *Journal of Law and Economics* 28, 367-401, (1984).

[Google Scholar](#)

Healy, P. M., K. G. Palepu and R. Ruback, "Does Corporate Performance Improve after Mergers?" *Journal of Financial Economics* 31, 135-175, (1992).

[Google Scholar](#)

Herman, E. S. and L. Lowenstein, in J. C. Coffee et al. (ed.), *Knights, Raiders and Targets: The Impact of the Hostile Takeover*, 211-240, (1988).

Jarrell, G., J. Brickley and J. Netter, "The Market for Corporate Control: The Scientific Evidence Since 1980." *Journal of Economic Perspectives* 2, 49-68, (1988).

[Google Scholar](#)

Jarrell, G. and A. Poulsen, *Bidder Returns*, Working paper, 1987.

Jensen, M. C. and R. S. Ruback, "The Market for Corporate Control: The Scientific Evidence." *Journal of Financial Economics*, 5-50, (1983).

Lajoux, A. and J. Weston, "Do Deals Deliver on Post-merger Performance." *Mergers & Acquisitions*, September/ October, 34-37, (1998).

Magenheim, E. and D. C. Mueller, in J. C. Coffee, et al. (ed.), *Knights, Raiders and Targets: The Impact of the Hostile Takeover*, 171-193, (1988).

Myers, S. and N. Majluf, "Corporate Financing and Investment Decisions When Firms Have Information That Investors Do Not Have." *Journal of Financial Economics* 13, 187-221, (1984).

[Google Scholar](#)

Narayanan, M., “Managerial Incentives for Short-Term Results.” *Journal of Finance*, 40, 1469–1484, (1985).

[Google Scholar](#)

Ravenscraft, D. J. and F. M. Scherer, “The Profitability of Mergers.” *International Journal of Industrial Organizations*, 101–116, (1989).

Smith, C. and R. Watts, “Incentive and Tax Effects of Executive Compensation Plans.” *Australian Journal of Management* 7, 139–157, (1982).

[Google Scholar](#)

Tehrani, H., N. Travlos and J. Waagele, “Management Compensation Contracts and Merger-Induced Abnormal Returns.” *Journal of Accounting Research* 25, 51–76, (1987).

[Google Scholar](#)

Travlos, N., “Corporate Takeover Bids, Method of Payment and Bidding Firms' Stock Returns.” *Journal of Finance* 42, 943–963, (1987).

[Google Scholar](#)

Author information

Authors and Affiliations

Department of Accounting, School of Business and Management, Hong Kong University of Science & Technology, Clear Water Bay, Kowloon, Hong Kong

K. P. Ramaswamy

**Division of Accounting & Information Systems, University of Kansas,
Lawrence, KS, 66045-2003**

James F. Waegelein

Corresponding author

Correspondence to [James F. Waegelein](#).

Rights and permissions

[Reprints and permissions](#)

About this article

Cite this article

Ramaswamy, K.P., Waegelein, J.F. Firm Financial Performance Following Mergers. *Review of Quantitative Finance and Accounting* **20**, 115–126 (2003). <https://doi.org/10.1023/A:1023089924640>

Issue date

March 2003

DOI

<https://doi.org/10.1023/A:1023089924640>

[merger](#)

[performance](#)

[compensation](#)

Search

Search by keyword or author



Navigation

Find a journal

Publish with us

Track your research

