

6 Summary

The aim of the following summary is not to repeat the results and conclusions already reported here. The three preceding main chapters of this work each conclude with a summary of findings, limitations of the study, recommendations to managers and suggestions for future research. The aim is rather to provide an integrative overview of the flow and structure of this study and to point out the motives and distinct features of this work.

Over the last decades, business combinations have become an increasingly important strategic option for corporate growth. Whereas in 1987 the worldwide M&A transaction volume was still below \$500 billion, ten years later this had increased threefold to slightly more than \$1.5 trillion. In 2007, worldwide M&A spending had once again nearly tripled and reached a new record high of \$4.38 trillion (Hall, 2007).

The relevance of M&A activities and alliances has resulted in a wide range of empirical studies testing the overall performance implications of business combinations and trying to identify the factors that influence the success of such business combinations. The results of these studies are quite heterogeneous. A clear indication of the true performance effect of M&As and alliances has not been given. The only result which may be seen as generally accepted is that, on average, M&As do create value for the target firm shareholders; however, with regard to the shareholders of the acquiring firm the results are mixed. The same holds true for the investigation of value creation in alliances; furthermore, evidence with respect to potential determinants of value creation in both types of business combinations is even less clear.

The goal of this study was therefore to contribute to the explanation of shareholder value creation in business combinations—in particular, to shed light on the determinants of value creation in M&As and alliances. The major research question was thus: “What are the variables that moderate the relationship between business combinations and shareholder value creation?”

A business combination was defined as the conjunction of economic activities of two or more firms in defined product and/or market areas and value-adding activities. These conjunct activities were to be based on a sustained relationship between the involved firms leading to a change in the economic autonomy of at least one partner (chapter 2.2 and 2.3).

In this study, the success of a business combination was interpreted in terms of value creation for the participating firms’ shareholders (chapter 2.5).

In order to answer the research question, it was necessary to investigate the major theories on motives for business combinations and to ascertain the current state of empirical research. The best available method to integrate diverse findings from a large number of primary empirical

studies is a meta-analysis. With regard to mergers and acquisitions, three prior meta-analyses have already investigated whether M&As do create value and which variables influence value creation (Datta et al., 1992; King et al., 2004; Bausch and Fritz, 2005); however, a systematic review and consolidation of past research based on quantitative methods for alliances was lacking. Therefore, following an investigation of the major motives for M&As and the corresponding theoretical approaches, the three prior meta-analyses were compared, discussed, and their findings summarized (chapter 3). Building on this work, conclusions about potential determinants of value creation in M&As were drawn and future research directions developed. Previous empirical research on shareholder value creation in alliances was then integrated by means of a new meta-analysis (chapter 4), and several theory-based hypotheses regarding the link between value creation and alliances were thus derived.

The methodological and content-related suggestions for improvement derived from the previous meta-analyses were taken up and tested for implementation in chapter five on the basis of the author's own empirical study with respect to the European utility industry. The advantage of an industry-specific research study is that potential distortions caused by varying industry characteristics are thus excluded. Since the intra-industry structures and regulatory systems largely differ in the utility industry across continents and even countries, an explicit focus on the EU countries, which share a common regulatory framework, was chosen.

Despite the increasing importance of M&As and alliances for European utilities, little prior research exists on the value implications for the firms involved; the author is not aware of any prior empirical study that explicitly focuses on shareholder value creation in M&As by European energy suppliers. Additionally, this was the first study to investigate shareholder value creation of alliances undertaken by utility firms in Europe.

After a description of the major market developments and characteristics of this industry (chapter 5.1), several hypotheses were derived on the basis of existing theory, prior empirical research (in particular the findings of the meta-analyses in chapter three and four), and the specific conditions of the European energy supply industry (chapter 5.2). Further potential determinants of value creation were tested in an explorative analysis. The research question of this study was then rephrased to be industry-specific: "Which determinants influence value creation in M&As and alliances in the European energy supply industry?"

The chosen methodology for the industry-specific analysis of determinants of value creation was the event study method, which is viewed as the best available method for the investigation of success from a shareholder perspective (chapter 5.3). This analysis is forward-looking, objective, and based on market valuation. Since one of the recommendations of the meta-analyses was to use more than one measure of firm performance, an accounting-based analysis, which unlike the event study draws on past performance figures, was additionally performed—specifically the ROE, which reflects the profit a company generates with the money shareholders have invested.

As a result of the meta-analyses, several different determinants of value creation were examined in the empirical study of value creation in business combinations by European utilities (chapter 5.5 and 5.6). While some of them were confirmed to influence value creation, this was not the case for others. This shows that the results provided by a meta-analysis are a good starting point for research into the determinants of value creation in business combinations, but that it is nevertheless necessary to prove their relevance for the particular case of interest and to adjust such studies to conform to the industry specifics. This underlines again the importance of conducting research of high specificity in order to gain operational statements for strategic planning in individual cases of interest. For such studies, the approach employed here is to be recommended, whereas the development of general theoretical approaches must be left to studies with a lower level of specificity.