# CORPORATE ACQUISITION: A VALUE STRATEGY DURING THE PERIOD OF CRISIS.
# A COMPARISON BETWEEN ITALIAN AND UK COMPANIES

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## Abstract

Many studies have emphasized the critical effects that corporate acquisition can have on performance and risk, but also on the stakeholders system further compounded in the case of environmental jolt.
The aim of this paper is to analyze the relation between different M&A strategies and performance in terms of ROI and Tobin Q. The study is based on the evidence stemming from the sample of listed on Milan Stock Exchange companies, benchmarked with the sample of UK listed companies, that are more active historical players on the financial market.
We find that UK companies are more active in acquisition activity but that activity does not produce generally positive effects on accounting (ROI) and market (Tobin Q) performance.
The acquisition strategies of Italian companies show the predominance of a neutral effect on performance.

**Keywords:** M&A, Performance, Value creation

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## 1 Introduction

In this critical period every debate, or publication, has a common denominator: the match crisis-opportunity. The crisis must be addressed as a moment of deep analysis, of repositioning, of skimming, to identify growth opportunities. This interpretative key of the crisis acquires interest in the companies that Churchill would have defined "optimistic": in any "danger" they see an opportunity! They don't play only in defense, but especially with a constructive attitude: they are looking for situations that can create value, including the corporate acquisitions. In these years of global crisis the discussion is lively on what may be the best strategies to create value and "react" (Wan,Yiu, 2009, Cartwright,Schoenberg, 2006). In this direction, entrepreneurs and policy makers, are debating on the real contribution that merger and acquisitions (M&A) can make on the value creation process (Bigelli, Mengoli, 1999); what are different factors of attractiveness that a market in recession can present, including the opportunity to deal with underestimated targets (Granata, Chirico, 2010).

Many studies also emphasized the critical effects that this typology of investment can have on performance and on risk, but also on the stakeholders system (Cartwright, Schoenberg, 2006; Datta e al., 1992), further compounded in the case of environmental jolt, as the current one (Wan,Yiu, 2009; Park, Mezias,2005).

The aim of this paper is to analyze the relationship between different M&A strategies and performance in terms of ROI and Tobin Q. The study is based on the evidence stemming from the sample of listed on Milan Stock Exchange companies benchmarked with the UK listed companies, more active historical players on the financial market.

The sample includes all the companies listed in each year from 2005 to 2011 that performed acquisition as a bidder in the manufacturing industry and services. Italian sample consists of 98 units, while UK companies are 86. We analysed 417 operations of acquisition for Italian sample and 1183 for UK benchmark (Craninckx, Huyghebaert, 2011). This is only the first step in our work in progress and we aim to introduce a deep analysis of accounting and market performance to assess the effects of corporate acquisition strategies.

Our analysis can contribute to the studies as it evaluates the influence of different acquisition

strategies on performance. This work shows some preliminary results based on this empirical research.

We found that UK companies were more active in doing acquisition activity but it did not generally produce positive effects on accounting (ROI) and market (Tobin Q) performance. The acquisition strategies of Italian companies showed the predominance of a neutral effect on performance.

The paper is structured in the following way: after a literature review about M&A strategy (section 2) we present the main research hypothesis and the results of the empirical analysis (section 3). Section 4 includes some findings and in the last part we reflect on some conclusions and suggestions for further research (section 5).

## 2. Literature Framework

M&A activity is a fundamental strategy for growth, for value creation, sometimes for the enterprise survival (Teece et al, 1997; DePamphilis, 2012). Mergers and acquisitions are an economic phenomenon of very large dimensions; such external growth operations, typical of the Anglo-Saxon countries that traditionally have financial markets more evolved, have also had a significant increase in the rest of Europe, over the last several decades. Observing the evolution of M&A market globally, between 2000 and 2012, reveals its fluctuating character, according to a financial market trend (Mitchell, Mulherin, 1996; Martynova, Renneboog, 2006). The cyclic phases that have characterized M&A activity (2000-2002, 2003-2007 and 2008-2011) have a positive correlation between values and S&P 500 index. In fact, with a positive change of the stock index the values have increased, while in times of market downturn the values were equally negative, if not in a more accentuated way. Only in 2009-2010, in conjunction with positive changes of the S&P 500 index, M&As signed a contraction, the symptom of minor investor confidence compared to the first signs of recovery from the subprime crisis (KPMG, 2013; Wan, Yiu, 2009; Cartwright, Schoenberg, 2006). Financial crisis, which began in 2008, continued to have its impact on M&A activity in subsequent years (Netter et al, 2010). In 2012 M&A activity reached its minimum level (Zephyr, 2013). Compared to 2007, in which 78,715 transactions were registered for a total value of more than 5,600 billion USD, in 2012 the number of deals decreased by 17,3% (65,060 deals) and the total value of transactions decreased by 44%, contracting to 3,100 billion USD. These are the lowest levels since 2004. M&A activity declined in North America and Europe, historical players, but also in the new entry countries, from East and Central Asia. The values have dropped so much because of the lack of confidence and a low risk attitude characterized M&A market in 2012. If there is no need to sell, companies prefer to keep their assets, waiting for more favorable conditions. We can also observe that, in this period of crisis, there is a great opportunity for companies that have liquidity. These companies may have advantages over their competitors by purchasing underestimated targets (Granata, Chirico, 2010).

The United States of America occupy the first place in the world, regarding the volume of M&A activities, while China is the second player and the UK is the third. For this reason we decided to compare Italian companies with UK sample. The United Kingdom has quite a high M&A level compared to the rest of Europe, thanks to more laissez-faire attitude of British Government towards mergers and acquisitions and a stronger stock market influence in the society. It should be noted that the development of corporate acquisitions is strongly influenced by the lively financial market in which the bidder can intercept the financial support for the needs of such operations. UK stock market is much more structured and it is important to highlight that Borsa Italiana S.p.A. is a part of London Stock Exchange Group plc. since 2007. One of the discussion topics, in the Finance and Industrial Economy studies, that have arisen since the end of the 60's, is the relationship between stock market cycles, or economic trends, and M&A activity (Cartwright, Schoenberg, 2006). In vast literature, researchers have made a variety of contradictory assumptions and empirical studies were unable to provide clear evidence on different aspects of M&A strategies (Krishnakumar, Sethi: 2012). Corporate acquisition is a heterogeneous phenomenon in many aspects: the types of economic activities carried out by the parties and the form of operation (horizontal, vertical mergers and conglomerate); the modes (friendly mergers or aggressive takeovers); the ownership and who makes the decision (managers or shareholders); the forms of financing (debt, equity, cash flows). The actual research field -with an empirical approach- is the study of M&A performance, but above all the relationship between acquisitions and value creation. Numerous studies have been conducted with analytical tools and different performance indicators regarding operations of different kinds, in various institutional contexts and historical periods (Schoenberg, 2006).

The surveys have investigated M&A effects on accounting and market performance, competition force and growth (Healy, Palepu, Ruback, 1992; Guest, Bild, Runsten, 2010; Sirower, O'Byrne, 1998; Guest, Bild, Runsten, 2010; Kwoka, Pollitt, 2010), on innovative performance and productivity (Ahuja, Katila, 2001).

The empirical researches have led to contradictory results: M&As can produce positive effects on enterprises market value, mainly due to stocks increases, but they have negative consequences on accounting performance (Agrawal, Jaffe, 2000).

Many scholars make a critical analysis of different methodologies. Cartwright and Schoenberg, (2006) show that while takeovers unambiguously bring positive short-term returns for shareholders of

target firms, the long-run benefit to investors in acquiring firms is more questionable and it proposes other perspectives (Capasso, Meglio, 2007; Guest, Bild, Runsten, 2010; Kumar, 2009; Shukla, Gekara, 2010; Uddin, Boateng, 2009). An important part of literature has underlined the need to analyze "other potentially relevant dimensions of firm performance" (King, Daily, Covin, 2004; Laabs, Schiereck, 2010) and other important additional factors driving acquisitions: cost-synergies, economies of scale and scope, productivity increase, overhead reduction, headcount reduction, cost savings, revenue- synergies, customer retention, new customers acquisition, productivity rate, employees' satisfaction, resources, knowledge transfer at R&D unit, new products, new patents, managerial skills and systems transfer and critical financial choices (Kwoka, Pollitt, 2010).

The external growth operations can pursue the goal of value creation within the companies involved. Acquisitions of companies and branches are therefore important instruments of development and can help to improve significantly the competitiveness and profitability. An acquisition can help a bidder to take positions on the market rapidly, especially on the international market, and to guarantee the possibility for realizing all the potential benefits from activities combination (Keil, Laamanen,2011).

Considering this discussion we make the following research hypothesis:

The development of M&A activity is strongly influenced by financial market.

M&A strategies can have different effects on performance.

Internationalization can help to cope with crisis.

## 3. Composition of the Samples and Research Methodology

This article aims to provide the empirical analysis of the performance of the main public Italian and UK companies that made mergers and acquisitions (M&A) during the period of 2005 – 2011. The period of the analysis was chosen from 2005 to 2011 due to (1) data availability and (2) data freshness. Moreover, the crisis of 2008, which has spread all over the world, made this period even more important for the analysis, especially what concern strategic behavior. All M&A operations with UK and Italian public bidders, that took place in both countries during the observation time period, were collected using Zephyr database. Banks were excluded from the list due to their functional peculiarity and complicated research criteria. Only completed transactions were considered for the analysis. In order to uncover if the companies' performance was correlated with merging and acquisition operations we considered two different samples, the first one was composed of 98 Italian public companies and the second of 86 UK listed companies. From 328 companies listed on Borsa

Italiana in 2011 we extracted only those that were listed continuously on stock exchange and that made M&As during the period 2005 – 2011. The representative sample was composed in this way of 98 companies, operating in the manufacturing industry and services, which completed 417 operations in the period concerned.

Regarding UK companies the same sorting procedure was adopted. In the 2011, 2,864 companies from more than 60 countries were listed on London stock exchange. From those firms only the ones, that were continuously listed during 2005 - 2011 and that used the activity of M&A as their strategy for growth, were chosen. After this selection the number of companies decreased to 937 (first sample). Banks were excluded as well from the list due to their functional peculiarity and complicated research criteria. From the first group we decided to extract the most active firms, so the final second sample was composed of 86 UK companies that made 7 (average) or more deals during the period concerned. We studied a total of 1,183 operations that represent more than 50% of all the deals.

After we built a matrix with companies on the rows and different merging and acquisition activities (in detail: Internationalization, Concentration, Differentiation, Diversification, Horizontal, Vertical, Conglomerate, Cross-border) on the columns, and filled it with number 1, if the company did the corresponding operation in the considered time period, and 0 otherwise. Finally we took the sum of M&As carried by each company. To evaluate accounting performances we took ROI and Tobin Q, as proxy of the market value of the company. Tobin Q is the ratio between the market value and replacement value of the same physical asset, so it can be considered an expressive link between markets and book value (Worldscope Data base). The types of variables considered allow us to run a series of simple linear regressions for each sample, this approach has the value of preserving immediacy and easiness of comprehension. More precisely we regressed each performance index versus each kind of merging and acquisition activities for both Italian and UK companies.

The first evidence is that UK companies were more active, their M&A operations fluctuated widely year to year in comparison with Italian "merger waves", in accordance with the economic situation (Graph. 1). We can observe that British companies reached a maximum of 604 operations (2007) in comparison with 92 acquisitions for Italian firms (2006). Italian sample (98 companies) closed globally 417 deals in the period concerned, while UK firms (86) completed 1,183 acquisitions. The average number of deals for British firms is 14, compared with 4 for Italian companies.
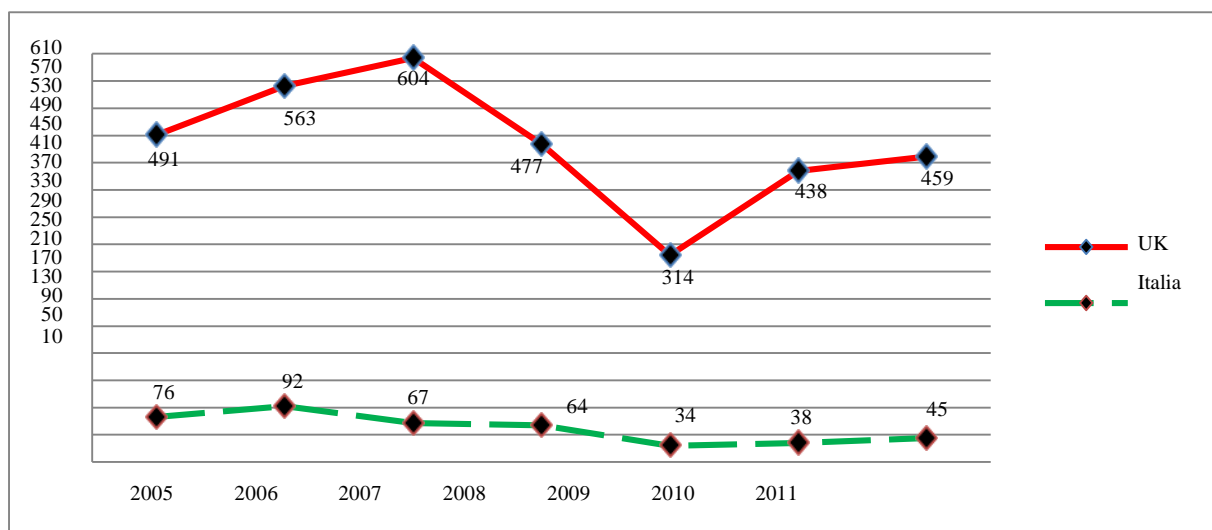
**Figure 1.** Temporal distribution of M&A deals in UK and Italy
*Font: our elaboration on KPMG report 2013*

The year in which M&A activity UK was at its highest level was 2007, with 604 deals completed by the companies from the sample. In the period of 2005-2007 there was a positive trend in the number of operations completed. One of the reasons for an increasing number of deals in each year was the availability of credit for M&A transactions offered by the financial sector. After the peak of activity in 2007, for the two years after, together with the arrival of the financial crisis in 2008, the situation was changing completely. The worst year with the least number of deals was the 2009, with only 314 transactions closed. The period of 2007 – 2009 reflected perfectly the burst of great recession. During 2010, the number of deals increased from 314 to 438, but it was quite early to say that UK's M&A market was going out of the crisis, although it was on the upswing.

The drop in number of M&A deals in Italy started a year earlier (2006) than in the UK (2007). Like the UK the year 2009 was the worst for acquisition activity for Italian companies. Since 2009 an upswing in the number of transactions was observed in both countries.

From the list of Top Ten UK and Italian companies we may see that UK companies made more than twice as many M&A deals as Italian benchmark did.

The company that made the biggest number of M&A transactions in Italy is Enel: in the period of 2005 – 2011 it made 19 acquisitions, followed by Pirelli that completed 16 deals. Among 98 firms of Italian sample only 14 made a considerable number of M&A operations, the majority of companies made only 1-2 deals during the period concerned.

In the UK the number of business that had a great M&A activity is bigger, showing a keen interest in mergers as a growth strategy. The company that made the highest number of mergers

(43) is MITIE Group. About 60% of UK companies presented in the sample made only 1-2 transactions during the years 2005 – 2011.

One of the objectives of our research is to analyze the strategy used by the bidders while completing M&A transactions, whether they used a diversification, differentiation or concentration strategy (Arnold, 2013). The target country code was considered to determine cross-border transactions. The category of mergers for each company was also identified: horizontal (the combination of companies which are engaged in similar lines of activity), vertical (when firms from different stages of the production chain amalgamate) or conglomerate (the combining of firms which operate in unrelated business areas (Arnold, 2013).

The majority of UK companies, 79%, used the concentration strategy undertaking M&A transactions. This allowes the company to invest more resources in production and marketing in one specific area. Another observation is that some of the "best" companies (Top Ten companies) did not follow only one strategy making M&A deals, but they preferred to expand their business activity buying correlated to their core business companies that could satisfy other customer segments (e.g. such companies as Amec plc, SABMiller plc, the Sage Group plc, Ten Alps plc). Some others followed the differentiation strategy together with the concentration strategy. Moreover, British companies, much more active than the Italian firms (with an average of 4 deals compared with 14 transactions per firm for UK sample), pursued various strategies simultaneously.

The category of mergers used by more than 84% of more active companies is the category of horizontal acquisitions. This can be explained by the fact that horizontal mergers enhance market power resulting from the reduction in competition and help to achieve economies of scale. Some bidders together with horizontal mergers made vertical integration with suppliers or wholesalers, as the case of a manufacturing company SABMiller plc, or with manufacturers in case of retail/wholesale business (Bunzl plc). In this case they obtain more market

power and increase certainty of supply or market outlet. This integration also reduces costs of search, contracting, payment collection, advertising and co-ordination of production (Arnold, 2013).

British firms prefer operations that nevertheless retain the focus on the core business, performing mainly concentration strategies rather than differentiation. (tab 1).

**Table 1.** Type of M&As (% n° firms that made at least one strategic operation/ total companies)

|  | UK companies (86 firms) | Italian Companies (98 firms) |
|---|---|---|
| Concentration | 79 | 45 |
| Diversification | 7 | 76 |
| Differentiation | 22 | 26 |
| Horizontal | 84 | 20 |
| Vertical | 17 | 29 |
| Cross border | 67 | 57 |
| Internationalization | 61 | 49 |

The difference in strategic behavior of corporate acquisitions made by Italian companies lies in the transaction focus. Italian companies are more focused on diversification (76%) and they prefer vertical integration to horizontal. 67% of UK companies (10% more than in Italy) made at least one cross border operation.

The next step of the research was to identify whether UK companies also used also an internationalization strategy completing cross-border operations. 52 companies (61%) of the sample made M&A operations with more than one foreign company. Some of them actually chose mostly foreign companies as a target (Amec plc, Bunzl plc, Intertek Group plc, Rentokil Initial plc). It was observed that companies with bigger number of deals had more target companies from overseas. The main foreign target country for both samples was the USA. The most targeted by UK bidders European countries were Germany, France, the Netherlands, Spain, Ireland, Italy and Sweden. Italian companies preferred France and Germany.

## 4. Some Findings

The main purpose of our research was to analyze the performance of the bidder company after completing M&A operations: a question that is still alive today after 35 years of academic debate (Cartwright and R. Schoenberg, 2006). An examination of the returns of acquiring firm shareholders reveals that acquisitions continue to produce negative effects on value creation. The failure rates of mergers and acquisitions have remained consistently high. To confirm these considerations, or to refute them, this paper examines the post-acquisition performance of Italian and UK bidders during the period of 2005 – 2011 using two important parameters such as ROI and Tobin Q (Caprio et al, 2010).

In our research the performance of 86 (85 for ROI analysis due to the lack of data for one company) UK public companies of and 98 Italian companies of the samples were analyzed (Tab. 2).

**Table 2.** Companies' performance (UK and Italy samples)

| Parameter | Companies with worsened parameter | Companies with stable parameter | Companies with improved parameter | Total |
|---|---|---|---|---|
| UK |  |  |  |  |
| ROI | 45% | 21% | 34% | 100% |
| Tobin Q | 74% | 15% | 11% | 100% |
| Italy |  |  |  |  |
| ROI | 33% | 57% | 10% | 100% |
| Tobin Q | 40% | 49% | 11% | 100% |

*Font: our elaboration empirical analysis*

The majority of UK companies had bad post-acquisition performance. More than 45% of the companies had a worsened ROI and more than 74% had a reduced Tobin Q parameter. This amplifies negative effects for the market evaluation. Some scholars, such as Lang and Stulz (1993), say that

diversified companies have a lower Q-ratio than focused firms because the market is less confident about the value of the firm's assets.

Italian companies had more stable effects on performance, in most cases the acquisition strategy kept the values of ROI (57%) and Tobin Q (49%)

unchanged. It should be noted, however, that in contrast to UK companies, only 10% of Italian firms showed an improvement. It means that the big investments required for the acquisition strategy of about 90% of Italian companies did not create value!

The next step was to find out whether the companies that made cross-border acquisitions performed better. New cross-border sample was composed of 58 UK companies and 56 Italian companies (Tab. 3). Cross border operations in British companies produced better effects: the percentage of companies with worsened ROI (41%) and the ones with improved ROI (40%) is practically the same, but still the majority of companies had Tobin Q parameter worsened (68%).

**Table 3.** Companies performance in cross-border operations (UK and Italy samples)

| Parameter | Companies with worsened parameter | Companies with stable parameter | Companies with improved parameter | Total |
|---|---|---|---|---|
| UK | | | | |
| ROI | 41% | 19% | 40% | 100% |
| Tobin Q | 68% | 16% | 16% | 100% |
| Italy | | | | |
| ROI | 38% | 54% | 9% | 100% |
| Tobin Q | 41% | 48% | 11% | 100% |

*Font: our elaboration empirical analysis*

Again for Italian companies we can highlight a neutral effect of cross-border operations on performance. In most cases there were no detectable variations of ROI and of the Tobin Q in comparison with the other companies that did not expand abroad.

To determine whether the strategy of acquiring targets overseas is good for bidder performance it was decided to examine 52 UK companies and 47 Italian firms who used internationalization strategy while completing their M&A operations (Tab. 4).

**Table 4.** Companies' performance in internationalization strategies (UK and Italy samples)

| Parameter | Companies with worsened parameter | Companies with stable parameter | Companies with improved parameter | Total |
|---|---|---|---|---|
| UK | | | | |
| ROI | 39% | 21% | 40% | 100% |
| Tobin Q | 66% | 17% | 17% | 100% |
| Italy | | | | |
| ROI | 36% | 57% | 6% | 100% |
| Tobin Q | 40% | 49% | 11% | 100% |

*Font: our elaboration empirical analysis*

As it follows from the table the performance of these UK companies was very similar to the one of companies that made cross-border operations. This was because only 6 of 58 UK companies did not use the strategy of internationalization while acquiring foreign companies.

The final step of the performance analysis was to examine the performance of companies regarding different strategies of M&As. UK companies preferred horizontal acquisitions (72 companies) and only 14 preferred vertical integration.

The evidence of better performance of UK companies that made vertical mergers (or vertical mergers together with horizontal) is clear from the table 6.

The number of companies with improved ROI was bigger than with the worsened. This can be explained by obtaining all the advantages that vertical mergers can give to the bidder, such as a greater degree of vertical integration, certainty of supply or market outlet, an increase in market power and many others.

**Table 5**. Companies performance in horizontal and vertical integration (UK and Italy samples)

| Parameter | | Companies with worsened parameter | Companies with stable parameter | Companies with improved parameter | Total |
|---|---|---|---|---|---|
| UK | | | | | |
| Horizontal mergers | ROI | 46% | 23% | 32% | 100% |
| | Tobin Q | 81% | 12% | 7% | 100% |
| Vertical mergers | ROI | 37% | 14% | 50% | 100% |
| | Tobin Q | 43% | 36% | 21% | 100% |
| Italy | | | | | |
| Horizontal mergers | ROI | 29% | 62% | 10% | 100% |
| | Tobin Q | 57% | 33% | 10% | 100% |
| Vertical mergers | ROI | 38% | 50% | 12% | 100% |
| | Tobin Q | 38% | 54% | 8% | 100% |

*Font: our elaboration empirical analysis*

Italian companies confirmed the predominant neutral effect on accounting performance (ROI 62% and 50%) in both categories of integration, while Q-Ratio detected substantial worsening in horizontal integration.

**Table 6.** Companies' performance in diversification and differentiation strategies (UK and Italy samples)

| Parameter | | Companies with worsened parameter | Companies with stable parameter | Companies with improved parameter | Total |
|---|---|---|---|---|---|
| UK | | | | | |
| Differentiation mergers | ROI | 32% | 58% | 10% | 100% |
| | Tobin Q | 26% | 69% | 5% | 100% |
| Diversification mergers | ROI | 33% | 67% | 0% | 100% |
| | Tobin Q | 67% | 33% | 0% | 100% |
| Concentration | ROI | 24% | 70% | 6% | 100% |
| | Tobin Q | 40% | 57% | 3% | 100% |
| Italy | | | | | |
| Differentiation mergers | ROI | 36% | 52% | 12% | 100% |
| | Tobin Q | 36% | 56% | 8% | 100% |
| Diversification mergers | ROI | 35% | 57% | 8% | 100% |
| | Tobin Q | 40% | 46% | 14% | 100% |
| Concentration | ROI | 36% | 53% | 11% | 100% |
| | Tobin Q | 55% | 38% | 7% | 100% |

*Font: our elaboration empirical analysis*

For British firms diversification produced mostly negative effects on Tobin Q (67%) while ROI remained stable (tab. 6). Italian companies confirmed the predominance of a neutral effect on performance in both categories.

To assess the effects of different merging and acquisition procedures on performance indices we carried out a series of linear regressions, using as dependent variables ROI and Tobin Q values at 2011 (continuous variables) and as independent variables merging and acquisition procedures (discrete variables). In table 7 we report only statistically meaningful results.

**Table 7.** Effect of different merging and acquisition procedures on performance indeces

| UK Companies | | |
|---|---|---|
| | ROI | Tobin Q |
| Internationalization | 0,0105240 *** | 0,247984 *** |
| Differentiation | | 0,162383*** |
| Vertical | 0,00513908* | 0,162890*** |
| Cross Border | 0,00983220*** | 0,196137*** |

| Italian Companies | | |
|---|---|---|
| | ROI | Tobin Q |
| Cross Border | | -0,5 * |

*Font: our elaboration empirical analysis*

Figures in the cells represent the beta of the regressions, roughly speaking the sensibility of the dependent variable to the independent variable, whereas the stars represent the significance levels (* for 0.05, ** for 0.01, and *** for 0.001)

For Italian companies we can highlight a significant correlation (with negative sign) only with Q-ratio and for cross border operations.

For British companies, on the other hand, the relationship is much stronger. Where they had promoted cross border operations, with an internationalization perspective and with vertical strategies ROI and Tobin's Q increased. Differentiation policies produced a correlation only with the Tobin Q.

## 5. Discussion, Conclusions and Implications

It must be specified that the results referred to the written above must be considered as a first summary of the whole research; there are, however, some interesting conclusions.

The first evidence is that UK companies are more active, their M&A operations fluctuated widely year to year in comparison with Italian "merger waves". They completed almost three times as many operations as Italian firms did. It may be noted that the presence of a more efficient financial market and a favorable governmental attitude had spurred external growth, confirming the first research hypothesis.

Both in the UK and Italy year 2009 was the worst year for M&A operations. Since 2009 an upswing in the number of transactions in both countries has been observed.

Italian companies are less active, but more cautious, confirming the more conservative and risk-aversion behavior of our businesses. In an environmental jolt, as the current, where there is a capital rationing, they responded with a contraction of M&A deals since the first period, anticipating "the

quiet period" of the waves. Unlike other companies, they showed an aversion to high-risk operations only later. In fact, the drop in number of M&A deals in Italy started a year earlier (2006) than in the UK (2007).

British businesses showed dimensional growth objectives for strengthening the economies of scale, aiming for a product-driven strategy. In 76% of cases they made mergers, aiming for a horizontal expansion. In expansion of core businesses they preferred vertical integration (59%), especially forward vertical integration (about 70%).

Italian companies chose a "market-driven" strategy; the specialization that characterizes Italian manufacturing economy strongly influenced by Far East production price competition.

This article also aims to provide the empirical analysis of the performance. The analysis includes following novel empirical implications. UK companies that made vertical integration (or vertical mergers together with horizontal) showed better performance (Hp. 2). The number of companies with improved ROI is bigger than with the worsened. This fact can be explained by obtaining all the advantages that vertical mergers give to the bidder, such as a greater degree of vertical integration, certainty of supply or market outlet, an increase in market power and many others (Klein, Crawford, Alchian, 1976). Regression analysis shows for British firms strong correlations between the value of ROI and Tobin Q and the cross-border M&A, highlighting that during the crisis the opening to foreign markets allows companies to cope with recessionary effects, or, at least, to defend themselves (Hp 3).

For Italian bidder corporate acquisition activity produced neutral effect on accounting and market performance. We can highlight that horizontal operations produced better effect on ROI due to the economies of scale, but the market recognized more value for vertical integration (Q- ratios), according to Nocke and White (2010), who showed that some

downstream buyers may be more "disruptive" of collusive schemes than others.

For Italian companies only cross-border activity presented a significant correlation but with a negative sign. The companies promoting acquisition internalizing synergies from information based assets via geographical diversification could underestimate the problems of post-merger integration due to cultural dissonance (Conn et al, 2005). The investment required for the acquisition strategy for about 90% of the companies did not create value!

This work of which we show some preliminary results was carried out as an empirical research of. We identified a panel of companies that made M&A with the objective for deepening the analysis.

It is clear that it is necessary to further the investigation in order to test the pool of indices in a bigger number of situations that may help to recognize the significance of the test. We can analyze companies' performance including firms' non active in M&As.

The future steps of the analysis will be focused on other markets, Polish companies in particular. We also want to extend the study with the analysis of some case-studies to test the quantitative feed-back with a qualitative "point of view".

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