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Impact of Information Technology Infrastructure Flexibility on Mergers and Acquisitions

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Abstract

Although mergers and acquisitions (M&A) are a common strategy to reduce costs and pursue growth, the variance in returns from M&A is very high. This research examines how information technology (IT) infrastructure flexibility affects M&A. We use a combination of secondary as well as matched-pair survey data from 100 mid-size firms in Spain to investigate this relationship. The empirical analysis suggests that IT infrastructure flexibility affects M&A through two key pathways: (1) a flexible IT infrastructure facilitates the development of business flexibility that provides the responsiveness to seize M&A opportunities and make acquisitions; and (2) a flexible IT infrastructure facilitates the development of post-M&A IT integration capability that provides the control to integrate the IT and business resources of the acquired firm and realize the economic benefits from M&A.

Keywords: Dynamic capability, IT infrastructure flexibility, business flexibility, post-M&A IT integration capability, M&A activities, post-M&A performance, business value of IT, endogeneity