Growth through Mergers and Acquisitions in the context of SMEs: a Systematic Literature Review

Fariza Bennafa
Department of Business
Universitat Autònoma de Barcelona
Barcelona, Spain
email: Fariza.Bennafa@autonoma.cat

Sylvia Bernacka
Department of Business
Universitat Autònoma de Barcelona
Barcelona, Spain
email: sab986@nyu.edu

***Abstract*— Acquisitive growth is not a common theme in entrepreneurship research. M&A theory has been exclusively developed based on large firms whereas SMEs are assumed to grow organically. This article aims to critically review the current literature on mergers and acquisitions in SMEs. We investigate the importance of M&As as a growth strategy in SMEs and the rationale behind the decision to undertake them, as well as the impact of these activities on subsequent firm growth. We review 13 journal articles investigating M&As in SMEs published between 2007 and 2019. The findings show that paradoxically, M&As are a commonplace strategy in SMEs, sometimes used in combination with other modes to achieve growth and that in general, these activities result in increased performance and growth for the acquiring firms. This improved performance is at odds with the finding that M&As do not create value. We also identify determinants of growth through M&As in SMEs and show the importance of the integration phase in the M&A success. Finally, future research directions are suggested based on the deficiencies identified in this review. We highlight the need to modify and update the existing M&A theory to account more for the specificity of SME M&As.**

Keywords—SMEs, small and medium-sized enterprises, M&As, mergers and acquisitions, growth, external growth, firm performance

I. Introduction

Mergers and acquisitions (M&As) are an increasingly common strategy adopted by firms to create value in the fiercely competitive global market. These activities represent, alongside strategic alliances, an important source of growth for companies. M&As are referred to as "non-organic" or "external" growth strategies, involving a minimum of two companies that decide to pool their resources to form a single company. An acquisition is the takeover of one organization by another, while a merger is a mutually agreed-upon decision by organizations to share their possessions.

Acquisitive growth represents an attractive alternative to organic growth when companies seek to acquire strategic resources quickly. Organic growth could be defined as the internal generation of new resources [1] and expansion through the extension of existing operations and internally induced process and product innovation [2]. However, the development of these resources internally presents some limitations. Firstly, it is time-consuming, and second, some complex resources involving tacit knowledge are not traded individually [1]. Thus, it is easier to acquire the firm holding the needed resources through the corporate control market, than to acquire them individually. Acquisitions allow firms to acquire ready-made tangible and intangible resources [3], allowing them to access new path developments and new growth opportunities. Moreover, Often times firms adopting an exclusively internal growth path may exhaust their growth opportunities and stale their subsequent growth [1]. M&As enable managers to take advantage of growth opportunities by accessing resources that are complementary in nature to the existing resources, allowing the company to reshape its resource and knowledge base thanks to their combination with the acquired resources [2]. As a consequence, the outcomes of an external growth strategy are much quicker and more visible than those of an internal growth strategy.

SMEs growth has hitherto been addressed as organic growth, suggesting that M&As are not a common strategy among SMEs. Indeed, mergers and acquisitions are generally assumed to be a typical growth strategy of large and established companies and the extant M&As literature has been almost exclusively developed based on large listed firms [4]. Furthermore, most evidence on firm growth has focused on large companies and new ventures, while the growth of long-lived SMEs has attracted much less attention [5]. One reason why little attention has been devoted to SME M&As may be because SMEs are not listed, making it difficult to get reliable data on their activity and to evaluate their post-M&A performance [4]. Also, it is usually assumed that SMEs are not likely to engage in these activities due to their lack of financial resources and managerial capabilities. This assumption is not empirically justified as, paradoxically, many studies reported that SMEs represent a major driver of M&A transactions (6,7,4). Indeed, about 30% of Western European M&As were undertaken by SMEs [4].

The impact of M&A activities on subsequent growth has also been understudied by previous research as the measure of performance tended to focus on shareholder value creation using the event window approach to analyze abnormal stock returns. [3] reported that the main limitation of this approach is that it fails to capture the economic impact of mergers reflecting only stock market expectations for these operations. The same authors underscore the need to investigate more the impact of these operations on firm growth. Little attention has been paid, however, to the role of SME performance within the M&A industry [4]. M&As as a growth strategy among SMEs has obviously been understudied and did not attract enough attention from scholars. Accordingly, we aim through this study to fill this huge gap with a systematic literature review of the extant literature by exploring M&A strategy among SMEs and its impact on subsequent firm growth. To

ISSN: 1737-9334

the authors' best knowledge, no prior literature review on Mergers and acquisitions in SMEs has been published and only a handful of scholars examined M&As in the context of SMEs. We contend that this constitutes a major deficit as M&As represent in our understanding a valuable growth option allowing SMEs to reshape and extend their portfolio of resources and capabilities. This paper addresses the following research questions:

- Are M&As a common growth strategy among SMEs?

- If yes, what is the rationale behind the decision to undertake M&As by SMEs?

- What is the impact of SME M&As on subsequent growth?

- How do SMEs manage the M&A process?

The next section describes the methodology of this review, including the selected articles and the journals in which they were published. The following section presents the results of the systematic literature review and is followed up with an analysis of the findings and discussion. The paper concludes with future research directions suggested based on the deficiencies identified by the literature review.

II. Methods

To address the research questions, a critical review of scholarly published articles in the leading journals in the field of management and strategy was conducted. Web of Science Core Collection database was used to search for articles. The main keywords were "mergers and acquisitions" or "M&A", "external growth", "non-organic growth", "growth", "firm growth", "firm performance", "SMEs" or "small and medium-sized enterprises", and all variants of each word or phrase and their plural forms. Only articles closely related to this topic were selected. The impact of M&As on economic growth and other forms of growth, large firms, or not relevant articles to this review were excluded. There were no filters applied except the keywords during the search due to the difficulty of finding research articles focusing on this specific topic. Due to the narrowness of the research and the lack of publications on this topic, the article search was not restricted to a period and included all articles published between 2006-2021.

Following the selection, 15 articles were selected. Subsequently, a qualitative content analysis was conducted using Dedoose software to analyze the theoretical and empirical parts of the articles. Coding the articles allowed us to identify the main themes in the SME M&As literature. The authors used a directed content analysis [8] consisting in coding all the articles using predetermined codes and giving new codes to texts not categorized within the initial coding scheme. After the preliminary analysis, the following common themes were coded: "SME M&As activity", "Antecedents of SME M&As", "Motives of SME M&As" and "Impact of SME M&As on firm growth". Lastly, another code related to "post-merger integration" was added, as many papers highlighted its importance for M&A success.

III. Results

The literature review included 15 research articles published in journals such as "Entrepreneurship Theory and Practice" "European Management Review" and "Small Business Economics" among others. The full list of journals is shown in Table I.

The articles analyzed in this review were published between 2006 and 2021, as depicted in Table I. The majority of the included studies in this review focused on European SMEs. The most recent study investigated the impact of mergers and acquisitions on firm growth and performance of French SMEs [6]. [5] focused on Finish firms whereas [2] used data from 1997 and 2002 from Italian companies. [9] used only 08 Scottish SMEs with a sampling period from 2000 to 2009. Four articles studied Swiss firms, [11] examined SME growth from a longitudinal perspective, covering the years between the mid-1990s and early 2000s, whereas [1] examined a period of ten years between 1987 and 1996. [12] and [13] examined Swiss firms and their performance post-M&A over a period from 2006 to 2008 and from 2008 to 2010 respectively, whereas [14] investigated Swiss companies using a sample from 2001 to 2005. Finally, some studies focused on American SMEs as [4] used a database covering the 1996-2007 period and American and Western European SMEs. [3] and [15]also studies US companies and used data between 1980 and 2007 and between 1992 and 2000 respectively. [17] was interested in Swedish firms and investigated M&As and alliances performance in SMEs during the 1999-2002 period. Finally, [16] based their work on Belgian SMEs from 1989 to 1999 and examined the financial performance of the acquiring firm.

TABLE I: LIST OF JOURNALS

Paper	Authors	Journals
[1]	Lockett et al. 2009	Journal of Management Studies
[2]	Salvato et al., 2007	Schmalenbach Business Review
[3]	Park et al., 2011	International Journal Of Hospitality Management
[4]	Weitzel and McCarthy, 2011	International Journal of Entrepreneurship and Innovation Management
[5]	Pasanen, 2007	Journal of Enterprising Culture
[6]	Lefebvre and Hamelin 2021	Revue d'Economie Industrielle
[9]	Mawson and Brown, 2016	Industry and Innovation
[10]	Geurts and Van Biesebroeck, 2019	The RAND Journal of Economics
[11]	Achtenhagen et al., 2017	Long Range Planning
[12]	Arvanitis and Stucki, 2013	Small Business Economics
[13]	Arvanitis and Stucki, 2014	International Small Business Journal: Researching Entrepreneurship
[14]	Burghardt and Helm, 2015	Small Business Economics
[15]	Ragozzino and Reuer, 2010	European Management Review
[16]	Ooghe et al. 2006	Small Business Economics
[17]	Wiklund, & Shepherd, 2009.	Entrepreneurship Theory and Practice

9ème Conférence Internationale en Economie-Gestion & Commerce International (EGCI-2022)
Revues et Méthodes sur le Management et le Commerce International
Proceedings of Engineering & Technology
Vol.68. pp.301-310

ISSN: 1737-9334

Quantitative methods were the most common methodology examining M&As' effect on SMEs' growth as shown in Table II. Twelve articles used quantitative methods and 5 used qualitative designs.

M&As are complex and multidimensional operations [13, 6], which requires the combination of different performance indicators to determine their impact on firm growth and performance. Our review showed that the most common proxies used to assess the impact of M&As on subsequent growth are sales, employment, and firm size, sometimes combined with other indicators as depicted in Table II. While [2, 5, 6, 11, 13, 17] used sales as a proxy for growth, many authors used employment to evaluate the effect of M&As on firm growth [1, 9, 10, 11, 14]. Some authors used self-reported measures of M&A performance [12] while others used accounting-based performance measures such as Return on Asset (ROA) [11,15] or Operational Return On assets (OROA) [6]. [13] Included 5 different proxies, such as gross investment, firm size, sales, value added per employee, and sales of innovative products. Finally, two studies used the number of acquisitions and frequency of acquisitions as proxies for SME growth [4, 2].

TABLE II: METHODS AND GROWTH PROXIES

Author	Year	Proxy for Growth	Methodology
[1]	2009	Change in organic employment, total employment	Regression
[2]	2010	Sales, Employees, Number of Acquisitions	Multiple regression model
[3]	2011	Firm Size	Generalized Method of Moments
[4]	2007	Frequency of acquisitions, Stock, and Cash	Case studies
[5]	2007	Sales Turnover	Single Variable Tests/Exploratory factor analysis
[6]	2021	Sales and Operational Return On assets (OROA)	Difference-in-Differences method
[9]	2016	Number of Employees, Turnover	Case-studies
[10]	2019	Total employment	Quantitative data analysis
[11]	2017	Sale profits, employment, ROA	Case-studies
[12]	2013	Self-Reported M&A performance	Probit model
[13]	2014	Gross investment, firm size, sales, value added per employee, and sales of innovative products	Probit models
[14]	2015	Employment, size of establishment,	Quantitative data analysis
[15]	2010	ROA	Multiple Regression
[16]	2006	Financial ratios	Quantitative data analysis
[17]	2009	Sales growth	Probit model

The qualitative content analysis revealed four common themes in the SME M&As literature: "M&As in SMEs Growth Strategy", "antecedents and motivations of SME M&As", "impact of M&As on performance and firm growth", "management of the M&A process", and "post-merger integration".

A. *M&As in SMEs Growth Strategy*

Firm growth is an important aspect of firm performance that has only received scant attention from scholars [4, 6]. This topic is crucial for firms as studies have reported that growing organizations have more chances to survive and achieve a better performance than their low-growth counterparts [18]. Furthermore, these firms achieve a better competitive position because of a higher job talent attraction and retention (better compensation, job satisfaction, training …) [18].

In relation to the first research question, it appears that SMEs use external growth more commonly than previous literature suggests. Our review revealed that M&As are increasingly adopted by SMEs to achieve rapid growth and that overall, the impact of this strategy on subsequent growth is positive. [9] investigated the reasons why rapidly growing high-tech SMEs undertake M&As and the impact of such growth strategy on their performance and activities. The authors used a longitudinal research design with in-depth case studies and found that mergers and acquisitions represent a critical part of SMEs' growth strategy and that many SMEs engage in these operations at an early stage, i.e. only 5 years after their inception. This finding is inconsistent with the assumption that SMEs tend to grow organically due to their lack of financial and managerial resources. The authors also found that the majority of SMEs started with international acquisitions in neighboring countries and other countries where the perceived psychic distance is low.

SMEs may choose M&As over organic growth for several reasons. First, M&As provide rapid growth through the acquisition of the necessary resources needed to expand [9]. Resources are especially important when entering new markets or expanding into foreign markets where the management is not familiar with the customs and culture. When cultural entry barriers to the foreign markets exist, it is easier for SMEs to first form a network of foreign partners and then, after establishing a good understating of business operations, an M&A will happen more organically. [9] found that the majority of SMEs have pre-acquisition relationships with their targets, which were either competitors, distributors, or partners in previous projects such as R&D licensing agreements.

Other barriers may also prevent SMEs from growing through M&As. [21] found that Croatian SMEs do in fact face financing issues that prevent them from pursuing M&As. Moreover, the same study reported that most commonly the acquisition targets were previous partners or companies that had prior ties with the acquiring firm. Moreover, the authors also highlighted the importance of trust and business relationships with the target firms. Interestingly, the article mentions the differences in the acquiring process between Western Europe and less developed economies such as Croatia. SMEs in developed economies use platforms and services connecting buyers with sellers, making it much easier to find a target and facilitates the M&A process. In contrast, in Croatia acquiring companies require to first establish contact and form a relationship with the target, which depends on their networks and alliances. These findings are in line with

ISSN: 1737-9334

the findings of this review, showing that acquisitions in general are facilitated by business networks and already established partnerships and alliances [11].

Furthermore, although the extant literature has traditionally identified two common growth modes, organic mode versus M&As, this review revealed that there are other forms of growth. Indeed, many firms combine various growth modes into their growth strategies, creating further sub-modes of growth. Indeed, [11] studied different types of growth modes among Swedish SMEs. The authors found eight growth modes, which suggests that there are many modes of growth among SMEs besides the common dichotomy of organic and acquisition-based growths. Some firms combine several types of growth to further expand their operations in various markets, countries, and industries. Combining different growth modes is motivated by the need to gain market power, and to grow more rapidly or more dynamically. Acquisitions are often used as a tactical move combined with organic and network-based growth. The authors identified five modes that use acquisitions either as the primary growth strategy or as a support strategy. They also identified growth patterns which are the changes in types of growth modes used by firms. Growth patterns depend on the organizational structure of firms, (for example family-owned companies or publicly owned), strong leadership over a long period of time, and stable, steady and profitable organic growth before acquisitions. Companies with a varied pattern of growth turn to acquisitions to stay more relevant, expand internationally, and find new business opportunities or gain new consumers. In contrast, the current literature on a firms' growth suggests a pattern where firms first grow organically and then shift into growth through acquisitions.

The eight growth modes identified by [11] include organic acquisitions, internalizing, organic growth with selected acquisitions, combined growth, and growth through acquisitions. All modes differ in subtle ways, primarily by the motives for integrating acquisitions into the firms' growth strategy. Organic acquisitions are often previously established networks that are acquired as a natural flow of the firm's growth. Internalizing occurs when a firm acquires or merges with its supply or distribution channels, however, without acquiring their operations. In organic growth with selected acquisitions, a firm only engages in acquisitions as a strategic move and after long-term organic growth. In turn, firms with combined growth simultaneously grow organically and acquire firms as a more dynamic growth strategy to gain more market power and grow more rapidly. Finally, growth through acquisitions is a growth mode where the primary growth strategy is through acquisitions. The authors also mention exit as a form of growth, which is an acquisition that happens when the firm itself is being acquired by a larger firm.

B. Antecedents and Motivations of SMEs for M&As

M&As are an increasingly common growth mode among SMEs. Growth ambitions, access to technology and technological capabilities, and international market development are the primary motives for external growth [9]. When engaging in an M&A, SMEs look for resources or strategic complementarity and evaluate their potential targets based on strategic fit and internal capabilities [9]. The dynamic capabilities of firms are the firm's internal capabilities that allow them to gain a competitive advantage. That is where M&As are most frequently used for strategic reasons [11].

M&As are also used sometimes to complement the firm's strategic networks of alliances and partnerships [11], strengthen the firm's resources [9], enhance the firm's performance [13], and increase market power [10]. M&As are most often used as an additional growth strategy in firms with a foundation of long-term organic growth [11]. There is a difference in the motives behind external and internal mergers. [13] contends that growth is the primary motive of external mergers, whereas internal mergers aim to gain performance efficiency [13]. Efficiency gains represent another important motive for M&AS. Indeed, one direct effect of M&As is cost reduction due to increased firm size. This cost reduction is allowed by scale efficiencies that diminish marginal costs, namely by avoiding duplicated fixed costs and reducing cost prices as a result of an increased bargaining power [10].

Extant literature suggests that the primary reason why SMEs pursue M&As is their limited organic growth opportunities [4, 10]. [4] Sheds new light on the M&A motives in SMEs by showing that SMEs do not choose external growth because of limited organic growth opportunities, but rather because of their willingness to take control of high potential growth businesses. Furthermore, the key motives to engage in M&As differ depending on the firm size. It seems that large firms often engage in M&As to gain managerial power, market share, eliminate competition and reduce costs, whereas smaller firms might do it not only to grow much faster and with less effort than required by organic growth, to prevent or protect themselves from a takeover [11].

Some selected articles also investigated antecedents of M&As to understand which characteristics make an SME more likely to choose external growth and engage in M&As. [4] examined a sample of 110 growing SMEs in Eastern Finland looking for differentiating factors between organic growth SMEs and acquisitive growth SMEs. The authors showed that although there are many similarities in terms of strategic choices and firm performance between M&A SMEs and their non-M&A counterparts, many variables such as the scale of operations, the number of founders, firm age, product and customer structures, differentiate them. Acquisition growth SMEs were found to be bigger in size than organic growth SMEs and with fewer founders than organic growth SMEs which are usually founded and managed by a team. This team of founders plays a critical role in achieving organic growth by combining complementary skills to respond to multifaceted challenges such as innovation. Age was also identified as a differentiating factor. Seemingly, young SMEs rarely engage in M&As as this strategy is typical of long-lived SMEs. The authors explain that acquisitions as a growth strategy are used by older and bigger SMEs because they have developed managerial skills and capabilities allowing them to manage the complex acquisition process, whereas young SMEs rely more on organic growth because they lack financial resources and managerial skills to undertake an M&A.

ISSN: 1737-9334

C. Impact of M&As on performance and firm growth

The extant literature focusing on performance implications of M&As has mainly used two different approaches: stock market event studies that use firm's stock prices, and accounting studies that use annual accounts information [16]. Using stock prices presents some limitations according to many authors who contend that this approach might not accurately capture the economic impacts of M&As and that it only reflects stock market expectations about the outcome of the M&A [3]. Moreover, using stock prices to assess value creation in the course of M&As might be misleading because performance improvement through synergy creation takes time to concretize, and therefore, using the second approach might be more suitable [9]. However, one limitation of using accountancy-based measures is related to the disparities in the accountancy standards between countries, making the comparison between samples from different countries difficult. Another difficulty stemming from the use of accountancy-based measures is that once absorbed, the acquired company stops publishing its annual reports, making it difficult to assess the M&A effect on its performance. To overcome this obstacle, the extant studies have either compared the combined entity's performance before-and-after the M&A or compared with units that are not absorbed and are similar in industry, size, etc. [16]. When investigating growth in the course of mergers and acquisitions, the reviewed studies used employment and sales turnover as proxies. Table III reports the main findings of the papers investigating the impact of M&As on firm growth as well as the proxies used for performance and growth.

Despite the abundant research on the performance effect of mergers and acquisitions, only a handful of papers have considered the case of SMEs [4]. Besides, scant attention has been devoted to post-M&A growth as our review only identified 10 studies trying to determine the effect of M&As on sales [3, 5, 6, 9, 12, 13, 17] or employment [1, 10, 14]. One reasonable explanation for this paucity of studies might be the private character of SMEs. Indeed, SMEs are usually not listed, making it difficult to get reliable information to assess the effect of such strategic maneuvers on firm growth. One study only investigated the post-M&A performance using financial ratios to assess solvency, liquidity, and profitability [16]. However, this same study found that M&As improve labor productivity, due to a general improvement of gross added value per employee.

There is consensus in the literature that, despite their success and the increased number of firms involved in these operations, M&As exhibit high failure rates and lead to shareholder value destruction. Post-acquisition studies in large firms conclude that M&As do not give satisfaction to the acquiring company in terms of stock market, economic, organizational, and human performance and that on average, value creation in M&As varies around zero [3]. However, previous research revealed that size and performance are inversely related, suggesting that small acquisitions made by SMEs are more profitable than larger acquisitions made by large firms [3].

In the Belgian context, M&As are seemingly detrimental to firm growth as [10] investigated Belgian SMEs and found that an M&A temporarily diminishes employment in the combined entity by -1.14% and that the outcome of this strategy depends on the involved firms' motivations. This study shows that horizontal mergers, that is, mergers between firms that compete in the same or a similar industry, result in a sharp decrease in employment. On the other hand, in some subsets of vertical mergers, that is, mergers between firms from the same industry, but at different levels of the production process, that are most likely motivated by efficiency gains, employment expansions are quite large.

Three studies [5,6,17] investigated firm growth in the course of M&As in three different European countries using "sales" as a growth proxy and found no direct effect. Using the lenses of the Resource-Based View (RBV) [19], [17] investigated sales growth following M&As and alliances. This study showed that SMEs do not reap direct benefits from these strategic maneuvers unless the firm deliberately makes efforts to resource combination. The authors contend that value creation in M&As is dependent on the ability to discover and combine productive resources [20, 17]. [5] also found that M&As had no impact on firm growth and that M&A SMEs experience the same growth as their non-M&A counterparts.

Apart from the aforementioned studies, the remainder of the reviewed articles seeking to determine the effect of an M&A on firm growth concluded that M&As allow SMEs to achieve higher firm growth. [9] for instance found that the performance of the newly acquired businesses was beneficial for the acquiring company and that in the majority of cases (⅞), strong growth and performance continued post-acquisition as acquiring SMEs experienced rapid financial benefits from their acquisitions in terms of positive changes in turnover.

In the same line, [13] investigated M&A effects on the performance of Swiss firms and concluded that sales growth, the growth of value-added per employee, and sales of innovative products were statistically significantly affected by M&As, while employment growth and gross investment were not affected. In turn, M&As have a positive impact on value creation leading to positive performance, as M&As seem to enhance labor productivity. Another study by the same authors investigated the post-M&A economic performance of Swiss firms [12] and found that the intrinsic characteristics of M&As, rather than market or economic characteristics, dictate the subsequent firm performance. While sales and market share increased as a direct effect of the M&A, firms reported decreased profitability.

Furthermore, [1] extended Penrose's work on the subsequent effects of growth modes on future organic growth by examining a panel of Swedish firms over a 10-year period, to identify the impact of organic and acquisitive growth on future organic growth. Their findings suggest that while previous organic growth acts as a constraint on current organic growth, prior external growth has a positive effect on current organic growth. These findings indicate that firms that have experienced organic growth in the past will face difficulties expanding organically in the future.

ISSN: 1737-9334

One particular study investigating the effects of M&As on subsequent firm growth in US restaurant firms reported ambiguous effects of M&As on firm growth [3]. Their study revealed that both small and large acquirers experienced positive sales growth in the first two years following an M&A. However, this positive effect completely vanished during or after the third year post-M&A, suggesting that no long-term effects on sales growth were achieved through M&As. The authors attributed the negative effects to post-integration issues such as cultural differences between the target and the acquirer. Additionally, this study revealed that M&A firms do not achieve higher growth rates than their non-M&A counterparts as both seem to have the same growth patterns three to five years after an M&A.

TABLE III: M&As' impact on SMEs' growth and performance

Paper	Country	Growth proxy	Effect
[1]	Sweden	Employment	Positive effect
[3]	USA	Sales	Positive effect the first two years. No long term effects
[5]	Finland	Sales turnover	No impact on sales
[6]	France	OROA, sales	Positive on profitability. No effect on sales growth
[9]	Scotland	Sales turnover	Strong growth and performance
[10]	Belgium	Employment	Negative on average
[12]	Switzerland	Sales, market share, and profitability	Positive effect on sales and marketshare, negative on profitability
[13]	Switzerland	Sales turnover	Strong growth and performance
[16]	Belgium	Financial ratios	A decline in the profitability, liquidity, and solvency
[17]	Sweden	Sales	No direct effect on future growth.

As regards performance implications of M&As, the results of this review are unfortunately inconclusive, primarily due to the restricted number of studies. Indeed, when gauging firm performance following an M&A, [16] concluded that M&As adversely affected firm performance as the sampled Belgian SMEs experienced a decrease in profitability, liquidity, and solvency following an M&A. This decreased profitability is also supported by [12]. Conversely, [6] and [12] concluded that M&As resulted in increased profitability and performance in the French and Swiss contexts respectively.

In sum, our review showed that in the majority of cases, SME M&As have contributed to achieving higher firm growth [1, 3, 9, 12, 13]. However, these results should be interpreted in light of some limitations. First, these results are context-specific, which makes it difficult to generalize them. Second, the reviewed studies used accountancy-based measures as proxies, and one might think that differences in the findings could be attributed to differences in the accountancy standards between countries.

D. M&A process management and Post-merger integration

although the integration phase is cited as being the most decisive step for the realization of synergies by the literature, it has also been characterized as the most difficult to manage during the M&A process. Indeed, the poor management of this phase was put forward by several authors when attempting to explain the important high failure rate of these strategic maneuvers. ln the SME context, The literature suggests that due to their lack of managerial capacity and experience with mergers and acquisitions, small firms experience a slower post-merger integration compared to larger firms [5]. Nevertheless, smaller firms' M&As have the advantage of achieving more synergy and growth because of the larger relative size of the deal.

This review showed that only a few articles were interested in this phase, with inconclusive findings regarding the post-M&A integration strategy and the degree of autonomy left to the target. For instance, [3] showed that there is no homogeneity in the integration strategy among SMEs. While some SMEs fully integrated their targets, others chose either to integrate partially or leave complete autonomy to their targets. Seemingly, some SMEs make the decision not to integrate their targets to reduce the coordination-autonomy dilemma and increase the chances of M&A success. [9] found that no significant problems were encountered by high-tech SMEs in integrating their acquisitions into their existing organizational structure because in most cases, the acquired firms were not integrated and remained autonomous entrepreneurial subsidiaries rather than becoming "branch plants". This "light touch" integration strategy, also known as "partnering strategy', is at odds with that used by larger acquisitions requiring significant levels of target integration to achieve the desired benefits from M&As.

IV. Discussion

Contrary to the assumption that SMEs are not familiar with external growth and that they rely more on organic growth due to the lack of financial resources and managerial capabilities, this systematic literature review revealed that SMEs view acquisitions as a strategic growth mode and viable alternative to organic growth, rather than something limited to larger organizations. This strategy is becoming increasingly commonplace in SMEs, particularly in those experiencing and aiming at rapid growth. M&As are incorporated into SMEs' growth strategies, often alongside other modes. Indeed, there seem to be more than two growth modes, dismantling the growth mode dichotomy in the current literature [11].

Although growth is the primary reason leading them to undertake M&As, SMEs were also found to adopt this strategy to strengthen their strategic network of alliances and partnerships and to enhance the firm's performance, by getting access to new technology, products, services, markets. Resource complementarity is also paramount when undertaking these acquisitions. SME M&As are also motivated by the obtainment of complementary knowledge resources. This finding is at odds with the findings from the literature that complementarity is more likely to be a driver of alliances and that these acquisitions have a much higher failure rate. In most studies, these acquisitions acted like a

ISSN: 1737-9334

conduit to overseas markets and opened up opportunities for further international expansion.

Although the existing M&A theory, so far dominated by large firms, concluded that M&As do not create value for both the acquirer and the target, many authors advocate that SMEs would make for better acquirers and experience better performance than larger and more established firms. Flexibility, relative size, and lack of agency problems have been put forward to explain this improved performance [5, 7]. [4] applied M&A theory to SMEs and predicted the acquisition behavior of SMEs on a sample of announced M&As in the US and western Europe between 1996 and 2007. This study revealed that because of their flexibility and the lack of agency problems, SME managers were more likely to withdraw from value-destroying M&As once they realize their mistake, which resulted in a better performance compared to large firms.

Size has also been suggested as a differentiating factor between M&A performance in SMEs and larger firms [22]. Prior studies have shown a negative, nonlinear relationship between firm size and growth, suggesting that small firms should grow faster than larger firms [22, 4]. This growth potential of small firms derives from the decreasing costs due to the L-shaped curve which has large positive effects on firm growth [3]. Another important finding is that the relative size of the target is related to growth, as large targets are found to create more synergy than smaller ones, suggesting that M&As are more beneficial for small firms than for larger ones. This finding was supported by another study that found that the relative size of a deal is an important growth determinant [14]. Moreover, it appears that small firms usually acquire other small firms, which seem relatively large to the small acquiring company, whereas large firms acquire other large firms which in turn are relatively small compared to the large acquirer [3].

Previous connections with the target also play a role in post-M&A integration success as SME acquisitions are facilitated by historical relationships and pre-existing networks [16]. These connections and networks reduce informational and trust asymmetries mitigating the risk levels associated with these acquisitions [11]. Prior relationships between SMEs and their targets decrease the risk of adverse selection and increase M&A success chances.

Finally, the post-merger integration strategy plays a critical role in SME M&As' success as in most cases, SMEs do not wish to integrate their targets which is likely to reduce integration issues and increase the M&A success chances. [21] advocates that planning the integration process might aid the execution of the M&A and facilitate the process by stabilizing the acquirer-target relationship and preserving its value.

This review also identified some reasons why SMEs would be discouraged to undertake an M&A. Apart from the financial constraints [21] that constitute an important problem for SMEs, some SMEs might decide to stick to organic growth because of their fear of failure. Indeed, SME managers lacking prior experience with M&As face serious doubts regarding their ability to manage the integration phase adequately [2]. Interestingly, some SMEs undertake these complex strategies with no prior experience and overcome their fear of failure by employing "temporary integration managers". Once they engage in these ambitious strategic maneuvers, SMEs develop acquisition capabilities through the accumulation, storage, and exploitation of fresh organizational knowledge [2]. These capabilities encourage them to undertake more acquisitions in the future. [9] described this "Cumulative logic to growth" in their study as they found that many SMEs became "serial acquirers" because the skills and capabilities acquired through acquisitions facilitated further acquisitions.

V. Conclusion

The purpose of this paper was to critically review the existing literature on mergers and acquisitions in SMEs. The review revealed four common themes within this specific research area. The selected articles investigated the antecedents, as well as the motivations of M&As in SMEs, how M&As affect subsequent SME growth, and how SMEs integrate their targets post-merger.

Research on M&As in SMEs is still at a nascent stage, requiring more research to understand the behavior of SMEs during these operations, which obviously differs from that of larger firms, and to get a wider consensus on the effect of the M&As on their growth, although the majority of the research supports that this effect is positive. This review also highlights the need for more longitudinal studies to have a better understanding of these activities and the way they are managed by SMEs. This would allow to update the existing M&A theory to account more for the specificity of SME M&As, which so far has focused on large and established firms

One limitation of this review is the small number of articles included, which suggests that there is a paucity of published studies examining M&As in the specific case of SMEs and their impact on subsequent firm growth. Therefore, we encourage future research to further develop this topic and focus on a variety of SME populations, study designs, statistical analysis, and different markets and economies. The articles included focus predominantly on European SMEs with only a few papers covering the American context. Obviously, there is a lack of literature on studies gauging the effect of M&As on SMEs' growth in emerging and developing economies. Moreover, the M&A literature in SMEs requires updating with more studies with samples covering the period post-2014.

A review of the selected articles also revealed that the management of the integration phase in SMEs is an understudied topic. Although target integration is the most decisive phase for the success of M&As, it has not received enough attention from scholars in the special context of SMEs. An interesting future research direction will be to investigate M&As, using a longitudinal research design focusing on the integration phase, how it is managed by SMEs, what are the determinants of the choice of the post-merger integration strategy, and what is the impact of this choice on firm growth.

Moreover, the choice of financing mode has also been overlooked, as only one paper was interested in knowing how SMEs finance their M&A activity. It suggests that because debt represents a costly option, and due to the lack of internal

ISSN: 1737-9334

cash, SMEs are more likely to use more stock and less cash to finance their acquisitions. More research should be done in this area in order to verify this finding and to investigate how the choice between the different financing options affects subsequent M&A success and firm growth. Moreover, it appears that a high debt burden negatively affects SMEs' ability to grow due to decreased performance measures [22]. It would be interesting to further examine this topic in future research.

M&As are complex and multidimensional operations [13, 6], which requires the combination of different performance indicators to determine their impact on firm growth and different aspects of firm performance. So far, most studies used sales turnover and employment as proxies for a firm's growth. Combining different growth proxies would allow showing a more complex picture of how M&As affect firm growth [5]. It would also be interesting to make a comparison between SMEs that resorted to an external growth strategy and those that did not to understand the M&A effects on performance in SMEs [12]. Additionally, future studies could investigate which M&As characteristics lead to successful or unsuccessful M&As.

Future research directions could also be to investigate how combining different growth modes with M&As affects a firm's growth [3,11]. Finally, expanding this research area specifically examining external and internal factors affecting the M&As and firm growth relationship and analysis by industries might shed more light on this topic. Future studies should also investigate this topic using larger samples and making country comparative studies [8].

ACKNOWLEDGMENT

The authors would like to express their heartfelt gratitude to Dr. Alex Rialp Criado (Autonomous University of Barcelona) for his guidance and support. In addition, the authors wish to thank an anonymous reviewer for their comments and support throughout this project.

REFERENCES

[1] A. Lockett, J. Wiklund, P. Davidsson, and S. Girma, "Organic and Acquisitive Growth: Re-examining, Testing, and Extending Penrose's Growth Theory," Journal of Management Studies, vol. 48, no. 1, pp. 48–74, Sep. 2009, DOI: 10.1111/j.1467-6486.2009.00879.x.

[2] C. Salvato, U. Lassini, and J. Wiklund, "Dynamics of external growth in SMEs: A process model of acquisition capabilities emergence," Schmalenbach Business Review, vol. 59, no. 3, pp. 282–305, Jul. 2007, DOI: 10.1007/bf03396752.

[3] Park, K., & Jang, S. (Shawn). (2011). Mergers And Acquisitions And Firm Growth: Investigating Restaurant Firms. International Journal Of Hospitality Management, 30(1), 141–149. Doi:10.1016/J.Ijhm.2010.04.002

[4] U. Weitzel and K. J. McCarthy, "Theory and evidence on mergers and acquisitions by small and medium enterprises," International Journal of Entrepreneurship and Innovation Management, vol. 14, no. 2/3, p. 248, 2011, DOI: 10.1504/ijeim.2011.041734.

[5] M. Pasanen, "SME Growth Strategies: Organic Or Non-Organic?," Journal of Enterprising Culture, vol. 15, no. 04, pp. 317–338, Dec. 2007, DOI: 10.1142/s0218495807000174.

[6] V. Lefebvre and A. Hamelin, " External growth strategy and performance: An empirical study of French SMEs", Revue d'économie industrielle, 2021

[7] Bauer, F., Strobl, A., Dao, M. A., Matzler, K., & Rudolf, N. (2018). Examining Links Between Pre And Post M&A Value Creation Mechanisms — Exploitation, Exploration And Ambidexterity In Central European SMEs. Long Range Planning, 51(2), 185–203. Doi:10.1016/J.Lrp.2016.07.002

[8] H. F. Hsieh and S. E. Shannon, "Three Approaches to Qualitative Content Analysis," Qualitative Health Research, vol. 15, no. 9, pp. 1277–1288, Nov. 2005, DOI: 10.1177/1049732305276687.

[9] S. Mawson and R. Brown, "Entrepreneurial acquisitions, open innovation, and UK high growth SMEs," Industry and Innovation, vol. 24, no. 4, pp. 382–402, Oct. 2016, DOI: 10.1080/13662716.2016.1244764.

[10] K. Geurts and J. Van Biesebroeck, "Employment growth following takeovers," The RAND Journal of Economics, vol. 50, no. 4, pp. 916–950, Oct. 2019, DOI: 10.1111/1756-2171.12300.

[11] L. Achtenhagen, O. Brunninge, and L. Melin, "Patterns of Dynamic Growth in Medium-Sized Companies: Beyond the Dichotomy of Organic Versus Acquired Growth," Long Range Planning, vol. 50, no. 4, pp. 457–471, Aug. 2017, DOI: 10.1016/j.lrp.2016.08.003.

[12] S. Arvanitis and T. Stucki, "How Swiss small and medium-sized firms assess the performance impact of mergers and acquisitions," Small Business Economics, vol. 42, no. 2, pp. 339–360, Apr. 2013, DOI: 10.1007/s11187-013-9482-z.

[13] S. Arvanitis and T. Stucki, "Do mergers and acquisitions among small and medium-sized enterprises affect the performance of acquiring firms?" International Small Business Journal: Researching Entrepreneurship, vol. 33, no. 7, pp. 752–773, Feb. 2014, DOI: 10.1177/0266242614522280.

[14] D. Burghardt and M. Helm, "Firm growth in the course of mergers and acquisitions," Small Business Economics, vol. 44, no. 4, pp. 889–904, Apr. 2015, DOI: 10.1007/s11187-014-9624-y.

[15] R. Ragozzino and J. J. Reuer, "The opportunities and challenges of entrepreneurial acquisitions," European Management Review, vol. 7, no. 2, pp. 80–90, 2010, DOI: 10.1057/emr.2010.5.

[16] Ooghe, H., Van Laere, E. & De Langhe, T. Are Acquisitions Worthwhile? An Empirical Study of the Post-Acquisition Performance of Privately Held Belgian Companies. *Small Bus Econ* 27, 223–243 (2006). https://doi-org.are.uab.cat/10.1007/s11187-006-0011-1

[17] Wiklund, J., & Shepherd, D. A. (2009). The Effectiveness of Alliances and Acquisitions: The Role of Resource Combination Activities. Entrepreneurship Theory and Practice, 33(1), 193–212. doi:10.1111/j.1540-6520.2008.00286.x

[18] L. B. Navarro, J. C. Casillas, and B. Barringer, "Forms of growth: How SMEs combine forms of growth to achieve high growth," Journal of Management & Organization, vol. 18, no. 1, pp. 81–97, Jan. 2012, DOI: 10.5172/jmo.2012.18.1.81.

[19] Barney, J. (1991). Firm resources and sustained competitive advantage. Journal of Management, 17, 99–120.

[20] Penrose, E. (1959). The theory of the growth of the firm. Oxford: Oxford University Press.

[21] B. H. Diep and T. T. Anh, "Synergies in merger & acquisition: A case study of SMEs in Vietnam," Journal of Project Management, vol. 5, no. 3, pp. 189–200, 2020, DOI: 10.5267/j.jpm.2020.6.001.

[22] O. Ipinnaiye, D. Dineen, and H. Lenihan, "Drivers of SME performance: a holistic and multivariate approach," Small Business Economics, vol. 48, no. 4, pp. 883–911, Dec. 2016, DOI: 10.1007/s11187-016-9819-5.

ISSN: 1737-9334