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Systematic and Unsystematic Drivers of Mergers and Acquisitions in the United Kingdom

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Abstract

Mergers and Acquisitions (M&A) play a crucial role in corporate growth and economic development; however, the factors driving M&A activity remain complex and not fully understood. This study examines the systematic and unsystematic drivers of M&A activity in the United Kingdom between 1980 and 2022. To achieve this objective, a mixed-methods approach was adopted. Systematic drivers were analysed quantitatively using Ordinary Least Squares (OLS) regression, with macroeconomic variables including GDP growth, inflation, exchange rates, trade balance as a percentage of GDP, and stock prices. Unsystematic drivers were explored qualitatively through thematic and content analysis of relevant literature and evidence. The findings reveal that several systematic factors significantly influence the number of announced M&A transactions. GDP growth, inflation, and exchange rates exhibit positive relationships with M&A activity, while trade balance as a percentage of GDP and stock prices are negatively associated with M&A transactions. The qualitative analysis further demonstrates that unsystematic factors, particularly cultural and managerial considerations, have an important bearing on the success and failure of M&A deals. These findings contribute to a broader understanding of the economic and organisational factors that shape M&A activity in the United Kingdom and offer valuable insights for policymakers, investors, and corporate decision-makers.

Keywords: Mergers and Acquisitions (M&A), Systematic factors, Unsystematic factors, UK.

Wordcount: 199

1. Introduction

The flow of goods and data, globalisation, the drive for higher profits and the rise of competition among industries have driven companies around the world to make a swift pivot in the way they operate. In response, several companies relocated their investments to different parts of the world, while others merged or acquired existing firms to achieve revenue synergies, value creation, and cost efficiency. Over the last few decades, studies have viewed Mergers and Acquisitions (M&A) as an effective response to restructure a more efficient and competitive organisation (Zollo & Meier, 2008). In the 19th century, the United Kingdom (UK) and the United States (USA) experienced a "great wave" in M&A activity due to financial stress and unprecedented economic challenges (Foster & Magdoff, 2009). The merger wave peaked in 2007 in both the USA and European markets, as many acquirers experienced significant losses due to the 2007-2008 recessions and the decline of injudicious takeovers driven by cost savings (Sudarsanam, 2010). Although M&As are often used interchangeably in common parlance, they occur in distinct settings. A merger occurs when two companies combine their assets, liabilities, and stock, or create a new entity, to reduce costs, adopt innovative practices, and expand into new markets and technologies (Sudarsanam, 2010). At the same time, an acquisition occurs when a small-sized entity is purchased by another company, which is usually an investor group or a private equity firm. Interestingly, several scholars have considered M&A a puzzling phenomenon due to its impact on a wide range of practices, including financial and strategic management, as well as other behavioural and cultural perspectives (Cartwright & Schoenberg, 2006; Sudarsanam, 2010). As a result, understanding M&A would entail a deep comprehension of macroeconomic variables, firm-specific factors, and the players and constituencies involved in the process.

M&As have long been a popular topic in finance literature and have attracted the interest of several practitioners who studied the complexity and mixed performance that the M&A. The complexity of the M&A phenomenon and the numerous disciplines involved in the transaction were the primary motivations for the study. This study will contribute to a more holistic and multidisciplinary understanding of M&As.

Furthermore, bridging the gap is important for directing future business experts, policy makers and investors toward an informed and holistic decision-making in the M&As. This study aims to study systematic and unsystematic factors that prompted M&A activities in the UK for the period of 1980 to 2022 by exploring the macroeconomic conditions, such as growth of Gross Domestic Product (GDP), inflation rate, exchange rate, trade balance as a percentage of GDP, stock prices and unsystematic factors with a focus on cultural and managerial considerations.

Mergers and Acquisitions (M&As) have become one of the most important strategic mechanisms through which firms pursue growth, market expansion, innovation, and competitive advantage in an increasingly globalised economy. Rapid technological advancements intensified international competition, financial market integration, and the liberalisation of trade and investment flows have encouraged organisations to seek external growth opportunities through mergers and acquisitions rather than relying solely on organic expansion. Consequently, M&As continue to play a significant role in reshaping industries, influencing market structures, and facilitating the transfer of resources, capabilities, and knowledge across firms and national boundaries.

The United Kingdom (UK) has consistently been one of the most active M&A markets globally, attracting both domestic and cross-border transactions due to its mature financial markets, strong regulatory institutions, international business environment, and strategic position within the global economy. Major transactions involving UK firms have highlighted the importance of M&As as a corporate restructuring tool. Examples include Vodafone's acquisition of Mannesmann in 2000, Kraft Foods' acquisition of Cadbury in 2010, SoftBank's acquisition of ARM Holdings in 2016, and the merger between Virgin Media and O2 in 2021. These transactions demonstrate how firms use M&As to gain access to new technologies, expand market share, improve operational efficiency, and strengthen competitive positioning.

The history of M&A activity in the UK reveals that transactions tend to occur in waves that correspond closely with changes in economic and financial conditions. During the 1980s, deregulation, privatisation programmes, and financial market expansion stimulated substantial merger activity. The 1990s witnessed further consolidation driven by globalisation and increasing cross-border investment. M&A activity accelerated significantly during the early 2000s and reached a peak before the global financial crisis of 2007–2008. Transaction volumes subsequently declined during the recessionary period before recovering gradually in the 2010s, supported by low interest rates, favourable financing conditions, and increased international investment. More recently, economic uncertainty arising from Brexit, the COVID-19 pandemic, inflationary pressures, and changes in monetary policy have continued to influence M&A activity in the UK. Such fluctuations suggest that broader economic forces play a crucial role in shaping merger and acquisition decisions over time.

The relationship between macroeconomic conditions and M&A activity can be understood through several economic and financial theories. Neoclassical theories of investment suggest that firms respond to favourable economic conditions by pursuing expansion opportunities when expected returns exceed costs. Market timing theory argues that firms undertake acquisitions when their valuations are relatively high, enabling them to use overvalued equity as acquisition currency. Transaction cost economics proposes that firms use acquisitions to internalise activities and achieve efficiencies that may not be attainable through market transactions. In addition, resource-based and synergy theories suggest that acquisitions provide access to strategic resources, capabilities, technologies, and managerial expertise that can enhance firm performance. Collectively, these theoretical perspectives indicate that both macroeconomic conditions and organisational factors influence merger and acquisition decisions.

Previous studies have identified several systematic determinants of M&A activity, including economic growth, stock market performance, inflation, exchange rate movements, interest rates, and trade openness. Periods of strong economic growth generally create favourable conditions for corporate expansion and investment, while buoyant stock markets increase firms' acquisition capacity and confidence. Exchange rate fluctuations may affect the attractiveness of cross-border acquisitions by altering relative asset valuations, whereas inflation and trade conditions can influence both firms' financing decisions and expectations regarding future profitability. However, empirical findings remain mixed across countries and time periods, suggesting that the influence of these factors is context-dependent and requires further investigation.

Beyond macroeconomic conditions, an extensive body of literature has demonstrated that many M&A transactions fail to achieve their intended outcomes because of unsystematic or firm-level factors. Cultural incompatibility, leadership conflicts, managerial overconfidence, poor communication, and ineffective integration processes frequently undermine post-acquisition performance. Scholars have increasingly recognised that financial and economic considerations alone cannot fully explain the success or failure of M&As. Instead, behavioural, organisational, and cultural dimensions must also be considered to obtain a comprehensive understanding of acquisition outcomes. This multidimensional perspective is particularly relevant given the growing complexity of domestic and cross-border transactions in modern business environments.

Despite the substantial body of M&A research, limited studies have combined macroeconomic drivers and organisational considerations within a single analytical framework, particularly in the context of the UK over a long historical period. Most existing studies tend to focus either on economic determinants of transaction activity or on post-merger organisational challenges. Consequently, there remains a need for a more integrated assessment that examines how external economic conditions influence the occurrence of M&A transactions while simultaneously recognising the importance of internal organisational factors in determining transaction outcomes.

Accordingly, this study investigates both systematic and unsystematic drivers of M&A activity in the United Kingdom between 1980 and 2022. The study adopts a mixed-methods approach. Systematic drivers are examined quantitatively through macroeconomic variables, namely GDP growth, inflation rate, exchange rate, trade balance as a percentage of GDP, and stock prices. Unsystematic drivers are explored qualitatively, with particular emphasis on cultural and managerial considerations that influence M&A success and failure. By integrating economic and organisational perspectives, this study seeks to provide a more holistic understanding of the factors shaping M&A activity in the UK and to offer valuable insights for academics, policymakers, investors, and corporate decision-makers.

2. Literature Review

Mergers and Acquisitions (M&As) represent one of the most important mechanisms through which firms achieve external growth, market expansion, technological acquisition, and strategic repositioning. While mergers involve the combination of two organisations into a single entity, acquisitions occur when one company gains control over another through the purchase of its assets or shares (Sudarsanam, 2010). Over the last four decades, M&A activity has evolved from being largely domestic to increasingly international, reflecting the growing integration of global capital markets and the pursuit of new competitive advantages.

The literature generally explains M&A activity through two broad categories of determinants. The first comprises systematic factors, which are macroeconomic conditions affecting all firms within an economy. These include economic growth, inflation, exchange rate movements, trade conditions, and stock market performance. The second consists of unsystematic factors, which are firm-specific and behavioural factors such as managerial capabilities, corporate culture, strategic fit, and post-merger integration. While systematic factors influence the occurrence and timing of M&A transactions, unsystematic factors often determine whether those transactions ultimately succeed or fail.

A significant limitation of the existing literature is that these two dimensions are frequently examined in isolation. Studies focusing on macroeconomic conditions often assume that firms behave rationally and respond primarily to economic incentives, whereas organisational studies emphasise managerial and cultural influences while overlooking the broader economic environment. Consequently, a holistic understanding of M&A activity requires integrating both perspectives.

The neoclassical theory argues that mergers arise as rational responses to economic, regulatory, or technological shocks that create opportunities for resource reallocation and efficiency improvement (Mariana, 2012; Sredojević et al., 2016). According to this perspective, changes in economic conditions encourage firms to reorganise resources through mergers and acquisitions in order to maximise value. The theory provides a useful foundation for examining GDP growth, inflation, and exchange rates because these variables influence firms' expectations regarding future profitability and investment opportunities. However, while neoclassical theory explains why merger waves often emerge during periods of economic transformation, it does not adequately explain why many acquisitions fail despite favourable market conditions. This suggests that organisational and behavioural factors must also be considered.

Tobin's Q theory proposes that firms with high market valuations relative to the replacement cost of their assets are more likely to acquire firms with lower valuations (Sudarsanam, 2010). High-Q firms possess stronger acquisition currencies and can create value through the more efficient deployment of resources. Although Q theory provides an explanation for the relationship between stock prices and acquisition activity, it has important limitations. Empirical evidence shows that not all acquisitions involve high-Q firms purchasing low-Q firms, and the theory does not explain the timing of merger waves or the role of wider macroeconomic conditions. Therefore, stock prices alone cannot fully explain M&A activity.

Dunning's Eclectic Paradigm (OLI framework) suggests that firms engage in cross-border investments when ownership advantages, location advantages, and internalisation benefits exist (Dunning, 2009). In the context of M&A activity, location advantages include favourable economic growth, stable inflation, attractive exchange rates, and open trade regimes. This framework is particularly relevant to the present study because it explains how macroeconomic conditions affect the attractiveness of a country as a destination for investment. However, the theory primarily explains where firms invest rather than how organisational factors influence acquisition outcomes. Agency Theory provides an alternative perspective by focusing on managerial motives rather than economic efficiency. According to the theory, managers may pursue acquisitions to maximise personal benefits such as prestige, compensation, or organisational power rather than shareholder value (Cumming et al., 2023; Kayser & Zülch, 2024). This perspective is important because it challenges the assumption that M&A decisions are always economically rational. Agency theory helps explain why some acquisitions occur despite weak economic fundamentals and why managerial behaviour is a critical unsystematic determinant of M&A outcomes.

GDP growth is widely regarded as an indicator of economic health and market potential. Several studies have found a positive relationship between GDP growth and M&A activity (Boateng et al., 2011; Boateng et al., 2017; Kumar et al., 2023). Higher economic growth provides firms with greater financial resources and confidence to undertake strategic investments. However, the relationship is not universally positive. Bany-Ariffin et al. (2016) argued that strong economic growth may increase competition for acquisition targets, resulting in overvaluation and reducing potential gains for acquirers. Thus, while GDP growth is expected to encourage M&A activity, the literature suggests that its impact may depend on broader market conditions and managerial decision-making.

Traditional economic theory suggests that high inflation creates uncertainty and discourages long-term investment. Consequently, many scholars view inflation as a deterrent to M&A activity (Bany-Ariffin et al., 2016). However, the evidence is far from conclusive. Boateng et al. (2011) found that inflation significantly influenced M&A activity in the UK, while Yusnidah and Jimoh (2018) reported that inflation could stimulate outward expansion as firms seek opportunities outside inflationary environments. These conflicting findings indicate that inflation may have both positive and negative effects depending on the economic context.

Studies by Hu et al. (2016) and Shetty et al. (2019) suggested that exchange-rate movements play a significant role in cross-border acquisitions. However, the mechanism remains unclear. Some researchers argue that absolute exchange-rate levels matter most, while others suggest that exchange-rate volatility has a greater impact on acquisition decisions and post-merger returns. This inconsistency highlights the need for further evidence, particularly within the UK context.

Trade balance and trade openness influence the flow of international capital and investment. Economies that are highly integrated into global markets tend to attract greater foreign investment, including acquisitions (Didier et al., 2019). Nevertheless, the existing literature provides limited direct evidence regarding the relationship between trade balance and M&A activity. While Hijzen et al. (2008) found that trade costs affect foreign investment decisions, the precise effect of trade balance remains unclear. This lack of consensus makes trade balance an important variable for further investigation.

Stock market performance influences firms' acquisition capacity and investor confidence. Under market-timing theory, managers exploit favourable market valuations by using highly valued shares to finance acquisitions (Sudarsanam & Sorwar, 2010). Several studies have identified a positive relationship between stock prices and M&A activity (Boateng et al., 2014; Adnan et al., 2016). However, rising stock prices may also generate speculative behaviour and encourage acquisitions that create limited value. Thus, although stock market performance is frequently associated with increased M&A activity, the quality and success of those acquisitions remain uncertain.

While macroeconomic conditions influence the volume and timing of M&A transactions, successful value creation often depends on organisational and behavioural factors. A growing body of research argues that many acquisitions fail not because of poor strategic rationale but because of ineffective integration processes and cultural incompatibility (Cartwright & Schoenberg, 2006). Weber et al. (2011) contended that cultural challenges emerge primarily during the post-acquisition integration stage rather than from national differences alone.

This observation challenges simplistic assumptions that cultural distance automatically leads to failure. Instead, managerial capability in handling integration appears to be more important than the degree of cultural difference itself. Similarly, Mariappan (2003) argued that cultural complementarity may be more valuable than cultural similarity. Organisations do not necessarily require identical cultures to succeed; rather, they require mechanisms that enable cooperation and adaptation. Agency theory further suggests that managerial incentives can significantly influence M&A outcomes. Managers may pursue acquisitions to increase organisational size or personal prestige, even when transactions are not aligned with shareholder interests (Cumming et al., 2023). Consequently, managerial behaviour and governance quality remain critical determinants of M&A success.

Drawing upon the theoretical and empirical literature, the following hypotheses are proposed:
H1: GDP growth has a significant positive relationship with M&A activity in the United Kingdom.
H2: Inflation rate has a significant relationship with M&A activity in the United Kingdom.
H3: Exchange rate movements have a significant relationship with M&A activity in the United Kingdom.
H4: Trade balance as a percentage of GDP has a significant relationship with M&A activity in the United Kingdom.
H5: Stock prices have a significant relationship with M&A activity in the United Kingdom.

3. Data and Methodology

This study adopts a mixed-methods research design, combining quantitative and qualitative approaches to provide a comprehensive understanding of the factors influencing mergers and acquisitions (M&As) in the United Kingdom. The use of a mixed-methods approach is appropriate because M&A activity is shaped not only by measurable macroeconomic conditions but also by organisational, cultural, and managerial factors that cannot be adequately captured through statistical analysis alone. The study investigates systematic drivers using a quantitative research method and unsystematic drivers using a qualitative research method.

In line with previous studies (Boateng et al., 2014; Boateng et al., 2011; Shetty et al., 2019), we have utilised annual data from 1980 to 2022 on GDP growth rate, inflation rate, exchange rate, trade balance as a percentage of GDP, and stock prices as macroeconomic factors from statistical sources, including the Office for National Statistics (ONS) and the International Monetary Fund (IMF). (Table 1). The research focused on the number of annual announced M&As rather than the effective number of M&A deals that have been completed. The purpose of this reasoning is to study the interests of countries and companies in M&A, rather than the actual M&A transactions that are often influenced by policymakers' and competition authorities' decisions (Hijzen et al., 2008).

Table 1:
Variables of study

Variable	Symbol	Measurement	Source of the data
Announced M&A (Dependent)	A-M&A	The annual number of M&A that have been publicly disclosed and reported by companies	Institute for Mergers, Acquisitions and Boston Consulting Group M&A report 2024
GDP Growth Rate	GDP-GR	The annual average rate of change of gross domestic product	Office for National Statistics (ONS), *Gross Domestic Product (GDP)* dataset; IMF World Economic Outlook (WEO) database.
Inflation Rate	IR	The annual rate of increase in prices	ONS Consumer Price Index (CPI) dataset; IMF Consumer Prices database/International Financial Statistics (IFS).
Exchange Rate	XRate	The annual average rate at which pounds are exchanged for a U.S. dollar.	IMF International Financial Statistics (IFS) Exchange Rate database
Trade Balance in % of GDP	TB-GDP%	The annual percentage of a country's trade surplus or deficit in relation to its Gross Domestic Product	ONS UK Trade Statistics and National Accounts; IMF Balance of Payments and National Economic Accounts databases.
Stock Price	STKP	The annual market value of shares in publicly traded companies	IMF International Financial Statistics

The study employed Ordinary Least Squares (OLS) regression to examine the systematic factors and their impact on M&A activity, following previous studies (Boateng et al., 2014). The suggested equation for the analysis of systematic factors is as follows:

A-M&A = GDP-GR + IR + XRate + TB-GDP% + STKP + ε(Equation 01)

Where *A-M&A* denotes Announced M&A, *GDP-GR* denotes Growth rate, *IR* denotes inflation, *XRate* denotes the exchange rate, *TB-GDP%* denotes Trade Balance in % of GDP, *STKP* denotes the share market stock price, and ε denotes the error term.

Considering the longitudinal nature of the study, a series of tests were appropriate to run the analysis and derive conclusions, including descriptive statistics, a correlation matrix, and a unit root test. The tests will help determine relationship between dependent and independent variables, to prove whether the number of announced M&A in the UK depends on GDP growth rate, inflation rate, exchange rate, trade balance and stock prices.

The qualitative component of the study employed secondary qualitative data obtained from peer-reviewed literature on mergers and acquisitions. A document analysis protocol was used to collect and review data from published studies focusing on cultural, managerial, and organisational aspects of M&A activity. Thematic and content analysis were conducted through an iterative process of coding, categorisation, and theme development. The trustworthiness of the findings was enhanced by using peer-reviewed sources, applying consistent coding procedures, and comparing evidence across multiple studies. Data triangulation was achieved through the integration of findings from different disciplines and independent authors, which enabled the validation of recurrent themes relating to cultural compatibility, leadership, integration management, and human resource practices as critical unsystematic factors influencing M&A outcomes (Antila, 2006; Sarala et al., 2019; Sudarsanam, 2010).

4. Empirical Results

4.1 Descriptive Statistics

Table 2 provides a summary of the considered variables for the period of 1980 to 2022. M&A activity risen dramatically, reflecting growing corporate establishment, with deal numbers rising from just 248 in 1980 to over 6,700 in 2021. GDP growth be an average of around 2%, but was highly volatile, sloping dramatically during the financial crisis and covid pandemic times. Inflation continued comparatively steady, though it spiked in 1990 and again in 2022. The British currency gradually devaluated against the US dollar, with the exchange rate falling from 2.00 in 2007 to 1.24 in 2022. Trade balance amounts mostly exhibited a deficit, averaging -1.23% of GDP, with few surplus amounts during the sample period. Meanwhile, stock price indexes experienced an outstanding long-term increase, increasing from just over £1 in the mid-1980s to more than £32 by 2018, highlighting strong equity market growth in spite of rapid economic fluctuations.

Table 2:
Descriptive Statistics

Variable	Mean	Median	Std Dev	Min
A-M&A	3,508.84	3,484.50	1,446.84	248.00
GDP-GR	0.021	0.024	0.030	-0.110
IR	0.029	0.025	0.019	0.004
XRate	1.576	1.575	0.186	1.240
TB-GDP%	-0.012	-0.015	0.012	-0.035
STKP	16.702	18.890	9.955	1.074

Note. A-M&A denotes Announced M&A, GDP-GR denotes Growth rate, IR denotes inflation, XRate denotes the exchange rate, TB-GDP% denotes Trade Balance in % of GDP, and STKP denotes the share market stock price. Table 1 provides a comprehensive list of the variables included in the study, together with their corresponding measurements and definitions.

Source: Author's computations

4.2 Correlation Matrix

The Correlation Matrix (Table 3) displays the correlation coefficients between dependent and independent variables, describing the relationship between two variables and the extent to which they change together. The test results showed that there is no correlation between most of independent variables, except for stock prices and the exchange rate, which showed a value of 0.725, indicating a correlation greater than 70%. Consequently, it appears that both independent variables: stock prices and exchange are correlated and interrelated with a correlation significance at the 0.01 level.

Table 3:
Pearson Correlation Matrix results

	A-M&A	***GDP-GR***	***IR***	***XRate***	***TB-GDP%***	***STKP***
A-M&A	**1**	-.315**	0.232	-0.09	-.567**	-.277*
GDP-GR		**1**	0.100	-.591**	.691**	-.242*
IR			**1**	0.023	-0.061	0.097
XRate				**1**	-.507**	.725**
TB-GDP%					**1**	-0.02
STKP						**1**

Note. A-M&A denotes Announced M&A, *GDP-GR* denotes Growth rate, *IR* denotes inflation, *XRate* denotes the exchange rate, *TB-GDP%* denotes Trade Balance in % of GDP, and *STKP* denotes the share market stock price. Table 1 provides a comprehensive list of the variables included in the study, together with their corresponding measurements and definitions. The dependent variable the announced number of M&A was expressed in logarithmic values (log). ***, **, * denotes significance at the 1%, 5% and 10% level, respectively.

Source: Author's computations

4.3 Unit Root Test

The unit root test is used to model a time series and determine whether the time series variable is non-stationary (Macrobond, 2023). The results revealed a unit root problem in several variables, implying that these variables are stationary in first differences, as shown in Table 4. It appears that several variables within the data exhibit unit root problems. To address non-stationarity, the study will consider the first difference of the time series, which is equal to Yt-Yt-1 which will help remove non-stationary patterns from the original series.

Table 4:
Unit Root test results

Variables	Level- Individual intercept		1st difference- Individual intercept	
	Statistic	Prob.**	Statistic	Prob.**
A-M&A	-1.821	0.034	-3.304	0.001
GDP-GR	-1.205	0.114	-3.050	0.001
IR	1.027	0.847	-5.133	0.000
XRate	-0.062	0.475	-3.682	0.001
TB-GDP%	-0.647	0.258	-3.449	0.003
STKP	0.976	0.835	-4.339	0.000

Note. A-M&A denotes Announced M&A, *GDP-GR* denotes Growth rate, *IR* denotes inflation, *XRate* denotes the exchange rate, *TB-GDP%* denotes Trade Balance in % of GDP, and *STKP* denotes the share market stock price. Table 1 provides a comprehensive list of the variables included in the study, together with their corresponding measurements and definitions. ** Probabilities for Fisher tests are computed using an asymptotic Chi-square distribution. All other tests assume asymptotic normality.

Source: Author's computations

4.4 Regression Results

The stepwise regression in Table 5 illustrates the impact of GDP growth rate, Inflation rate, exchange rate, trade balance, and stock prices on the announced number of M&A transactions in the UK.

Table 5:
Multiple Regression Analysis Results

Model	1	2	3	4
Constant	0.008	0.008	0.009	0.009
GDP-GR	0.002			
IR	0.006	0.006		
XRate	0.396***	0.384 **	0.419**	
TB-GDP%	-0.056***	-0.057***	-0.059***	-0.062***
STKP	-0.002	-0.002	-0.004	-0.004

Note. A-M&A denotes Announced M&A, *GDP-GR* denotes Growth rate, *IR* denotes inflation, *XRate* denotes the exchange rate, *TB-GDP%* denotes Trade Balance in % of GDP, and *STKP* denotes the share market stock price. The dependent variable the announced number of M&A was expressed in logarithmic values (log). Table 1 provides a comprehensive list of the variables included in the study, together with their corresponding measurements and definitions. ***, **, * denotes significance at the 1%, 5% and 10% level, respectively.

Source: Author's computations.

Based on the OLS regression analysis of model (1) in Table 5, the results indicate that the GDP growth rate and the inflation rate have a positive but insignificant relationship with the announced number of M&A in the UK. Simultaneously, the trade balance as a percentage of GDP is negatively related to the announced number of M&A transactions, exhibiting a significant relationship. Furthermore, stock prices also exhibited an insignificant negative relationship with the number of announced M&As. Considering the results of the multiple regression models (1), GDP, the inflation rate, and the exchange rate are positively related to the number of M&A transactions, which aligns with previous studies (Boateng et al., 2014). Several scholars (Uddin & Boateng, 2011; Bany-Ariffin et al., 2016) considered GDP growth rate and inflation as one of the most important macroeconomic factors in explaining M&A trends and patterns. GDP and inflation reflect the market's size, demand, and profit of the target economy, which encourages FDI inflows (Stoian & Filippaios, 2008; Yusnidah & Jimoh, 2018; Uddin & Boateng, 2011). However, the trade balance exhibits a negative relationship with M&A, contrary to the findings of Didier et al. (2019).

Furthermore, the results revealed a negative relationship between the announced number of M&A transactions and stock prices, which is inconsistent with the findings of Boateng et al. (2014) regarding the

UK M&A market, where high share prices often reflect high economic growth. However, the test found a negative relationship between the announced number of M&A and stock prices (Boateng et al., 2011). Although previous studies (Boateng et al., 2014; Uddin & Boateng, 2011; Sudarsanam, 2010; Bany-Ariffin et al., 2016) have recorded a significant relationship between GDP, inflation rate, and stock prices, as well as M&A, the model (4) showed no significance between GDP, inflation, and stock prices and the announced number of M&A. Further, based on the empirical work of Didier et al. (2019), who proved that trade openness has a direct bearing on M&A decisions. Model (4) showed a significant negative relationship between the trade balance and the announced number of M&A transactions. The model (1-3) indicates that the exchange rate has a significant negative impact on M&As, suggesting that the exchange rate can influence FDI when a currency is depreciating, as it makes buying foreign assets appear more affordable (Boateng et al., 2011; Boateng et al., 2014).

Results indicated that the GDP growth rate, inflation rate, and stock prices have an insignificant relationship with M&A in the UK. Dunning (2009) and Uddin and Boateng (2011) found that GDP, exchange rate, interest rate and share prices influence the location-specific advantages of cross-border inflows and outflows. Uddin and Boateng (2011) emphasised the importance of examining macroeconomic factors, with a focus on M&A, and considering them when reviewing government policies due to their significant impact on the trajectory of CBM&A in the UK, as most of the UK FDI is mainly via CBM&A (Uddin & Boateng, 2011).

Based on the regression results in Table 5, H3 and H4 are accepted, while H1, H2, and H5 are rejected. Exchange rate exhibits a positive and significant coefficient, suggesting that favourable exchange rate movements are associated with higher levels of announced M&A activity. In contrast, trade balance as a percentage of GDP has a negative and highly significant relationship with M&A activity, indicating that increases in trade balance are associated with a decline in announced M&A transactions. However, although GDP-GR and IR show positive coefficients, they are not statistically significant, while STKP display a negative but insignificant relationship with M&A activity. Consequently, there is insufficient evidence to support H1, H2, and H5, and we do not accept these hypotheses.

4.5 Unsystematic factors

Behavioural, cultural, and managerial dimensions of M&As have received limited scholarly attention. Such unsystematic factors are difficult to measure, as they often require access to firm-specific and confidential information. This study employed thematic analysis to review prior research on cultural and managerial factors in M&As and to examine their influence on M&As. The studies presented in Table 6 were selected using a purposive sampling approach from the mergers and acquisitions (M&A) literature. To be included, studies had to focus on unsystematic aspects of M&As, such as culture, leadership, integration, organisational behaviour, employee retention, or human resource management. Furthermore, only peer-reviewed journal articles, academic books, and other reputable scholarly sources that made a clear contribution to understanding the non-financial determinants of M&A success or failure were considered. Preference was given to studies that are widely cited and recognised as influential within the M&A field.

Table 6:
Analysis on M&As' unsystematic factors

Authors	Paper Title	Focus	Contributions
Teerikangas et al. (2011)	Integration Managers' Value- capturing Roles and Acquisition Performance	Managerial Considerations : Integration managers	This study examined M&As from an actor-oriented perspective, emphasizing the central role of *integration managers* in value capture and in shaping post-acquisition performance. It identifies three key roles of integration managers: capturing value during the pre-acquisition phase, coordinating the acquiring organisation, and managing the integration of the acquired firm. Together, these roles provide a basis for identifying and developing future integration managers capable of leading value-creating M&A processes.
Kavanagh and Ashkanasy (2006)	The Impact of Leadership and Change Management Strategy on Organizational Culture and Individual Acceptance of Change During a Merger	Leadership and Change management strategies	Leadership plays a critical role in M&As, particularly through the way leaders manage organisational change and influence the outcomes of takeovers. Effective leaders act as skilled communicators and change facilitators, guiding employees through the transition and fostering acceptance of the new organisational structure and culture. By supporting individuals in adapting to change, leaders help mitigate resistance and enhance integration effectiveness.
Sarala, Vaara, and Junni (2019)	Beyond Merger Syndrome and Cultural Differences: New Avenues for Research on The "Human Side" Of Global M&As	The human side of M&A, particularly the use of managerial tools in M&As, including HRM practices	This study focused on "human side" of M&As as they consider the unsystematic side neglected and added a voice to the M&A literature around the importance of "transition teams" which help companies' individuals understand and accept the partner's culture positively. Further authors suggested avenues for further research that include studying the role of emotions in M&As, change agency, negative resistance to M&As and other HRM practices in relation with M&As.
Mariappan (2003)	Mergers and Acquisitions: The Human Issues and Strategies	Management of human relation issues throughout the M&A activities.	Managing cultural differences are a prevalent problem in the M&A discussion, before and after the integration, as most M&A failures stem from poor cultural fit. Thus, Mariappan (2003) stressed on the importance of diagnosing both cultures to evaluate their degree of compatibility. Similarly, job transfers throughout the M&A process which tends to create a level of anxiety and ambiguity between employees. Hence, an effective HR response is crucial to handling the human side of M&As with the help of communication and strategic planning.
Antila (2006)	The Role of Hr Managers In International Mergers and Acquisitions: A Multiple Case Study	HR management	HR management roles in M&As are not well defined and assumed that the latter need to simultaneously perform 2 roles: a strategic role that serves the M&A integration and a support role that is confined to the business unit (the roles of employee champion and change agent). In fact, HR managers are no longer required to be specialists, but rather generalists who are equipped with the expertise and authority to run M&A integration successfully.

Weber et al. (2011)	A Model of the Influence of Culture on *Integration* Approaches and International Mergers and Acquisitions Performance	Culture, integration level/approach	A theoretical multidisciplinary model to address the role of cultural differences in determining a suitable integration strategy for both companies by considering corporate and national culture make the analysis more complex when the focus should be toward the culture in association with the level of integration. That's because a poor culture fit throughout the integration process can be deleterious to the M&A performance. Findings suggested that each acquirer should focus on approximating both the level of integration and integration approach, based on cultural differences, to yield value creating M&As.
Weber et al. (1996)	National and Corporate Cultural Fit in Mergers/Acquisitions: An Exploratory Study	National and corporate cultural fit	The importance of acculturating both national and corporate culture in the post M&A integration are discussed. Poor national and corporate culture fit, add costs to the integration and hampers potential synergy premises and outcomes and national culture to be more salient and important in international takeovers, considering that it is more reluctant to change.
Legare (1998)	The Human Side of Mergers and Acquisitions.	Human resources development	This paper studied the M&A case of Hewlett-Packard which acquired Apollo Computer to picture the conflicts arising in both companies from not designing an integration plan which ultimately led to poor cultural fit and several interpersonal conflicts. HR development in developing an integration plan which bridges the gap between employees' competencies and the company's needs during M&As is essential.
Anh Dao & Bauer (2021)	Human Integration Following M&A: Synthesizing Different M&A Research Streams	Human integration	This study analysed M&As through 3 schools: 'the strategic management school', 'the organisational behaviour school' and 'the process school' for a more integrative understanding of the human integration in the M&A process.
Ahammad et al. (2016)	Knowledge Transfer and Cross-Border Acquisition Performance: The Impact of Cultural Distance and Employee Retention	Transfer of Knowledge in M&As	This study provided an empirical study of the transfer of knowledge in an CB M&A transaction taking in account the weight of culture and employee retention and suggested managers to retain their employees during an M&A and provide awareness workshops to bridge the cultural gap between the acquired and the acquiring firms.

Note. This table summarises the key contributions of ten research studies examining unsystematic factors in M&As. It presents influential academic work that approaches the topic from diverse perspectives, thereby minimising overlap and avoiding repetitive findings.

The findings indicate that unsystematic factors are as critical as systematic variables in determining M&A success. Neglecting the human dimension renders the M&A process incomplete, as successful takeovers emerge from the interaction between economic conditions and managerial and cultural dynamics (Sudarsanam, 2010). The unsystematic M&A literature consistently highlights the importance of managerial competence and cultural compatibility in shaping both pre- and post-integration outcomes (Legare, 1998; Weber et al., 2011; Dao & Bauer, 2021). Consequently, several scholars (Weber et al., 1996; Kavanagh & Ashkanasy, 2006) advocate conducting cultural diagnoses prior to deal execution to assess compatibility and identify potential sources of conflict between acquiring and target firms.

A growing body of research highlights the role of integration managers as change facilitators responsible for designing integration plans, retaining key talent, and managing interpersonal and organisational conflict (Teerikangas et al., 2011; Kavanagh & Ashkanasy, 2006). Similarly, the findings suggest that M&As increasingly depend on effective human resource management rather than financial management alone. HR and integration functions are expected to diagnose cultural differences, facilitate knowledge transfer, and implement structured integration processes that ensure continuity and stability during transition.

Overall, the study reinforces the view that managerial and cultural competence are central determinants of M&A success. From a cultural perspective, compatibility and complementarity between organisational cultures directly influence integration effectiveness. From a managerial standpoint, leadership capability, communication, and decision-making quality play a decisive role in aligning employees with the new organisational structure. These conclusions are consistent with Kavanagh and Ashkanasy (2006), who emphasise the influence of leadership behaviour on employee responses to post-merger change. As noted by Sudarsanam (2010), integration represents the true commencement of the deal, during which managerial actions shape employee attitudes and operational continuity.

Consequently, M&As that adopt structured, human-centred integration approaches and proactively address employee resistance and conflict are more likely to achieve value creation objectives (Sudarsanam, 2010). Effective integration requires collaborative managerial teams drawn from both acquiring and acquired firms that align strategic objectives with operational realities. In this context, organisational design, role clarity, and proactive conflict management particularly in situations involving power redistribution are essential (Sudarsanam, 2010).

In summary, evidence from both the literature and the thematic analysis attributes M&A success primarily to managerial and cultural factors. Many M&A failures arise not from flawed financial logic but from poor cultural fit and ineffective management (Legare, 1998). Consistent with Sudarsanam (2010), this study concludes that M&As represent complex processes of organisational integration rather than discrete transactional events, requiring carefully designed and human-centred integration strategies. While macroeconomic conditions such as GDP growth, inflation, and stock market performance continue to influence M&A activity, the findings reveal a significant gap in the empirical understanding of unsystematic factors, highlighting the need for further research to operationalise and measure the human side of M&As more comprehensively.

5. Conclusion

This study investigated the macroeconomic and organisational factors influencing merger and acquisition (M&A) activity in the United Kingdom over the period 1980–2022. The empirical findings indicate that GDP growth rate, inflation rate, and exchange rate are positively associated with the number of announced M&A transactions, while trade balance as a percentage of GDP and stock prices are negatively associated with M&A activity. These findings suggest that changes in economic growth, inflation, exchange rates, trade performance, and stock market conditions play an important role in shaping M&A activity in the UK. The results are broadly consistent with previous studies that have highlighted the significance of macroeconomic conditions in explaining M&A trends and patterns, including the work of Uddin and Boateng (2011), Boateng et al. (2014), and Globerman and Shapiro (1999). Unlike many studies that focus on completed transactions, this research examined announced M&A deals to better capture firms' intentions and interest in pursuing acquisitions. In addition to the macroeconomic analysis, the qualitative findings suggest that organisational factors such as cultural compatibility, leadership effectiveness, employee retention, and integration management are important considerations in determining M&A outcomes. Consistent with the findings of Weber et al. (1996; 2011), Kavanagh and Ashkanasy (2006), Teerikangas et al. (2011), and Sarala and Junni (2019), the study highlights the importance of effective integration planning and the management of cultural differences in supporting successful M&A transactions.

Based on these findings, policymakers seeking to encourage M&A activity should focus on maintaining economic conditions that support sustainable GDP growth and exchange rate stability, as these variables were found to be positively related to announced M&A activity. At the organisational level, firms considering M&A transactions should place greater emphasis on cultural compatibility, employee integration, and effective leadership throughout the merger process. Future research could extend the analysis by examining additional macroeconomic variables and undertaking case studies of successful and unsuccessful M&A transactions to provide a deeper understanding of the organisational factors that influence M&A performance.

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