

# Unlocking the secrets of tech valuation through mergers and acquisitions

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A recent collaborative study conducted by accounting and finance scholars highlights the pivotal role played by the M&A (Mergers and Acquisitions) market in assessing the worth of technological assets.

The research, published in *Management Science*, unveils how M&A transactions facilitate the exchange of vital information concerning technology value, benefiting both industry insiders and the broader market.

In the study, co-authored by Dr. Ni Peng, Lecturer in Finance, from the School of Business and Management, the findings highlight the essential role that the M&A market plays in generating and conveying information of common interest about the price and value of technologies.

The study aimed to answer two fundamental questions: Firstly, to what extent do acquisitions serve as vehicles for generating and disseminating information about technology value that is of common interest among technology peers? Secondly, what mechanisms are at play in this information transmission process?

The study, delves into the complex task of valuing technology, known for its intricacies and the reluctance of technology owners to share [sensitive information](#) due to competitive pressures.

"Technology overlap between two [firms](#) is a unique economic relation, independent of relations due to product market, supply chain and geographic location. Value [relevant information](#) can transmit through technology links across firms, providing more precise assessment of technology that is otherwise difficult to obtain," explains Dr. Peng.

"Technological innovation forms an essential driver of business success and [economic growth](#), but the value of innovation is often elusive," added Co-author Dr. Xiangshang Cai, University of Liverpool.

The research found that acquisitions do not cause an unhealthy change in industrial competition. Customers of acquiring firms do not suffer from

negative abnormal returns on average, or in deals most likely to be classified as "killer acquisitions."

The authors say that understanding that acquisitions, together with technology links, play an essential role in the information-transmission process is crucial in terms of firms' M&A and innovation strategies.

Co-author Professor Ning Gao explains, University of Manchester said, "Our research can assist government initiatives aimed at promoting innovation activities and improving the pricing of technology assets, especially for [small firms](#). It serves as a valuable reference for antitrust agencies seeking to calibrate their intervention strategies in response to technology-related acquisitions."

"Firms that aim to undertake acquisitions would find this knowledge particularly important in the target selection and valuation processes. It would also inform firms' anti-merger policies to adapt to the landscape changes brought about by [acquisitions](#) of technologically close firms," concluded Co-author Amedeo De Cesari, University of Manchester.

**More information:** Xiangshang Cai et al, Acquisitions and Technology Value Revision, *Management Science* (2023). [DOI: 10.1287/mnsc.2023.4890](#)

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