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**Value Creation in Serial Acquisitions: Drivers of
Success and Failure (with a Focus on the
Compounder Strategy)**

School of Accounting and Finance
Bachelor's thesis
Finance

Vaasa 2026

UNIVERSITY OF VAASA**School of Accounting and Finance**

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Title of the thesis:	Value Creation in Serial Acquisitions: Drivers of Success and Failure (with a Focus on the Compounder Strategy)		
Degree:	Bachelor of Science in Economics and Business Administration		
Degree Programme:	Finance		
Supervisor:	Nebojsa Dimic		
Year:	2026	Pages:	41

ABSTRACT:

The purpose of this thesis is to examine the value creation methods behind serial acquirer strategies. The aim is to explain how certain serial acquirer companies can create systematic value when the historical failure rate in the M&A literature is often estimated at 70–90%. The thesis addresses this issue by first conducting a literature review and then collecting illustrative case examples of both successful and unsuccessful serial acquirers. The cases are later used to evaluate common pitfalls and deepen the analysis, and common financial theories are also applied in this section. The analysis reveals that long-term value creation depends on acquisition programs that are implemented as routine and executed with high discipline. Successful serial acquirers share distinct characteristics such as systematic acquisition programs, decentralised governance, low debt, and long-term ownership horizons. These firms exploit private market inefficiencies through small-to-medium acquisitions in niche markets, creating a compounding effect in which prior deals finance further growth. The three most common pitfalls that link the unsuccessful cases are financial instability, behavioural biases that affect acquisition targets and growth, and lastly, over-integration. The study identifies a significant research gap by highlighting that the compounder strategy, which is widely recognised in practitioner literature, but lacks a systematic academic definition and robust empirical validation.

KEYWORDS: Mergers & acquisitions, Value creation, Serial acquirers, Compounder strategy

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1 Introduction

Serial acquirer companies have recently received increasing academic and practical interest. The theory behind mergers and acquisitions as a growth method has been widely studied, and the research shows that the historical failure rates are estimated at 70%-90%. Some serial acquirers, on the other hand, have been able to create long-lasting value through M&A activity. Even though multiple studies show that serial acquirers fail to create value when compared to single acquisition or organic growth firms, the strategy remains widely used. Understanding the mechanisms of value creation in serial acquirer cases, where a firm completes multiple, frequent transactions, is therefore essential to understanding modern corporate decision-making and long-term success.

While serial acquirers have been studied for some time, empirical findings on their long-term performance remain inconsistent (Gustavsson & Möllerström, 2022). Serial acquirers seek competitive advantage and synergies through the "2+2=5" concept, in which combined firms are expected to create more value than they would separately. Yet the same deals can result in value destruction as the number of acquisitions increases. Although theory suggests that firms should improve performance by acquiring suitable targets, empirical evidence demonstrates that performance often declines as acquisition activity increases, despite expected learning effects (Adavikolanu & Korrapati, 2009).

Most research on acquisition-led growth has focused on differences between occasional buyers and those who make M&A a routine capability. According to Laamanen and Keil (2008), value creation in serial acquisition does not arise from individual deals but from the implementation of disciplined routines into the organisation's operating model.

A specialised class of these firms, known as "compounders," distinguishes itself through a strong decentralised culture and a focus on small, recurring acquisitions in less liquid private markets. This reinvestment cycle enables firms to leverage compounding by re-investing generated cash flows into further acquisitions to drive long-term shareholder

returns. The existing academic literature on compounders is almost non-existent, even though the term compounder is widely used among professionals and investors.

Evidence from Nordic performance rankings shows that Swedish compounders account for a significant share of the fastest-growing firms of the past decade (REQ, 2025; Dybvad et al., 2025). This indicates that the compounder strategy is not only present but increasingly recognised within the Swedish corporate context. Recently, there have been lots of reports that the compounder strategy might be expanding to Finland. Finland provides a stable base for these compounder companies to develop and grow through smaller acquisitions and niche industry markets. Companies such as Relais, Boreo, and Auroora Yhtiöt have already demonstrated the potential of this model in Finland's market.

The possible failures of serial acquisition firms have been heavily linked to behavioural factors that influence target pricing. These factors include theories like the Hubris Hypothesis, where managerial overconfidence and self-attribution bias can lead to serial acquirers overestimating the synergy effects and therefore overpay for targets. Also, Agency Theory has been highly associated with these inclining returns. Agency theory highlights situations in which managerial incentives encourage deal-making for personal compensation and status. This has been shown to lead to situations in which companies take on excessive debt and conduct value-destroying behaviour. Together, these theories and empirical evidence form the basis for this thesis, in which I examine why some serial acquirers create value while others fail.

The main goal of this research is to identify the key drivers of success, provide a clear understanding of the possible pitfalls, and explain these findings and phenomena using the common finance theories.

1.1 Research questions and hypothesis

Serial acquirers are becoming increasingly visible, and their influence on the markets continues to grow. Despite the strategy's rising popularity, only a small number of acquirers consistently create value (Campbell, 1997). However, when these companies succeed, the empirical findings indicate that these companies can outperform the broader market (REQ, 2025). Therefore, it is essential to know the possible underlying mechanisms that will determine whether a company can acquire companies successfully and repeatedly. This leads to the central question of the thesis:

RQ1: Why do some serial acquirers manage to create value while others fail to do so?

Successful serial acquirers have been shown to generate long-term shareholder value through focusing on a compounder strategy. The common characteristics of this strategy include efficient capital allocation, small continuous acquisitions in niche markets and a decentralised management system (REQ, 2025). Unlike most acquirers that use high leverage and short holding periods, this strategy is built for long-lasting and exponential growth, where previously acquired companies provide the needed cash to finance further acquisitions (Dybvad et al., 2025, p. 14).

H1: Serial Acquirers that use compounder strategies outperform comparable organically growing firms and other serial acquirers in long-term value creation.

While some serial acquirers can generate abnormal returns, this strategy has also been widely criticised. In the past, many firms have struggled to implement it effectively, leading to value destruction and even bankruptcies. Previous research indicates that after a certain number of repeated acquisitions, many companies begin to lose value rather than create it (Fuller et al., 2002). Therefore, it is crucial to examine which failure factors distinguish underperforming serial acquirers from successful ones, in order to predict acquisition outcomes or refine management strategies. This is forming the basis for RQ2.

RQ2: What are the key pitfalls that cause serial acquirer strategies to fail, and how do these failure factors differentiate underperforming serial acquirers from successful ones?

According to research, many serial acquirers and M&A deals fail when their acquisition behaviour becomes detached from shareholder value creation, as explained by agency theory (Jensen & Meckling, 1976). In some cases, managerial incentives encourage deal-making for personal gain rather than strategic fit. Over time, repeated successful acquisitions may also lead to overconfidence, leading firms to misvalue and overpay for their targets (Doukas & Petmezas, 2007). These incentives lead to acquisitions that do not enhance long-term performance, even when following the same strategy as the successful ones. On the other hand, successful companies can manage around these pitfalls with their greater industry experience,

H2: Unsuccessful serial acquirers are more likely to pursue value-destroying acquisitions driven by managerial incentives and overconfidence.

2 Theoretical Background

To analyse why certain serial acquirers create value while others fail, it is essential to understand the growth strategies. Distinguishing between organic and inorganic growth provides the necessary foundation for identifying the drivers of long-term success and the pitfalls that lead to value destruction. This chapter explores these concepts and, in the later sections, dives into the theoretical terminology required to evaluate the performance of acquisition-led strategies.

2.1 Inorganic vs Organic

When a company is choosing growth strategies, it comes down to two options: inorganic growth or organic growth. According to Alim et al. (2023), inorganic growth is the expansion achieved by combining with or acquiring other companies or by forming joint ventures or partnerships. They define organic growth as expansion driven by a company's own resources and activities, such as product development, market penetration, and process improvements.

According to established definitions of business strategy, organic growth is considered a more sustainable and less risky form of expansion than inorganic growth through mergers and acquisitions because it relies on internal development processes (Investopedia, 2003). Although companies pursuing organic growth also face challenges, these risks are more predictable and therefore easier to hedge, since adding another company to a growth strategy introduces additional change variables.

The observation that inorganic growth methods are riskier is supported by the research of Christensen et al. (2011), who proposed that the historical failure rate of M&A transactions ranges from 70% to 90%. This high volatility often stems from executives misaligning acquisition targets with the strategic purpose of the deal. Hammer et al. (2017) have proposed that executing a successful inorganic growth strategy requires significant

relevant experience, capital, and a favourable financing environment. According to them, even if these criteria are met, inorganic growth remains a higher-risk option than organic growth methods.

Even when inorganic growth is considered riskier, Campbell (1997) reports that M&A activity in the United States has grown rapidly, particularly among companies with annual revenues between \$1 and \$40 million. In the study, this expansion is explained by several factors: the retirement of a large cohort of post-war business owners, the rapid rise of the private equity industry, and increased industry consolidation as firms merge to stay competitive against active serial acquirers.

Christensen et al. (2011) also studied this phenomenon and shared their views. According to them, inorganic growth has significant upside potential. They also state that growth potential is evident in acquisitions aimed at reinventing a business model. They say that it can fundamentally redirect a company's pay off spectacularly in ways that organic growth methods rarely do. This upside potential is captured by Alim et al. (2023) in their research on Indonesian mining companies. In their comparison of findings, they found that inorganic growth proved more efficient than organic growth methods, improving enterprise value by 26.46%.

While organic growth offers less volatility, inorganic growth methods are growing in popularity, but are often considered riskier due to their lower success rate. Inorganic growth methods can be more attractive because they place companies at a higher competitive level, enable faster growth, and therefore deliver higher potential returns in a shorter timeframe. The higher risks and growing popularity of inorganic growth make it an interesting subject for study, raising the question of what distinct characteristics enable successful companies to lower risk and perform well in the long run.

2.2 Mergers and Acquisitions

Mergers & Acquisitions is an inorganic growth method and a key part of a serial acquirer's business strategy. To fully understand the serial acquirer's business model and common pitfalls, it is important first to review the broader M&A literature and its theoretical and empirical findings.

In the academic literature, M&A refers to corporate restructuring and ownership transactions. A merger occurs when two separate entities combine to create a new joint organisation, and an acquisition is defined as the takeover of one entity by another (Dharne & Ajmera, 2024). Prior literature commonly classifies these acquisitions into three groups: horizontal, vertical, and conglomerate. Horizontal acquisitions involve firms operating in similar lines of business, vertical acquisitions expand along the supply chain, and conglomerate acquisitions target firms in unrelated industries (Gupta, 2012). This classification implies that value creation and performance outcomes may differ across acquirer types.

Mergers and acquisitions are among the most common inorganic investment strategies used to grow and expand business operations across the globe (Haakantu & Phiri, 2022). Similarly, Gupta and Pratiksha (2023) emphasise that mergers and acquisitions have long been the most preferred method of inorganic company growth. Because M&A is widely used in corporate settings, understanding whether and under what conditions it can generate sustainable value for acquiring firms is important.

Mergers and acquisitions have been extensively studied in finance and strategic management. Prior literature has identified several recurring motives that drive firms to grow through acquisitions, and synergies represent the most traditional motive for mergers and acquisitions (Mukherjee et al., 2004). Jensen and Ruback (1983) define synergy as value creation that arises when the combined value of the merged firms exceeds the sum of their standalone values. These synergies can emerge in the form of operational, financial, or managerial. Bauer and Friesl (2022) find that although synergies are

frequently cited in acquisition announcements, their realisation is uncertain. This observation has led researchers to explore additional possible motives behind acquisition behaviour.

In the literature, market power has been seen as a possible key driver of M&A activity, especially in horizontal acquisitions. Jensen and Ruback (1983) stated that increasing market positions may reduce competitive pressures and therefore strengthen the acquirer firms bargaining power among stakeholders. Andrade et al. (2001) later argue that regulatory barriers prevent companies from turning a larger market share into easy profits. This would suggest that regulators stop firms from simply buying the competitions and then raise their prices. This suggests that market power alone cannot explain why M&A deals occur or whether they might be successful or not.

In contrast to these value-creating theories, a large amount of research shows that behavioural and agency-related motives play a huge role in acquisition activity. Roll (1986) hubris hypothesis suggests that managerial overconfidence drives acquisition decisions. Roll (1986) suggests that managers overestimate synergies and their own ability to manage somewhat complex interactions. These types of behavioural incentives challenge the thought that acquisitions are always aimed at shareholder value creation.

Research has also aimed to answer the underperformance of M&A deals, examining the underlying behavioural characteristics of acquisitions. Moeller et al. (2004) showed that large acquisitions, especially those that are financed with equity, are linked with significant value losses for the acquiring firms. Like the previous research also they provided empirical evidence that behavioural incentives were the main cause of this phenomenon.

Taken together, the M&A literature presents a clear tension. While acquisitions are widely used and theoretically justified through synergies, market power, and strategic resource acquisition, empirical evidence suggests that acquiring firms often fail to realise these benefits. The tension has motivated researchers to move from single M&A deals

and companies towards acquisition strategies, forming the basis for research on serial acquirers and this thesis.

2.3 Serial Acquirer

The term serial acquirer has been defined in multiple ways depending on the study and lacks a universally accepted definition (Renneboog & Vansteenkiste, 2019). In general, it refers to a business strategy in which a company makes multiple acquisitions within a specific time frame. In this thesis, a serial acquirer is defined as a firm that has completed more than five acquisitions within a two-year period, following the definition used by Fuller et al. (2002). Serial acquirers rely heavily on mergers and acquisitions (M&A) as a continuous growth mechanism. Evidence from prior research and the cases examined in this study suggests that such strategies can be observed across a wide range of industries. Due to the term's multifaceted nature, the strategic execution of serial acquisitions varies across industries and even within firms. In later parts of the study, we will examine cases from various industries and identify commonalities among the companies.

2.3.1 Value creation methods in Serial Acquirer strategies

Value creation in serial acquirer strategies is heavily impacted by the acquisition program. According to Laamanen and Keil (2008), a serial acquirer's acquisition program capability is among the most important characteristics of its strategy. They state that when a serial acquirer has a respected, well-established acquisition program, it can execute successful transactions, learn from prior acquisitions, and build scalable integration capabilities. Therefore, value creation arises not from an individual deal but from embedding routines into the organisation's operating model. Their research further suggests that when a firm embeds a learning curve into its acquisition strategy, it significantly increases the likelihood of future successful transactions.

Aside from the acquisition program, prior literature indicates that value creation in serial acquirer strategies is also grounded in synergies. As discussed previously, M&A operators and serial acquirers have a lot in common. Like these M&A operators, serial acquirers can also create value through establishing synergies. These synergies create value, for example by cutting operational costs, standardising policies within the acquired units and also by securing lower-cost financing. According to Dybvad et al. (2025, p. 31), these synergies are most effectively leveraged when companies pursue numerous small acquisitions rather than large megadeals. They argue this by stating that smaller deals are easier to integrate consistently and deliver more predictable outcomes when compared to the megadeals.

The value creation of serial acquirers is not limited to only a single industry (Dybvad et al. 2025, p. 22). According to them, serial acquirers can reduce the acquisition-specific risk by acquiring companies across different industries and countries. This is also supported by Laamanen and Keil (2008), who state that the risk of acquisition failure decreases when firms diversify their target niches.

Serial acquirers and the competitors that operate in the same market are very different regarding their ownership horizon. Competitors such as private equity investors aim to buy broken businesses, fix them, and then sell them for a profit. Serial acquirers, on the other hand, do not try to do this. They aim to capture already healthy and good businesses and own them forever or at least for longer periods. According to Campbell, as cited in Laamanen and Keil (2008), this long-term approach can put serial acquirers into a position of preferred buyer status. Similarly, Grant et al. (2023), in their research, observed that effective acquirers possess highly organised acquisition programs. They noted that the two case companies acquired over 150 targets within just a 19-year window. They further claim that these firms achieved acquirer of choice status, effectively attracting sellers. Consequently, these factors enabled the companies to outperform the Stockholm Nasdaq Top 30 by 10.8% in grouping A and 6.0% in grouping B, in shareholder return. This status gives serial acquirers better access to attractive firms at lower cost

and enables them to outperform individual buyers and other potential competitors (Dybvad et al., 2025, p. 139).

To sum it up, the real value in this strategy doesn't come from making deals alone but from establishing a routine that enables the company to learn and improve with every M&A deal. Ideally, this leads to synergies that can be leveraged to drive even higher value creation. Although it may seem like a simple strategy, many companies that try to grow this way end up underperforming rather than creating value.

2.3.2 Serial Acquirer challenges

Serial acquisition strategies do not always lead to superior performance, and empirical findings on serial acquirers are divided. Multiple studies have examined serial acquirers and reached similar conclusions. Companies that make multiple acquisitions tend to underperform those that make few or no acquisitions. Adavikolanu and Korrapati (2009), in their research on serial acquirers in the technology industry, found that serial acquirers' returns were -0.5%. They further argue that despite the lack of statistical significance at the 5% level, the economic magnitude of the implied losses could still reach hundreds of millions of dollars when applied to real-world cases.

Gionis and Stugemo (2022) in their thesis studied serial acquirers in the Nordics and found that, over a short-term period, serial acquirers underperform single acquirers by 4.34% on a univariate basis. These findings are consistent with Doukas and Petmezas (2007), who reported similar results in the UK.

Several previously published papers have concluded that a large share of serial acquirers' returns declines after a certain number of acquisitions (Fuller et al., 2002). Xu et al. (2022) found that serial M&A and company crash risk have a clear positive correlation. In addition, Hossain et al. (2021) address this issue by proposing that serial acquirers in Austria receive lower returns and face greater risk than single-acquisition firms. Conn et al.

(2004) reached the same conclusion in their paper, even though they noted a learning curve for some serial acquirers. However, Morillon (2020) found that these declining returns depend on serial acquirer type. According to him, the most value-destructive types were companies that were trying to acquire firms in short bursts (sprinters). It was also stated that companies that are actively acquiring companies (marathoners) are immune to declining returns.

This phenomenon of declining returns has been explained by Morillon (2020) as overvaluation, by Roll (1986) as managerial hubris, and by Jensen and Meckling (1976) as agency theory.

These conflicting findings suggest that serial acquisition is neither solely value-creating nor value-destroying, but highly dependent on strategy design and execution. This raises the question of what successful companies do to counteract declining returns.

2.4 Compounder strategy

When discussing these serial acquirers, especially the successful ones, it is important to understand the compounder strategy. Compounders are not yet widely studied in the academic literature, but the term is used among professionals. The term compounder is used among serial acquirers who can invest their cash flows effectively in both organic and inorganic growth. Not all serial acquirers are compounders, but all compounders are serial acquirers. “What distinguishes a mere “serial acquirer,” mostly focused on deal-making, from a compounder is a strong decentralised culture combined with a long industrial heritage that has forged a powerful cash culture” (Dybvad et al., 2025, p. 26).

These compounder companies are regularly able to outperform traditional M&A firms. The difference in value creation stems from the fact that acquisition-driven companies don't pursue massive M&A deals and therefore don't need an army of consultants to run them; instead, they focus on smaller acquisitions in private markets that are less liquid

and therefore more willing to accept a lower company valuation (Dybvad et al., 2025). Although Morillon (2020) suggests that if companies are acquiring too small targets, the targets don't provide enough value to offset the costs associated with M&A.

In a podcast episode of *We Study Billionaires* (2025), Niklas Sävås, Senior Equity Analyst at Redeye AB, explains how successful Swedish serial acquirers operate. According to Sävås, Swedish serial acquirers are companies that reinvest their generated cash flows to buy private companies. This reinvestment cycle enables serial acquirers to use the compounding effect to their advantage. According to him, if done right over extended periods, these companies can become extremely powerful, dominating niche markets and generating substantial cash flows.

As Sävås previously stated, compounders operate in the private market. Dybvad et al. (2025, p. 23) explain that in the private market, companies are often undervalued, or at least the market is less efficient at valuing them, because there is less competition among buyers than in public markets. In addition, these compounders usually operate in niche markets but aim to diversify their portfolios by expanding into other markets, as Lifco has done in Sweden (Dybvad et al., 2025, chapter 4).

Serial acquirers are often viewed as companies that rely solely on inorganic growth. However, Dybvad et al. (2025, p. 26) show that compounders have a history on the industrial side, making these companies well positioned to operate in that space. Compounders also invest their cash flows in both M&A and organic growth to build these businesses with purpose, without micromanaging. This, along with the low leverage used in acquisitions and attention to detail in valuation methods to prevent overpaying for targets, creates a "cash culture" that compounders prefer (Dybvad et al., 2025, p. 28).

The combination of long holding periods and small, recurring acquisitions enables serial acquirer firms to apply compounding, generating long-term value (REQ Capital, 2023). This is also confirmed by REQ (2025), which collected returns data from 979 listed

companies in the Nordics. Among the top 30 performers by total shareholder return over the past 20 years, 50% were companies with an active acquisition agenda. According to the report, this is remarkable because active acquisition companies make up only 5-10% of listed companies in the Nordics. Macias et al. (2023), in their research on the puzzles of serial acquirers, reached the same conclusion: companies that make acquisitions regularly can outperform those that make only a few or very irregular acquisitions.

The limited availability of academic literature on acquisition-driven compounders makes it harder to form a traditional literature review. However, existing professional-oriented research consistently documents that, when executed with discipline, the compounder strategy has been associated with abnormal returns. The growing attention this strategy has received in professional and investor literature suggests that it captures relevant mechanisms of value creation that have not yet been fully examined in academic research. This gap between academic coverage and professional evidence reinforces the relevance of the research hypotheses and highlights the need for further academic investigation into the drivers and limitations of the compounder model in the case of serial acquirers.

3 Illustrative Corporate Examples

This section presents illustrative corporate examples of serial acquirers worldwide, contrasting companies that have mastered this strategy with those that have failed. By synthesising theory with real-world examples, this analysis serves as a bridge to the study's central hypothesis. A detailed discussion of the underlying reasons for these findings is presented in Chapter 4.

3.1 Successful Serial Acquirers Companies

Macias et al. (2023) examined different types of serial acquirers. They proposed a classification that divides them into four distinct groups: Loners (who make only 1–2 acquisitions), Occasional Acquirers, Sprinters (who pursue short, intense serial acquisitions), and Marathoners (who engage in acquisitions on a more regular basis and aim to sustain growth over long periods of time). Their findings suggest that Marathoners have achieved the highest cumulative returns among the groupings. To reach this outcome, Marathoners typically execute many smaller acquisitions that collectively generate a larger cash flow stream. According to this study, it does not significantly matter whether a single acquisition is a failure, since it does not reduce CAR returns by much.

It is in our best interest to select companies that fit this marathoners' grouping. The specific criteria set for companies to be selected were: 10-year CAGR over 12,89% or 5-year CAGR over 13,77% (outperforming the S&P 500), be categorised as marathoners based on acquisitions and decentralised governance, and be from different countries from each other to ensure that the identified success is a result of strategic execution rather than country-specific market conditions or local legal frameworks.

Companies that have successfully met these criteria and leveraged the serial acquirer strategy include Berkshire Hathaway (USA), Constellation Software (Canada), Lifco (Sweden), and Relais (Finland).

3.1.1 Berkshire Hathaway

Berkshire Hathaway is widely considered the pioneer of the serial acquirer model. However, the corporation has grown to such a magnitude that it has shifted its original strategy from purchasing small firms to targeting larger enterprises. According to Berkshire Hathaway Inc. (1999), the focus shifted to acquisitions with pre-tax earnings of over \$50 million, specifically targeting companies in the \$5–20 billion range. Berkshire Hathaway Inc. (1999) also noted a preference for purchasing private companies over public ones.

Beyond these specific criteria, Berkshire Hathaway adheres to the fundamental characteristics of serial acquirers: carrying little to no debt on acquisitions, acquiring companies to let them operate autonomously rather than to "fix" them, and buying only businesses they thoroughly understand. It is important to note that this data reflects a 1999 release when Berkshire's market cap was approximately \$85 billion. Today, as the company is valued at over \$1 trillion, Berkshire Hathaway's specific acquisition criteria have likely evolved. Nonetheless, this foundational acquisition strategy is what made Berkshire Hathaway grow from large to massive. Currently, Berkshire Hathaway's 10-year calculated CAGR, which measures the return, is hovering around 14%.

3.1.2 Constellation Software Inc

Constellation Software Inc. (CSI) is a Canadian serial acquirer that primarily targets technology firms. CSI has also published its acquisition criteria (CSI Software, n.d.). Their criteria and strategy are very similar to the previously presented Berkshire Hathaway's acquisition program. They target well-managed, healthy companies that are typically the top two market leaders in their own niche markets (CSI Software, n.d.). Like their acquisition strategy, their current market cap of around \$70 billion is also comparable to Berkshire Hathaway's size back in 1999. The biggest differences in their strategy come from

the acquisition targets market and their size. CSI targets primary technology firms where Berkshire Hathaway does not have a specific industry they target. CSI targets companies with at least \$1 million in EBIT and \$5 million in revenue (CSI Software, n.d.). Berkshire Hathaway acquires more valuable and larger firms. This is partly due to the market that CSI operates in. When CSI has narrowed down their targets by the market it is rarer to come across good buying opportunities at the larger scale. Berkshire Hathaway, on the other hand haven't narrowed their acquisition targets by market, so it is in their best interest to narrow it down by raising the EBIT criteria. While software companies may have smaller individual revenue bases, they tend to offer high margins and scalable growth potential.

Most importantly, CSI maintains a decentralised strategy. Acquired companies are typically left with their autonomy rather than having to undergo radical restructuring. This strategy has driven massive revenue growth, increasing from approximately \$1.8 billion in 2015 to over \$10 billion in 2024, while EBITDA grew from \$446 million to nearly \$2 billion over the same period (CSI Software, n.d.). Constellation Software currently has a 10-year CAGR of 20.5%.

3.1.3 Lifco

Lifco is a well-known Swedish serial acquirer that operates on a smaller scale than the large companies previously discussed. It focuses on acquiring small- and medium-sized enterprises (SMEs) that offer sustainable, long-term growth and reduce the potential post-acquisition risk Lifco must bear. Since 2006, the company has successfully acquired 139 companies globally (Lifco AB., n.d.).

Lifco focuses on target companies that are leaders in their niche markets. Notably, their website states that they only acquire companies that adhere to the UN Global Compact's human rights principles. When analysing Lifco's strategy, there appears to be no strict minimum revenue criterion. Instead, the most critical factor is the stability and

characteristics of the seller's business. According to their acquisition log, most of these transactions come from the Dental (58) and Systems Solutions (67) sectors. These diverse acquisitions from around the world have been the primary driver of the company's success. Lifco's calculated 10-year CAGR is 21.44%.

3.1.4 Relais Group

Relais is a Finnish serial acquirer that uses a strategy like many other successful acquirers, but tailored to the automotive aftermarket. Their target market consists of companies operating in the commercial vehicle spare parts, accessories and maintenance sector. Primarily, they seek businesses that can complement the group's existing offering or expand its geographical coverage, particularly in the Nordic and Baltic regions. Like most successful serial acquirers, Relais does not aim to "fix" the acquired company; rather, it seeks to acquire operations with healthy cash flows and allow them to continue under their own brand and management. Although Relais is not yet as large as the previously mentioned companies, it demonstrates that this strategy is effective even on a smaller scale when applied to SMEs.

The most significant difference Relais demonstrates compared to other serial acquirers is its approach to synergies. In many studies, an overreliance on synergies is cited as a factor that drives failure among serial acquirers, yet Relais seems to have found an answer to this problem. Relais publishes specific Euro-denominated synergy targets in connection with its major acquisitions. Because Relais operates in a smaller, more specific niche, unlike Berkshire Hathaway and CSI, which diversify across multiple markets to divide risk, it can leverage these synergies more effectively. Instead of valuing these synergies in acquisitions, Relais focuses on how it can generate synergies with the target's existing dynamics after the acquisition, to limit the risk of overpaying for the target (Relais Group Plc, 2022, p. 13).

Relais's concentrated impact on the niche market creates opportunities to leverage operational synergies that broader conglomerates often cannot. Since the Relais Group was listed in 2019, it is not possible to calculate the 10-year CAGR, so I will calculate the 5-year CAGR of earnings per share (EPS), which has been exceptional at around 26%.

The companies discussed here range from global giants to niche players in the automotive aftermarket, yet they share clear strategic similarities. They are all Marathoners and compounders. Despite operating in vastly different industries, their success comes from the same playbook. Regular, disciplined acquisitions, low debt, and high autonomy for their acquired companies. This suggests that the outperformance of these firms is not just an industry-specific phenomenon, but rather a result of systematic execution. These real-world examples of successful serial acquirers provide practical support for the hypothesis, which is analysed later in detail in Chapter 4.

3.2 Unsuccessful Serial Acquirer Companies

While successful serial acquirers generate value through disciplined capital allocation and clear strategy, many firms have failed to sustain this strategy. By examining these unsuccessful cases, we can better understand whether their failures were due to not following the theoretical rules that successful serial acquirers typically follow.

The companies selected for the unsuccessful case studies are among the most prominent corporate failures of the 21st century. Although these firms do not necessarily share the same industry or the "Marathoner" classification of the successful cases, their inclusion is justified by their divergent strategic outcomes. To ensure a systematic comparison between the case companies and the established theoretical literature, each organisation was evaluated against a set of benchmarks: significant market underperformance, fundamental structural flaws, high integration of centralised frameworks, and an acquisition-driven growth model.

3.2.1 Valeant Pharmaceuticals

Valeant Pharmaceuticals was a Canadian pharmaceutical company that pursued an aggressive, serial acquisition strategy to dominate the pharmaceutical market. The company became a Wall Street favourite by executing a high-velocity acquisition program. However, unlike sustainable serial acquirers that focus on long-term value creation, Valeant's model relied heavily on financial engineering. Instead of investing in the companies it acquired, Valeant didn't invest in research and development budgets but drastically raised drug prices to boost short-term earnings. As Belanger et al. (2025) note, this strategy created the illusion of rapid growth and high profitability. On the other side, it lacked all the ingredients that would enable it to have long-term growth. This prioritisation of high-volume acquisitions later led Valeant Pharmaceuticals into excessive debt.

The constant deal-making that Valeant Pharmaceuticals did created complexity that led to confusing issues within the company. Belanger et al. (2025) note that this environment allowed the firm to conceal its fraudulent relationship with the Philidor pharmacy network. According to them, this was used to artificially inflate sales figures and cheat investors. The 2015 revelation of this scheme triggered a massive market reaction as investors realised there was no actual organic growth. This made the share price fall from \$260 to single digits. This case remains as a reminder that a serial-acquirer strategy cannot succeed in the long term without transparency and genuine organic growth to support the acquisitions. This also shows the possible side effects of Agency Theory and overconfidence on the management's part.

3.2.2 Embracer Group

Embracer Group is a Swedish-based gaming company. Its business model relies heavily on continuous acquisitions while also incorporating organic growth. Embracer funded its aggressive acquisition strategy through heavy debt and continuous issuance of new

shares. This made the company's survival almost entirely dependent on a high stock valuation and constant external debt.

According to Totilo (2023), in May 2023, Embracer Group faced a challenge. A new deal had Savvy Games Group lending \$2 billion to Embracer Group to continue acquisitions. Just a few hours before the fiscal report was released, Savvy Games Group withdrew from the deal. This was catastrophic for Embracer Group, since management had already factored it into their internal budget and earnings report. According to Embracer Group (2023) press release, they had to respond by cutting costs heavily, which they were not ready for. This shocking news eroded investor confidence, and the stock dropped 45% in a single trading day. The resulting liquidity crisis forced a massive restructuring program throughout 2024 and 2025. During this period, Embracer Group's headcount decreased from 5,175 in 2023 Q1 to 1,210 in 2025 Q1. This case showcases the potential dangers of serial-acquirer strategies when the financial foundations are weak or when a company relies too heavily on debt and external funding dries up.

3.2.3 General Electric

The third and final case of unsuccessful serial acquirers is General Electric (GE). Unlike the previous companies introduced in both the successful and unsuccessful sections, General Electric is a more traditional conglomerate that focuses on acquiring companies across various industries. The company was known for an aggressive, finance-led acquisition strategy that often took precedence over organic growth. On Wall Street, General Electric was known for using GE Capital for financial engineering and earnings smoothing to meet previously set financial goals. This steady, predictable cash flow was highly valued by investors prior to 2000. According to The Motley Fool (2014), former CEO Jack Welch oversaw nearly 1,000 acquisitions during his tenure.

When the financial crisis hit in 2008, GE Capital was severely crippled, forcing the company to pivot back to its industrial roots through additional acquisitions. This effort

culminated in 2015, when GE purchased Alstom's power business for \$10.6 billion. According to Loh (2019), the deal was intended to solidify GE's footing in emerging markets and was initially viewed as a strategic victory. However, retrospective analyses now consider the deal significantly overpriced and a primary driver of the company's plunging stock price and poor shareholder returns.

In addition to these, GE pursued practices not associated with successful serial acquirers. These included a culture of diversification and arrogance. Unlike successful serial acquirers who retain their positions as domain experts, GE frequently replaced acquirer management with generalist executives, erasing the specific industry knowledge that made the targets valuable in the first place (Gryta et al., 2018). This added to the "success theatre" described by Gryta et al. (2018), in which managers were pressured to mask underperformance to satisfy upper management by hiding the rot within the acquired companies. These operational nuances have left GE unable to deliver value creation through acquisitions. Including dividends over a 16-year period, GE has gained 8% while the S&P 500 has risen 214% (Gryta et al., 2018).

Although these companies operate in very different industries, their failures were not random. They shared specific structural flaws, including excessive debt, heavy capital allocation, and cultural misalignment. These flaws sharply contrast with the methods of the successful acquirers discussed earlier.

4 Drivers of Success and Failure among Serial Acquirers

In this chapter, I will present a case analysis of the previously introduced serial acquirers in order to find underlying causes for possible performance patterns. The objective is to find the answer to why some serial acquirers create value while others fail, and to find the common pitfalls. By comparing these disciplined and successful serial acquirers to the unsuccessful ones, we can see what incentives truly affect the outcomes of value creation.

On top of comparing the successful companies to the unsuccessful ones, we will also analyse the cases using common finance theories to explain the cases even more deeply. I aim to implement theories such as Agency Theory and the Hubris Hypothesis to help explain the different outcomes observed in the companies' performance. This analysis provides information about how the compounder strategy is also utilising the knowledge of these common pitfalls.

4.1 Comparison of Financial Structures

When comparing the financial structures of these successful serial acquirers with the unsuccessful ones, significant differences can be seen. In these cases, it is visible that all of the unsuccessful acquirers were forced to take on too much debt in order to continue their acquisitions and growth. The successful ones, in comparison, can maintain their operations with less debt and more cash-heavy acquisition deals.

For example, in the cases of companies like Valeant Pharmaceuticals, Embracer Group, and General Electric, a common pitfall has been high reliance on debt. In these instances, the completed acquisitions were not only strategic choices but more like necessities, financed through leverage. Companies like Valeant and Embracer became trapped in a cycle in which they were forced to make increasingly large acquisitions to maintain revenue growth and meet investor expectations. This encouraged them to raise

unsustainable levels of debt on their balance sheets. All of a sudden, when market conditions changed, the supply of cheaper external money dried up due to high interest rates and declining stock prices.

In comparison, a more sustainable approach is visible in the successful company cases such as Constellations Software and Lifco. Their financial structures are made up of discipline to endure longevity. These characteristics help the firms better withstand potential shocks. These companies can apply the core methods of the compounders discussed in Chapter 2.4, using free cash flow to finance further acquisitions. This does not mean these companies would not use debt at all to leverage acquisitions, but debt is viewed as a minor lever rather than the primary fuel for the deals (Dybvad et al., 2025, p. 27).

So in summary, unsuccessful serial acquirers often resort to financial engineering to compensate for a lack of organic cash flow by taking on debt. Successful ones treat debt as a minor lever and focus on maintaining the company's acquisitions at a level sustainable for the balance sheet.

4.2 Financial Theories for outcome

In this chapter, we will dive deeper into these findings by applying common financial theories to better link them to the cases presented. Whereas unsuccessful firms fall victim to cognitive biases and misaligned goals, successful firms try to employ robust corporate governance frameworks. These frameworks are aimed at preventing these theoretical pitfalls, thereby ensuring long-term value creation.

4.2.1 Overconfidence

Managerial overconfidence is the most likely reason that most serial acquirers fail to create shareholder value through acquisitions (Gustavsson & Möllerström, 2022). Roll's

(1986) hubris hypothesis is the original backbone of this theory. He suggests that acquiring managers often suffer from excessive optimism. According to Doukas and Petmezas (2007), this cognitive bias is particularly prevalent among serial acquirers, who tend to overestimate potential synergies. They also state that managers usually underestimate the associated integration risk of the company.

Overconfidence in acquisitions is rarely a static trait. Instead, it is often reinforced by prior success through completed acquisitions. This self-attribution bias can create a destructive cycle where the market reaction to initial deals and the self-perceived success can blind the management (Doukas & Petmezas, 2007). (Doukas & Petmezas, 2007) Also state that this leads to more frequent and less disciplined acquisitions. This phenomenon can also be seen in our cases. Especially in cases like General Electronic and Embracer Group, where their acquisition activity led to early success.

Doukas and Petmezas (2007) state that managerial overconfidence is even more visible when acquiring private firms because of information asymmetry. They state that with limited data from private markets, managers rely more on their own merger-picking skills. According to them, this increases the risk that intuition will take over. "Unlike empire builders who tend to misuse corporate resources by over-investing, overconfident managers believe that they act in the interest of the shareholders when they engage in quick and multiple mergers." (Doukas & Petmezas, 2007, p. 539). The Valeant Pharmaceuticals case serves as an example of this trend. Management's strategy was highly driven by optimistic estimates of price hikes and synergies rather than sustainable business foundations.

In contrast, the successful serial acquirers examined in this study follow clear, consistent rules when making acquisitions. Successful serial acquirers in our cases buy only companies that fit well with their existing business, avoid paying high premiums, and usually leave acquired firms operating independently. These practices reduce the need for managers to "prove" their skill through large or complex deals. Instead, they force decision-

makers to justify each acquisition carefully, which limits the influence of excessive optimism and helps prevent overconfident, high-risk expansion.

4.2.2 Agency theory

In theory, the reason unsuccessful serial acquirers are unable to create value is overconfidence, which, in some cases, stems from agency problems in the M&A context (Ulian, 2025).

Agency theory, in short, is the separation of managers' goals from those of the shareholders (Jensen & Meckling, 1976). In the M&A context, this manifests as managers pursuing acquisitions to earn higher personal compensation and improve their reputations (Jensen & Meckling, 1976). These self-serving motivations often lead to acquisitions that are not properly reviewed or valued. Driven by managerial hubris or excessive overconfidence, managers frequently overvalue targets and pay excessive premiums to ensure deals are completed.

This issue is also evident in our cases of unsuccessful serial acquirers. In the GE example, management (agents) were aware of the firm's underlying problems, but rather than acknowledging them publicly, they concealed them from shareholders to maximise their own status and compensation.

In the Valeant Pharmaceuticals case, management (agents) received massive bonuses tied to share prices and EPS over a short timeframe. This led management to cut R&D costs and aggressively raise product prices to meet the set goals and receive the bonuses. In the end, this likely contributed management to maximise their returns while destroying shareholder value and the company's long-term growth.

According to Xu et al. (2022) serial M&A companies that utilise corporate governance tools can reshape the positive correlation between serial M&A and stock crash risk.

Ulian (2025) research also indicates that these negative aspects of agency theory can be mitigated by upgrading the corporate governance system. This is what most of the successful serial acquirers have done in our cases.

CSI has addressed this issue with a textbook approach, as described in Constellation Software Inc's President's letter (CSI Software, 2009). The bonuses CSI offers its management are not tied to revenue growth but to ROIC and organic growth. In the letter, Leonard states that if ROIC falls below a certain level, no bonus will be paid. The letter also states that management is obligated to spend a certain amount on publicly traded CSI shares.

Lifco, on the other hand, minimises agency costs by directly linking managerial compensation to capital utilisation efficiency and operational performance (Dybvad et al., 2025, p. 60). Lifco aligns managers' incentives with these KPIs by tying compensation to EBITA growth, adjusted for a capital charge. Consequently, slow-moving inventory or high receivables will directly reduce a manager's compensation.

These are some of the corporate governance tools that successful serial acquirers use in practice to encourage management to think more like shareholders, thereby reducing the separation of goals between management and shareholders and enabling better value creation.

4.2.3 The Market for Lemons and Winner's Curse

Niche and private markets provide asymmetrical information, whose effects are explained by the Market for Lemons Theory. According to Akerlof (1970), in asymmetric markets, the seller always has more information about the asset being sold. Akerlof (1970) uses an example from the used-car market, but it can easily be adapted to private-company markets. Companies like Lifco and CSI do this most effectively by operating in markets they know best and using that knowledge to avoid bad investment opportunities (lemons).

The Winner's Curse is a paradoxical event in which the winner of a bidding ends up overpaying for the wanted material (Capen et al., 1971). Private markets also offer a superior environment for buyers, as lower competition reduces the likelihood of bidding wars. By avoiding intense competitive pressure, acquirers operating in private markets are less prone to the Winner's Curse (Brander & Egan, 2017).

Focusing on niche and private markets provides asymmetric information and enables these serial acquirers to differentiate themselves from other acquirers by leveraging their knowledge of the lemon problem and also the Winner's Curse.

4.2.4 Use of compounder strategy

When researching these selected companies, the correlation between the use of compounder strategies and the success of value creation is, in fact, strong in these cases. Value creation for these companies doesn't come from a few high-cap deals but from smaller acquisitions, a decentralised governance model, and the efficient use of private-market valuations.

The successful firms identified in this study are capable of creating a "cash culture," as described by Dybvad et al. (2025, p. 26), which characterises the compounder strategy. By contrast, unsuccessful companies, such as Valeant or Embracer Group, are not capable of doing so and must rely on aggressive leverage or constant equity issuance to fund growth. This, together with the use of cash flows from business operations to drive further organic and inorganic growth, is an essential part of the compounder strategy and is repeatedly used by successful serial acquirers.

The cases provide insight into how these successful companies avoid the common theoretical pitfalls of serial acquirers, such as replacing the management of acquired

companies with centralised management in the hope of fixing the acquired units through generic corporate frameworks.

Firms such as Relais Group and CSI adopt a decentralised culture. Dybvad et al. (2025, p. 216) describe this as a fundamental component of the compounder strategy. It preserves the entrepreneurial spirit and niche-market knowledge that initially made the targets successful. While "managerial arrogance" (as seen in the GE case) often destroys acquired value through over-integration, compounders recognise their primary role as capital allocators rather than operational generalists.

These successful serial acquirers also have a strong focus on private markets (REQ Capital, 2023; Dybvad et al., 2025, p. 21). Private markets are less liquid than public markets, and according to Amihud and Mendelson (1986), investors demand an additional premium for illiquid investments, which should be reflected in a company's valuation. In the context of acquisition-driven compounders, this means they can purchase companies at prices below their market value. Because a big part of the compounder strategy is long holding periods and collecting only cash flows, the illiquidity of the acquired company does not really matter to them.

Synergies in compounder strategies are described as welcome but not forced (REQ, 2025). This is a major difference from other M&A deals and serial acquirer strategies, where synergies play a major role in value creation and can even be valued at the acquisition price (Alexandridis et al., 2017).

In summary, based on these answers from our case firms, it can be stated that compounders acknowledge the common pitfalls of serial acquisitions. Dybvad et al. (2025, p. 28) also describe the compounder strategy as a business model, where the common pitfalls of acquisition-driven companies, including overly rapid acquisitions and debt-heavy balance sheets, are naturally avoided. In addition to acknowledging these pitfalls, they have developed solutions that serve the company best in the long run. These solutions

to common pitfalls are a key foundation for creating a well-performing acquisition program that raises the odds of long-term value creation through continuous smaller acquisitions (Laamanen & Keil, 2008).

5 Conclusion

This thesis examined why some serial acquirers create long-term shareholder value while others systematically destroy it. The findings from both the reviewed literature and the analysed case evidence led to a key conclusion: High acquisition frequency is not a value-creating strategy. Instead, repeatable success depends on executing acquisitions as a disciplined, trustworthy capital-allocation program. This needs to be supported by strong governance, conservative financing, and well-thought-out integration principles.

Regarding the first research question, the analysis indicates that successful serial acquirers treat M&A as a routine rather than just a sequence of opportunistic deals. This follows the acquisition program perspective (Laamanen & Keil, 2008). The important characteristics of an acquisition program perspective are that durable outcomes are often heavily linked to organised screening target processes, strict valuation discipline, and a decentralised operating model. In the successful cases, acquisition targets are typically small- to mid-sized. Acquisitions are also executed repeatedly and funded primarily through generated free cash flow. This creates a compounding mechanism. Cash flows from prior acquisitions are reinvested in subsequent deals, driving growth while avoiding overly high debt. This supports the original hypothesis. The findings in the literature suggest that firms that are able to use compounder principles, such as decentralised governance, continuous reinvestment cycle, and low leverage, are more likely to sustain long-term value creation than acquisition programs driven by large, transformational deals.

When answering the second research question, the evidence indicates that failed serial acquisition strategies often follow predictable patterns of decline. Among our cases and the previous literature, three recurring pitfalls stand out the most. Financing fragility that is characterised by heavy debt or high reliance on overly high equity valuations. Behavioural and incentive biases, where the hubris hypothesis (Roll, 1986) explains how early success can lead to overpayment and a loss of discipline. And lastly, over-integration, in

which replacing specialised local management with centralised frameworks increases the risk of destroying the capabilities that made targets attractive. These findings support H2, confirming that underperforming serial acquirers are prone to value-destructive behaviour when incentives favor deal volume over capital efficiency and long-term growth.

From a practical perspective, this thesis suggests that, when evaluating serial acquirers, one should prioritise operational and financial indicators over narratives of synergy. Key indicators of long-term growth include: the consistency and repeatability of the acquisition program, the extent to which free cash flow funds growth, and governance mechanisms that tie executive compensation to capital efficiency metrics, such as Return on Invested Capital (ROIC).

This study has some limitations. The corporate examples are only illustrative rather than statistically representative. Future research should aim to test the compounder framework empirically using larger datasets and to examine how specific governance designs change acquisition outcomes. More research is still needed on compounders, because the concept remains widely used among professionals, but is still quite underdeveloped in academic terminology.

In conclusion, serial acquisitions can create significant long-term value, but the strategy is admittedly risky. Success is most likely when firms follow a disciplined program, maintain low debt, and focus on niche private markets. These conditions act as safeguards. Without them, frequent deal-making systematically leads to psychological errors and financial strain. In these cases, a potential strategic advantage quickly turns into a predictable path toward value destruction.

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