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Mergers and Acquisitions Lifecycle through the Lens of Sustainable Development

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Mergers and Acquisitions Lifecycle through the Lens of Sustainable Development

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Mergers and Acquisitions Lifecycle through the Lens of Sustainable Development

MUATTER VALIYEVA

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Abstract: The aim of the study is to explain the strategies and methods used to integrate sustainability considerations in the mergers and acquisitions lifecycle, an increasingly pivotal aspect as corporations strive to align with environmental, social, and governance standards. Employing semi-structured interviews with M&A practitioners, this research taps into real-world applications and the latest trends in the field, providing an overview of current practices and challenges in embedding sustainability into M&A strategies. The methodology of semi-structured interviews was chosen for its flexibility, allowing respondents to discuss nuanced topics and firsthand experiences. This approach enabled the collection of comprehensive, detailed data on how M&A practitioners adapt traditional frameworks to include sustainability metrics, adjust valuation models to factor in ESG considerations, and manage post-merger integration with a focus on positive impact. Key findings reveal that practitioners utilize a range of adapted and innovative practices to integrate sustainability. These include revising due diligence processes, incorporating sustainability-linked financing instruments, and leveraging data analytics for tracking ESG outcomes. Challenges noted include aligning disparate sustainability goals, balancing between the financial and ESG impacts, and navigating diverse regulatory environments which significantly influence the integration process. The study underscores the critical need for robust methodologies that incorporate sustainability throughout the M&A process and highlights the role of regulatory frameworks in promoting such integrations. Future research directions are suggested to include comparative analyses across industries, longitudinal studies on the outcomes of sustainable M&As, and deeper stakeholder impact assessments. This research enhances knowledge of sustainable practices in mergers and acquisitions and provides a robust base for executing deals infused with sustainability. It also serves as a groundwork for future research, seeking to improve how sustainability is incorporated in M&A processes and to aid the wider corporate movement towards sustainable development.

Keywords: Dealmaking, Green Mergers and Acquisitions, Impact Investing, Long-term Value Creation and Resilience, Sustainability-embedded M&A, Sustainable Business Practices

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Summary: The role of mergers and acquisitions in advancing sustainable development objectives is becoming increasingly significant, especially as global financing needs escalate to meet the ambitious goals of the 2030 Agenda for Sustainable Development. According to the UN Sustainable Development Report (2023), achieving these goals requires substantial financial investments, estimated between USD 5.4 trillion to USD 6.4 trillion annually from 2023 to 2030. This highlights the crucial need for a collaborative effort among governments, international organizations, financial institutions, businesses, civil society organizations, and individual investors to mobilize investments effectively. M&A offers a potent mechanism for advancing sustainable development, its success in this endeavor hinges on thoughtful execution and a deep commitment to integrating sustainability throughout the transaction lifecycle. The aim of the study is to explain the strategies and methods used to integrate sustainability considerations in the mergers and acquisitions lifecycle, an increasingly pivotal aspect as corporations strive to align with environmental, social, and governance standards. By leveraging semi-structured interviews with M&A practitioners, the study was able to tap into a rich vein of real-world experiences and insights, ensuring that the information gathered was both current and highly relevant. The result of the study shows that by embedding sustainability early on, organizations can establish a cohesive framework guiding key phases. This is vital not only for meeting specific ESG targets but also for achieving broader strategic goals that support sustainable growth and value creation. Applying Triple Bottom Line theory and ESG criteria ensures a balanced approach to selection, aligning financial viability with sustainability goals. ESG due diligence is crucial in the decision-making process for evaluating investments, particularly in M&A. This thorough assessment helps companies understand not just financial metrics but also the broader impact and sustainability of potential investments. Typically, the stages from valuation to closing in M&A use traditional tools, often lacking dedicated sustainability strategies. Interviews with M&A practitioners indicate a growing trend of incorporating sustainability through various frameworks, each company tailoring their approach to fit their specific business needs and industry demands. The findings underscore the importance of developing robust methodologies for incorporating sustainability into all phases of the M&A lifecycle. For companies looking to stay competitive and resilient in a rapidly changing business environment, understanding and implementing these strategies is crucial. Moreover, the study points to the need for enhanced regulatory frameworks that can further encourage the integration of ESG factors into corporate mergers and acquisitions.

Keywords: Deal-making, Green Mergers and Acquisitions, Impact Investing, Long-term Value Creation and Resilience, Sustainability-embedded M&A, Sustainable Business Practices

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1. Introduction

This chapter serves as an introduction to the intersection of two significant phenomena: mergers and acquisitions and sustainable development. The chapter begins by presenting the research problem, which underscores the need to understand the integration of sustainability principles into M&A activities. This is followed by a delineation of the aim of the study, research questions, and objectives. Finally, the chapter concludes with an outline of the subsequent sections of the paper.

1.1 Background

The number of issues and dilemmas shaking the humanity today is vast and varied, reflecting the complexity, severity, and interconnectedness of global challenges. Environmental issues such as climate change, resource depletion, deforestation are transnational challenges that require collective efforts and systemic approach. To address them, nations are implementing increasingly stringent regulations and integrated solutions to try to lessen the impact on the planet.

Environmental phenomena have reached such an immense scale (Mori., 2013), that scientists and researchers increasingly affirm that the planet has entered a new geological era, which is called the Anthropocene (Mello, L. et al., 2019). As later concluded by (Mello, L. et al., 2019), Anthropocene should not be treated only as a chemical concept on greenhouse gas emissions and their consequences in the global climate change process but still as a systemic crisis, in which the observation of society is fundamental to broaden its understanding and accelerate the changes. The researchers who studied Anthropocene conclude that the scenario when the planet is reaching its boundaries represents a situation so challenging (Rockström et al. 2013) that it is no longer possible to stop the whole degradation and therefore the search for alternatives based on adaptation is extremely essential (Mello, L. et al., 2019). For example, Raworth (2012) stated that use of the planet resources by people will not lead to the crossing of the planetary boundaries' control variables thereby sustaining the Earth-system on a sustainable and resilient platform for longer human development and wellbeing. In this narrative, the concepts of "sustainable development" and "sustainability" became fundamental in conceptualizing the ability of the world and systems in adapting to crisis to survive the Anthropocene. The concepts reflect a vision of development that is impartial, environmentally responsible, holistic, and it continues to evolve as understanding of challenges and opportunities associated with "sustainable development" transforms over the time.

To finance the adaptation of sustainable development, governments, international organizations, financial institutions, businesses, civil society organizations, and individual investor need to mobilize investments across their activities. UN Sustainable Development Report (2023) highlights the need for "different forms of finance to work together in an aligned way", and the "business-as-usual" approach is no longer effective. Additionally, UN Sustainable Development Report (2023) represented the cost of accelerating access towards the goals of the 2030 Agenda for Sustainable Development. The resulting cost estimates for the pathways vary, ranging from USD 5.4 trillion to USD 6.4 trillion annually from 2023 to 2030 (UNCTAD, 2023). In this context, mergers and acquisitions (**M&A**) can be considered as a powerful tool for advancing sustainable development objectives when executed thoughtfully and with a commitment to integrating sustainability considerations into all stages of the transaction lifecycle (Kayser et al., 2024). In the past year, M&A activities have increased in Europe, and this trend is predicted to increase even further (Caiazza & Ferrara, 2016). Capital reallocation through execution of cross-border M&As represents one of the most significant phenomena of the last two decades in the worldwide as well as the European scale (Heckova et al., 2019). Despite the fall in M&A activity compared to 2022, the world of strategic M&A still saw more than 27,000 deals announced, totaling about USD 2.4 trillion, according to advisory firm Bain & Co (2024).

M&A process are, by their nature, complex and consist of a pre-deal and a post-deal phase (Gomes et al., 2013). Integrating sustainability into M&A processes requires a holistic and systematic approach, involving commitment to long-term value creation, stakeholder engagement and cross-functional collaboration on all levels. From a process perspective, M&A can be understood as a series of systematic steps and activities aimed at facilitating the combination of two or more companies. M&A professionals utilize established tools, strategies, and methodologies to ensure successful execution and maximize value for all stakeholders involved.

In addition, studies, and reviews of the relationship between sustainability and M&A from an integrative perspective that highlight the pre- and post-deal stages are very limited (Kayser, 2024). Generally, embedding sustainability into M&A processes aligns with companies' broader commitment to environmental stewardship, ethical business practices and overall corporate social responsibility (BCG, 2023). By considering sustainability alongside financial and strategic objectives, companies can enhance their environmental and sustainability aspirations, resilience (Li et al, 2022).

1.2 European Union legislation on sustainable finance

European Union (EU) has been a significant driver of sustainability initiatives and has exerted external pressure on companies in the region through its ambitious policies and regulations (European Commission, 2019). Those regulations have major impact on investor’s decision regarding capital allocation and deal executing. Furthermore, the advancing regulatory landscape represents a potential to overcome the challenges of limited data availability, lack of standardization, stakeholder resistance, as well as inconsistency in definitions. Table 1 provides an overview of key EU sustainable finance regulations and initiatives, their descriptions, implications for M&A, and timeframe for implementation or effectiveness.

Table 1. Overview of key EU sustainable finance regulations and initiatives (based on EU Commission reports).

Regulation/ Initiative	*Description*	*Implication for mergers and acquisitions*	*Timeframe*
EU Taxonomy Regulation	Establishes a classification system for sustainable economic activities, providing clarity on what constitutes environmentally sustainable investments	Enhances transparency and standardization in assessing the environmental impact of M&A transactions	Effective since July 1, 2021
Sustainable Finance Disclosure Regulation (SFDR)	Requires financial market participants to disclose the sustainability aspects of their investment products, including integration of ESG factors	Encourages M&A participants to disclose sustainability-related information, facilitating informed decision-making and due diligence processes	Phased implementation from March 10, 2021
Corporate Sustainability Reporting Directive (CSRD)	Expands the scope and requirements for corporate sustainability reporting, aiming to improve the comparability, reliability, and relevance of sustainability information disclosed by companies	Increases transparency and accountability in reporting environmental, social, and governance (ESG) metrics, impacting M&A due diligence and disclosure practices	Proposed revision announced in April 2021, expected to come into effect in 2023
EU Green Bond Standard	Sets criteria for green bonds issuance, ensuring transparency and credibility in the green bond market by providing a common framework for assessing the projects	Encourages investment in environmentally sustainable projects, potentially influencing M&A financing decisions and fostering growth in green M&A activities	Under development, expected to be implemented in 2022
EU Climate Transition Benchmarks and Paris-aligned Benchmarks	Defines benchmarks for assessing the carbon intensity of investment portfolios, supporting the EU's climate objectives under the Paris Agreement	Promotes investment in climate-friendly assets and companies, influencing M&A activities by incentivizing alignment with climate transition objectives	Effective since April 2020 for Climate Transition Benchmarks, Paris-aligned Benchmarks expected in 2022
European Green Deal	Comprehensive set of policies and initiatives aimed at promoting sustainability and combating climate change, influencing various aspects of economic activity, including M&A transactions	Drives greater focus on sustainability considerations in M&A activities, shaping deal strategies, due diligence practices, and investment decisions in line with green objectives	Ongoing implementation since 2019
European Green Deal	Comprehensive set of policies and initiatives aimed at promoting sustainability and combating climate change, influencing various aspects of economic activity, including M&A transactions	Drives greater focus on sustainability considerations in M&A activities, shaping deal strategies, due diligence practices, and investment decisions in line with green objectives	Ongoing implementation since 2019

Some regulations, such as EU Taxonomy, address M&A processes by providing guidance for investors and financial institutions. Overall, sustainable finance legislation in EU aims to mobilize capital towards environmentally sustainable investments and align financial flows with sustainable development goals. M&A activities may play an active role in complying with regulations. As of the date of the research, it appears that most of the initiatives listed in the table have already become effective or are in the process of implementation. This suggests that the European Union has made essential progress in advancing its sustainable finance agenda, with many regulations and initiatives already in place to promote ESG considerations in financial markets and corporate practices.

1.3 Problem formulation

Embedding sustainability in the M&A lifecycle presents several challenges, largely due to the complexity of integrating sustainability criteria into the strategic, operational, and decision-making processes. While the direct research on this specific intersection is scarce, insights can be drawn from studies focusing on the integration of sustainability into product lifecycle management and corporate strategies.

1.3.1 Complexity and integration

The introduction of sustainability criteria adds complexity to decision-making processes. The need to consider number of holistic and practical dimensions complicate assessments and valuations, demanding more sophisticated approaches and tools (Hu and Bidanda, 2009). The integration of sustainability into existing management systems and long-established M&A practices is challenging. It requires not only the adaptation of tools and methodologies but also a cultural shift within organizations (Borsato, 2014). Effective sustainability integration requires comprehensive data and knowledge management systems that can handle the intricacies of sustainable practices across the lifecycle. This may include managing data on environmental impacts, supply chain sustainability, and social responsibilities (Brundage et al., 2018).

Additionally, aligning sustainability with the strategic objectives of M&A activities is crucial. This involves ensuring that sustainability is not only a compliance requirement but also a strategic asset that can enhance value creation (Reina et al., 2021). Incorporating sustainability throughout the entire M&A lifecycle, from due diligence to integration and beyond, poses operational challenges. It requires a lifecycle perspective to assess and manage the environmental and social impacts of both the acquisition process and the products or services of the involved companies (Muller et al., 2019).

1.3.2 Sustainability expertise among deal professionals

Integration sustainability into the M&A process presents unique challenges for M&A professionals, who typically focus on financial and operational aspects of transaction. M&A professionals may lack education and expertise in assessing sustainability risks and opportunities. Understanding the complexities of sustainability issues, such as climate change impacts, social responsibility, and governance practices, requires specialized knowledge that may not be present within traditional M&A teams. The importance of sustainability awareness among professionals is highlighted across various studies. Garbie (2015) explored approaches to measure sustainability awareness in industrial organizations, suggesting a need for increased awareness among stakeholders. Additionally, the role of education and training in developing sustainability competencies is emphasized, with programs aimed at enhancing practical skills and sustainability change agent capabilities being identified as critical for professionals, including those in M&A (Heiskanen, Thidell, & Rodhe, 2016).

The complexity of transitioning a company towards sustainability, balancing rapid economic growth with the conservation of natural resources, and focusing on long-term sustainability underscore the multifaceted challenges of integrating sustainable development into the M&A lifecycle. These challenges require significant effort, time, and commitment from all involved stakeholders, highlighting the complex execution that necessitates coordination and collaboration among various economic agents (Chauhan et al., 2022).

M&A professionals typically come from diverse educational backgrounds, reflecting the multidisciplinary nature of the field. While there isn't a specific educational path required to become an M&A professional, many individuals in this field possess degrees in business, finance, law, or related fields. Moreover, networking, mentorship, and continuous learning through workshops, conferences, and professional development programs are essential for staying abreast of industry trends and best practices in M&A.

Interdisciplinary approach is needed navigate the complex challenges and opportunities associated with combining two controversial disciplines like finance and sustainability. Educational background of practitioners is limited to sustainable finance, impact investing studies. However, practical experience is still most valuable source to gain knowledge in this field. Most common scenario is when practitioners embed sustainability theories into the M&A process by applying frameworks, principles, and concepts from sustainability theory to guide decision-making and strategic planning. This leaves a gap between the ambition of stakeholders to create sustainable value through M&A and the capability of dealmakers to implement sustainability into deal execution. Correspondingly, does the lack of standardized tools and methodologies to conduct sustainability-focused M&A limits the added value of sustainable “development” concept integration into M&A?

1.4 Aim and research questions

The aim of the study is to explain the strategies used to integrate sustainability considerations in the mergers and acquisitions deals. This involves exploring how sustainability principles are integrated into mergers and acquisitions activities and understanding the various approaches and motivations driving sustainable mergers and acquisitions practices.

1.4.1 Research question one – what are the key strategies and practices in use?

Sustainability-focused deals extend beyond merely acquiring companies with existing sustainable practices. Instead, it involves conducting deal-making activities with the overarching goal of promoting sustainable development. With these, somewhat spotlighting current mergers and acquisitions developments we have reached research questions. The first research question is based on existing theories and challenges from management consultant firms and gaps in academic research on M&A:

RQ1: What are the key strategies and practices currently used by practitioners for embedding sustainability considerations throughout the merger and acquisition lifecycle?

This research question would involve examining various stages of the dealmaking process, such as due diligence, negotiation, integration, and post-merger activities, to understand how sustainability considerations are incorporated by European M&A practitioners. Additionally, it would explore the impact of sustainability-focused strategies and practices on financial performance, stakeholder engagement, risk management, and overall sustainable development outcomes.

1.4.2 Research question two – how sustainability is defined?

There is major research gap when we consider perceptions of M&A practitioners regarding sustainable development concept. However, broader insights can be gleaned from the literature regarding how sustainable development is perceived and implemented across cross-broader fields and contexts. The perception of sustainable development varies widely, and its interpretation is influenced by different discourses under the sustainable development meta-discourse (Hugé et al., 2013). To address and fulfill interest in this field, we reach second research question:

RQ2: How do dealmakers conceptualize the notion of sustainable development?

This research question investigates the perception of selected practitioners that influences their decision-making processes and strategies within the realm of M&A.

1.4.3 Research question three – what is the future of greed deals?

Many abstracts focused on various aspects of sustainability, M&A, or corporate governance without explicitly linking to studies or scholars specifically addressing the intersection of M&A and ESG criteria. However, it's important to note that the field of corporate sustainability, including ESG factors in M&A processes, is a growing area of interest among scholars and practitioners. So, dealmakers don't have sufficient theoretical basis to execute deals in line with sustainability practices. Based on envisaged challenges and potential gaps identified during interview process, we conclude the third research question:

RQ3: What are the potential paths for advancing sustainability-infused mergers and acquisition processes?

This research question provides ground base for further developments of both M&A researchers and practitioners, creating unified framework for sustainability-embedded M&A processes.

Three main research questions will be further supported with the following sub-questions: 1) How do different stakeholders, including investors, employees, customers, and communities, perceive the role of sustainability in merger and acquisition activities? 2) How do regulatory frameworks and governance mechanisms influence the incorporation of sustainability into merger and acquisition strategies and practices? 3) What lessons can be learned from case studies of successful (or unsuccessful) sustainability-embedded merger and acquisition transactions, and how can they inform future practices? 4) "What sustainability-related training do merger and acquisition practitioners within the industry possess?

1.5 Delimitations of research

Delimitations of research can be considered as the constructing of a boundary for the research and identifying shortcomings while carrying out the research, allowing the investigation to be as authentic and transparent as possible (Chambers, 1960). The research is bounded by several constraints, which may include limitations on time and scope.

1.5.1 Regional constraints

Due to limited time and resources this study will only focus on European M&A landscape. M&A

landscape in Europe is dynamic and diverse, characterized by ongoing deal activity, sector-specific trends, regulatory considerations, and evolving market dynamics. Sustainability and ESG factors are increasingly important considerations in European M&A transactions. Companies on European market are paying more attention to ESG risks and opportunities, as well as regulatory requirements related to sustainability reporting and disclosure. Therefore, findings will be no longer applied in emerging markets. However, the results might be used for non-European companies as a best practice or foundation to set sustainability principle during cross-border deals.

1.5.2 Confidentiality issue

Confidentiality aspect is paramount in M&A making due to the sensitive nature of the information involved. Confidentiality helps prevent rumors, unnecessary speculation and potential disruptions that could affect the company's reputation and valuation. Therefore, confidentiality restrictions present challenges for interviewing for given research. First, confidentiality requirements may restrict access to key stakeholders involved in M&A. Practitioners are primarily restricted by non-disclosure agreements, company protocols or other legal obligations. Secondly, research participants may be hesitant to disclose information during interviews due to concerns about anonymity and confidentiality breaches. Therefore, researchers framed mitigation actions to assure participants of confidentiality and anonymity protections throughout the research process. Those actions are discussed in Chapter 2, while discussing methodology used.

1.5.3 Methodological and empirical delimitations

As this study focuses on M&A as a process and tool, there are not specific delimitations when it comes to industry focus, deal-size, deal type and strategic objectives. However, specific methodological and empirical delimitations are still considered to ensure coherence and relevance of the research:

This study examines trends and practices over the period of 2019-2024 years. Few dynamics were shaping the M&A landscape during noted period. The COVID-19 pandemic significantly influenced the M&A landscape, causing disruptions, delays, and shifts in deal activity. However, as the global economy stabilized and adapted to the new normal, M&A activity gradually rebounded (BCG, 2020). The shift to remote work and virtual collaboration necessitated adjustments in deal-making processes and due diligence activities. During this period, companies prioritized sustainability initiatives, renewable energy investments, and ESG integration into business strategies, driving M&A activity in sectors due to pressure from legislation (Green Deal, EU Taxonomy).

The study only employs qualitative research methods, where the researcher only considers conducting seven interviews in total. The interviews are carried out through a convenient selection, based on researcher’s personal network.

1.5.4 Theoretical delimitations

Most of M&A related studies explores the major drivers of ESG performance, highlighting the need for future research on economic development, regulatory environment, and responsible investing to improve global ESG outcomes (Daugaard et al., 2022). Moreover, we can still say that ESG is an emerging domain in sustainable finance, with four prominent themes: ESG investing, disclosures, performance, and corporate governance, and emerging themes like cost of capital and audit and assurance (Jain et al., 2023). Studies focus on one specific phase or cover multiple phases to see how sustainability factors are considered at each stage. This research paper captures all stages from strategic planning to post-deal phase.

1.6 Terminology

In this study, terms within two phenomena, Mergers and Acquisitions (M&A) and sustainable development, are utilized, alongside their intersection.

Terminology within sustainable development area is diverse, with various terms used to describe how it is perceived by the business. The concepts of sustainability and sustainable development are often used as synonyms, but their meanings differ in scientific research and environmental management. (Ruggerio et al., 2021). Throughout this study, the term "sustainability" will be understood to encompass the same phenomenon as others may refer to as ESG (Environmental, Social, and Governance). ESG principle promotes coordinated development of the environment, society, and governance for sustainable development. (Ting Li et al., 2021). Additionally, term Corporate Social Responsibility is used. CSR has become a more comprehensive term, aligning with an increasingly comprehensive concept of sustainability, and discussing them often approach the same challenges (Aslaksen et al., 2021). In this context, sustainability will encompass both sustainable practices related to business activities and the overarching aim of achieving sustainable development.

As for M&A terminology, the corresponding terms used to refer to the process of one company acquiring another will be utilized throughout this study. These terms include "acquisition," "takeover," and "buyout," which denote the act of one entity purchasing a controlling stake in another organization. Different types of M&As have distinct strategic intents, presenting distinct integration challenges, and assessing the acquired group's culture is crucial for successful integration (Bower et al., 2001). Additionally, terms such as "merger" and "consolidation" will be employed to describe transactions in which two companies combine to form a new entity or integrate their operations. "Dealmaking" encompasses the broader process of negotiating and executing M&A transactions, including deal sourcing, valuation, due diligence, negotiation, and post-merger integration.

Further, the convergence of sustainability and mergers and acquisitions has given rise to the concept of sustainability-embedded M&A. Often synonymous with terms like "green M&A," "green deal," or "eco-friendly deal," this approach represents a strategic alignment of sustainable development principles with traditional M&A practices.

1.7 Outline

The following chapter aims to assist the reader with a general overview of the structure of this study and is illustrated in Figure 1.

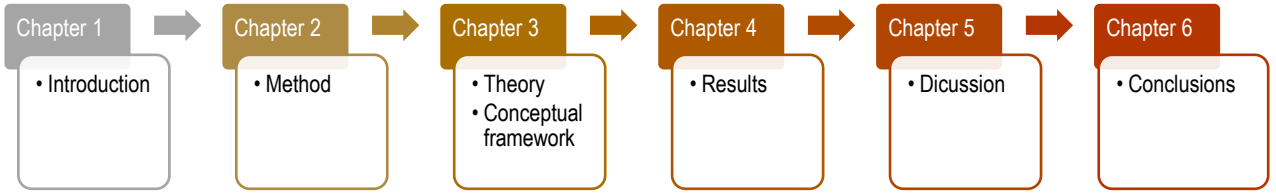

Figure 1. Structural framework of the study with corresponding chapters.

Chapter 1 serves as an introduction to the intersection of two significant phenomena. The chapter begins by presenting the research problem, which underscores the need to understand the integration of sustainability principles into M&A activities. This is followed by a delineation of the aim of the study, research questions, and objectives. In Chapter 2, we provide a detailed overview of our

methodological approach. This chapter starts with the description of the methodological choice, followed by aspects of literature review process, the unit of analysis. Chapter 3 includes theoretical frameworks, concepts, and models that provide a foundation for understanding how sustainability considerations intersect with different stages of the M&A process. Separate overviews about two phenomena will be provided, followed by conceptual framework linking sustainable development concepts and M&A lifecycle model. The Chapter 4 presents the findings from semi-structured interviews with M&A practitioners in the financial industry. The interview guide was carefully constructed to thoroughly explore the M&A lifecycle, utilizing a framework specifically developed for this study. Findings were systematically presented, ranging from strategic planning to post-deal phases. Additional topics that emerged during the interview were combined in the end of the chapter. This final chapter of the thesis provides analysis of the findings presented in the previous chapter as well as addressing the research questions stated in Chapter 1 and opposing to existing studies. The research questions have been intertwined throughout and therefore are discussed simultaneously. The conclusion chapter of this research paper effectively summarizes the study by highlighting the key findings and main conclusions drawn from the analysis. It synthesizes the implications of these findings in the context of existing knowledge and discusses the potential impact on future research and practice in the field.

2 Method

The chapter entails the methods leveraged in this study. This chapter starts with the description of the methodological choice, followed by aspects of literature review process, the unit of analysis. Further, an explanation of the empirical data collection and justification for the selection of including semi-structured interviews are provided. Finally, it addresses quality assurance throughout the entire research.

2.1 Research approach

It is essential for researchers to have an explicit, systematic, and disciplined approach to gain an appropriate result (Mohajan, 2018). By adhering to established methodologies and implementing quality assurance measures, researchers can mitigate bias, enhance the robustness of their analysis, and ultimately produce more reliable research outcomes.

2.1.1 Methodological choice

To address research question and achieve objectives, it's necessary to contemplate the specific characteristics and requirements of the research topic. Starting with a consideration of facts; sustainability in M&A is a multifaceted and complex topic that involves various stakeholders, processes, and strategies; while sustainability and M&A linkage is gaining attention, there may still be limited existing research on the topic, especially regarding specific practices, challenges, and success factors. Given these preconditions an exploratory research design (**ERD**) has been applied. ERD includes establishing of facts, gathering new data and determining meaningful patterns or themes in a relatively unknown research area, hoping to gain new insight into the phenomenon being researched (Mouton, 1996). According to Babbie (2007), exploratory studies address three purposes: i. to satisfy the researcher's curiosity and desire for better understanding; ii. to test the feasibility of undertaking a more extensive study; iii. to develop the methods to be employed in any subsequent study.

It is essential to mention that exploratory research design is dominant in social sciences (Francois, 2008; John, 2015), moreover, it is gaining some recognition in management sciences as well (Richard, 2018). Therefore, exploratory research design proves being beneficial for researchers when conducting a study in situations where there is insufficient data or a lack of previous studies to reference. Practitioners in management fields might probably have interest in such a problem and to obtain insights about the little knowledge that is available (Bass, Beecham & Noll, 2018).

2.1.2 Advantages and disadvantages of exploratory research design

Mohajan (2018) underscored the subsequent advantages and disadvantages that researchers can derive from employing an ERD. The advantages are i. flexibility and adaptability to change; ii. laying groundwork which will lead to further studies; iii. it is used to develop techniques for measuring and locating future data. The disadvantages of ERD are i. it generates qualitative information and interpretation, and this type of information is subject to bias; ii. it usually makes use of a modest number of samples which may not sufficiently represent the target population of the study; iii. ERD is not usually useful in decision making in a practical level. The integration of sustainability within the M&A lifecycle involves a variety of complex factors, including differing regulatory requirements, diverse stakeholder interests, and evolving standards of what constitutes sustainable practice. In this study, ERD helped to navigate this uncertainty by not requiring a strict hypothesis at the outset. Instead, it supports the exploration of how sustainability is considered at various stages of M&A, such

as due diligence or integration, thereby identifying key areas of interest and unexpected issues.

2.1.3 A conceptual model for exploratory research design

A conceptual model for exploratory research design typically outlines the key components and relationships involved in the research process. While there isn't a standard template for such a model due to the flexibility inherent in exploratory research, Sreeramana et al. (2023) outlines simplified conceptual framework (Figure 2).

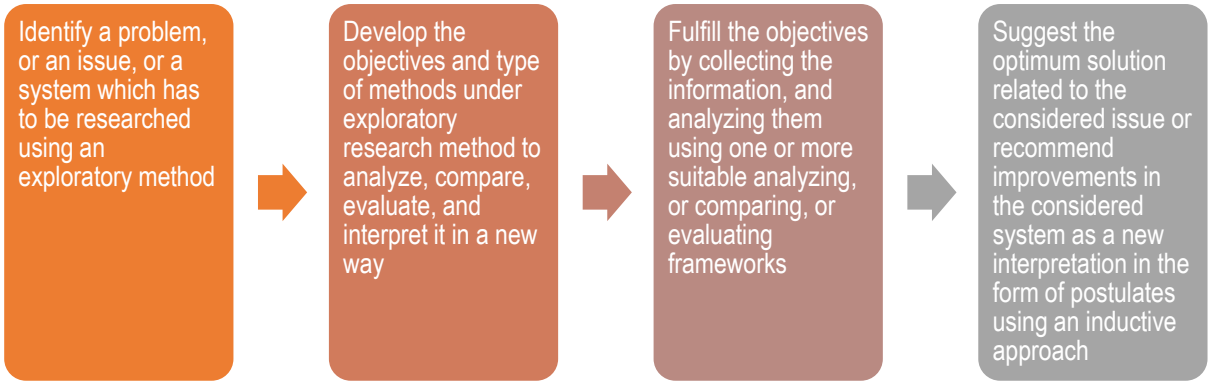

Figure 2. Simplified conceptual framework for exploratory research (Sreeramana et al., 2023, 53).

In general, exploratory research is particularly well-suited for studying intersection between sustainability and M&A process as ERD encourages an interdisciplinary approach, allowing researchers to explore connections and intersections between different disciplines. Given the fact that significant amount of knowledge and expertise regarding M&A is often concentrated within industry rather than academia, ERD can help identify these emerging trends and practices. The knowledge is skewed to industry since many firms develop proprietary models, methodologies, and tools for analyzing and executing M&A transactions. Practitioners' knowledge may be based on years of hands-on involvement in deal-making and navigating complex negotiations.

2.2 Literature review

In the context of given research, there are three goals of conducting literature review. First of all, educating the researcher in the topic area and understanding previous formulated research before having the chance to introduce a new argument or justification in the study field (Arshed et al., 2015). Further, literature review contributed to interview questionnaire development by providing a foundation of existing knowledge, identifying gaps in research, and informing the development of relevant and insightful questions (Brown & Sauter, 2012). And lastly, due to extensive review of previous literature it was possible to immediately recognize patterns and trends to ask follow-up questions that explore the reasons behind such trends or seek further clarification. In this study, the process of literature review includes creating a conceptual map and identification of information sources.

2.2.1 A conceptual map

In this study, conceptual mapping is used as a tool to identify additional search terms during the

literature search. Conceptual map is a picture of the territory under study, represents the concepts in that area and relationships between them (Canas et al., 2003). Figure 3 shows concept map built for this specific study.

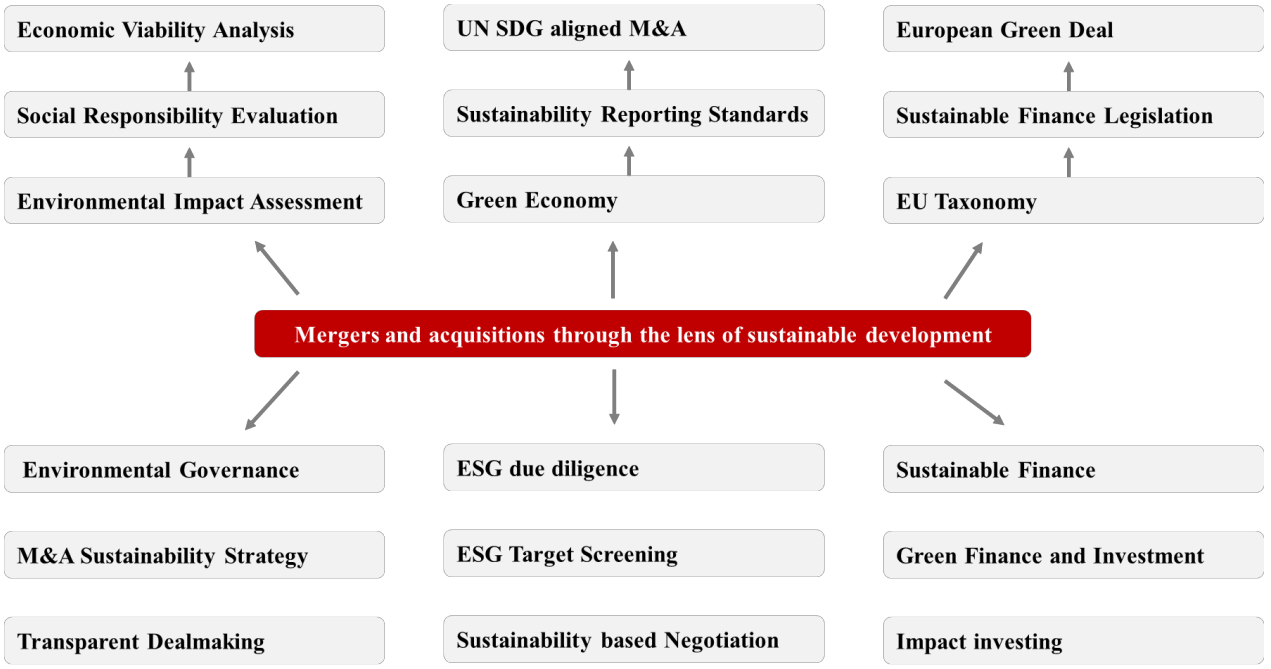

Figure 3. Concept map relating to mergers and acquisitions lifecycle through the lens of sustainable development.

Applying the concepts identified in the map above (Figure 3) to this search, we enabled effective navigation through a wealth of information related to mergers and acquisitions and sustainable development. For instance, searching through "Environmental Impact Assessment", "Economic Viability Analysis" in academic papers we access theoretical frameworks and empirical evidence on the effectiveness of sustainable practices in M&A activities through. Industry reports offer real-world examples and trends in sustainable M&A though the searching on "ESG due diligence", "ESG target screening". These concepts are intertwined with the research topic, contributing to the landscape of sustainability within M&A transactions. They encompass integral components such as ESG due diligence and target screening, as well as tools like "Environmental Impact Assessment" or "Social Responsibility Evaluation".

2.2.2 Information sources in the literature review

By building the theoretical framework, the study utilized following information sources to gather relevant data, insights, and perspectives. The Table 2 allows for a comprehensive overview of available sources across different categories and helps to make informed decisions about which sources to prioritize based on research needs and the type of the information.

Table 2. List of information sources.

Source type	*Example of source names*	*Description*	*Timeframe*
Academic databases	Uppsala University Bibliotek, Google Scholar, Researchgate	Abstract and citation database covering scientific research, including studies on sustainable M&A deals published in reputable journals.	Past 10 years
M&A practical guides	Mergers and Acquisitions: A Step-by-Step Legal and Practical Guide (Miller and Segall, 2011)	Concise overview of the M&A process, covering topics such as deal structuring, due diligence, valuation, negotiation strategies, and post-merger integration	Past 20 years
Industry Reports and White Papers	McKinsey & Company Sustainability Insights, Deloitte - M&A Trends, Accenture-Green Deals Insights	Insights into sustainable M&A strategies, including case studies and industry-specific analyses.	Past 3 years
News & Media	Bloomberg Green, Financial Times Sustainable Finance Section	News articles and analysis focusing on sustainability in business, including coverage of M&A deals with sustainability implications.	Past 3 years
Government Publications and Regulatory Guidelines	European Commission reports, International Finance Corporation, UN reports	Reports and publications on sustainable investing and finance, including M&A deals that promote social and environmental objectives	Past 3 years
Conference proceeding	COP28	Latest trends in sustainable finance announced during climate conferences	Past year
M&A online databases and platforms	Dealogic, Thomson Reuters Eikon, Mergermarket, S&P Capital IQ	Financial data and analytics platform offering M&A news, research, and analysis to financial professionals	Past year

Table 2 includes a diverse range of information sources, each offering unique insights and perspectives on sustainability embedded M&A deals. This enables to consider multiple viewpoints, theories, methodologies, and data sources, thereby enriching analysis and enhancing the robustness of research findings. In addition to academic journals and databases, the table incorporates practical resources such as industry reports, news outlets, and M&A online databases and platforms. These sources offer real-time data, market intelligence, case studies, best practices, and practical guidance on executing sustainable M&A deals, thereby bridging the gap between theory and practice. In this research, the

analyses and insights provided by leading consulting firms and investment banking companies will be examined. Consulting firms play a significant role in shaping M&A research through their involvement in advising companies on strategic transactions, conducting industry analyses, and providing insights on M&A trends and best practices. Consulting firms often have access to extensive databases and proprietary research that provide valuable insights into M&A activity. Consulting companies contribute to the academic and professional discourse on M&A by disseminating knowledge and sharing practical experiences from their engagements.

Several consulting firms are recognized as leaders in the field of mergers and acquisitions (M&A), providing advisory services to companies worldwide. These firms offer expertise in various aspects of M&A transactions, including strategy, due diligence, valuation, integration, and post-merger support. Some of the leading M&A consultancies are McKinsey & Company, Boston Consulting Group (BCG), Accenture, Bain & Company, Deloitte, PricewaterhouseCoopers, EY, KPMG.

2.3 Empirical study

There are multiple methods that researchers may use for gathering data withing exploratory research: expert surveys, pilot surveys, secondary data, qualitative interviews, unstructured, observations, and quantitative exploratory (Asika, 2004). Semi-structured interviews were chosen as the primary method of data collection in this study due to their flexibility and suitability for exploring complex and nuanced phenomena such as sustainability embedded M&A deals. Semi-structured interview methods are often used in the social sciences (Ruslin et al., 2022). They have increased in popularity and have been a favored method to collect qualitative data in research due to their versatility and flexibility, especially enabling the researcher to ask follow-up questions to the participants based on their responses (Kallio et al., 2016; Rubi and Rubin, 2005). By engaging directly with M&A practitioners, the study aims to gain valuable insights and practical knowledge that can inform sustainable M&A practices and enhance understanding of industry-specific dynamics.

As a first step, an interview guide was developed with a mix of open-ended and more directed questions. This structure allows the interviewer to explore topics deeply while staying focused on the research goals (Wilson, 2014). As a method of conduction interview, the interviewer employed a conversational style, encouraging interviewees to share their experiences and perspectives freely (Adams, 2015). Moreover, given approach helps in uncovering insights that may not be anticipated at the planning stage. In case of uncertainties, the researcher should adapt the interview flow based on the responses of the interviewee by leveraging probing questions to clarify responses or delve deeper into specific areas of interest (Dearnley, 2005). Participants for the semi-structured interviews are purposively sampled based on their involvement in sustainability embedded M&A deals. Interviews were conducted virtually, based availability and involvement of the participants. Each interview lasted approximately 60-90 minutes and was audio-recorded with the consent of the participants.

2.3.1 Interview guide

Based on theory already revised during literature review, the interview guide (Appendix A) was structured in the way to facilitate the discussion. The researchers arranged the questions in a logical order, starting with pre-deal related questions, and gradually moving to post-deal phase. This type of guide is particularly effective for exploring complex issues like sustainability in M&A because it combines the rigor of structured questioning with the adaptability of open-ended inquiry. The researcher broke down main research questions into several key themes that formed the interview structure. As a part of interview guide, the interviewer developed a set of main questions for each

theme, ensuring they are open enough to invite expansive answers but narrowing to deal phases. Additionally, probing or follow-up questions have been prepared to delve deeper into topics as needed (Appendix B). These are not strictly scripted but should be considered during the interview depending on the respondent's answers.

2.4 Unit of analysis

In the context of given research study, the unit of analysis refers to the primary elements (raw data) that are being gathered during the interview process. Some studies might consider each individual interview as a unit of analysis, especially when comparing responses across different individuals (Kallio et al., 2016). Others might focus on specific responses or themes that arise during the interviews, analyzing these elements across various interviews to draw broader conclusions about the research topic (Robinson, 1949).

As one expert might be involved in the whole M&A lifecycle, each interviewee's responses is treated as a separate unit of analysis. Researcher aims to analyze the content, trends, and similar patterns within each interview transcript to understand individual perspectives, experiences, or opinions. That's why, researcher should critically select interview participants who have firsthand experience and expertise in M&A transactions, particularly those with knowledge or involvement in integrating sustainability considerations. This may include executives, managers, consultants, or other stakeholders from companies involved in M&A activities. In the process of selecting which experts to interview, several factors guided the final decision. As a first selection, researcher made a list of contacts within personal network who may have expertise or experience related to the topic of the research. The second selection was based on criteria presented in Table 3. The researcher contacted each potential respondent individually via professional social network (LinkedIn) to explain research project and request for participation in an interview. Due to specifics of M&A related information, it's challenging to triangulate results with different sources of information. However, on the high-level results could be compared with widely published thought leadership reports of related companies.

Table 3. Criteria and selection of respondents.

No.	Criteria	Justification
1	Experts with more than 7 years of experience in related field	Experts with over 7 years of experience have likely been involved in numerous M&A transactions and have witnessed the evolution of sustainability practices within this context. Their depth of experience allows them to provide insights based on a broad range of scenarios and outcomes. By drawing on their extensive experience, these experts can offer assessments of the long-term impact of sustainability initiatives in M&A transactions. They can reflect on past outcomes and discuss how sustainability considerations have influenced business performance, stakeholder relations, and organizational culture over time.
2	Experts with experience throughout the entire M&A lifecycle	Experts who have experienced the entire M&A process can provide insights into how sustainability considerations influence decision-making at various stages. This includes identifying target companies, conducting due diligence, negotiating deal terms, and implementing integration plans, allowing researchers to understand the factors that drive sustainability integration throughout the transaction lifecycle
3	Experts from consulting companies and investment banking firms	These experts work closely with a diverse range of clients across industries and geographies. Drawing on their client experience, they can provide case studies, practical examples, and lessons learned from real-world M&A transactions with a sustainability focus, enriching the research with actionable insights and best-in-class practices.
4	Experts based in Europe	Europe is known for its stringent regulations and policies regarding sustainability, including directives on environmental protection, social responsibility, and corporate governance. Experts based in Europe can provide insights into how regulatory requirements influence M&A transactions and drive companies to integrate sustainability considerations into their strategic decision-making processes. Moreover, Europe has emerged as a global leader in sustainable finance, with initiatives such as the EU Sustainable Finance Action Plan and the Green Deal driving investments towards sustainable projects and businesses
5	Experts with success cases	Experts who have been involved in successful cases can share valuable lessons learned from their experiences. These insights can help identify key success factors, common challenges encountered, and strategies for overcoming obstacles in embedding sustainability into M&A transactions. Interviewing experts from successful cases allows researchers to benchmark their findings against exemplary practices and identify areas for improvement or innovation.
6	Experience in issuing thought leadership on sustainability in M&A transactions	Thought leaders often possess a deep understanding of sustainability issues and trends in M&A transactions. Their experience in researching, analyzing, and disseminating insights on the topic can offer comprehensive perspectives and nuanced insights that enrich the study.
7	Willingness to provide insights	By interviewing experts who are willing to participate voluntarily, researcher upholds ethical principles of informed consent and respect for autonomy. Ensuring that participants are willing collaborators in research process promotes mutual trust, transparency, and ethical conduct throughout the study.

Based on criteria provided in the Table 3, ten target experts were identified, with experience in related topics. Professional networking sites like LinkedIn were invaluable for identifying and connecting with potential respondents. Six out of ten responds showed interest to participate in this study. Additional motivation for them was opportunity to get results and use it as the source for the latest trends in the M&A industry. After conducting initial six interviews, participants recommended others who could provide valuable insights into sustainability in M&A. This method led to additional interview that are well-versed in the specificities of the topic with overview on current practices within the M&A and sustainability intersection. Overall, seven respondents participated in this study. Information on experience and specialization of respondents consolidated in Table 4.

Table 4. Interviewees information.

Respondent	*Role within the company*	*Company*	*Location*	*Specialization*
A	Senior Sustainability Consultant	International consulting firm	London (UK)	Advising on M&A sustainability integration
B	M&A sustainability consultant	International consulting firm	Amsterdam (Netherlands)	Advising on sustainability consideration across M&A deals
C	Director of sustainable Finance	International investment bank	Geneva (Switzerland)	Corporate Finance and M&A Advisory
D	Sustainability integration specialist	Global management consulting firm	Amsterdam (Netherlands)	Sustainable finance expert
E	VP of Environmental Risk	International investment bank	Amsterdam (Netherlands)	Expert within project with climate considerations
F	Head of corporate strategy	Financial advisory firm	Stockholm (Sweden)	Corporate Finance and M&A Advisory
G	Leader of M&A practice	International consulting firm	Stockholm (Sweden)	Leading deals with experience in embedding sustainability

These respondents collectively offer a wealth of knowledge and experience in sustainable M&A practices. All respondents have had experience with at least one project within the M&A phase. This information was proved during the interview. Furthermore, the diversity of roles and specializations among the respondents suggests a well-rounded understanding of sustainable M&A practices from different vantage points within consulting firms, investment banks, and financial advisory firms. English was selected as the language for all interviews, considering that both the interviewers and the respondents have diverse native languages. This posed no significant challenge, as all respondents actively use English within their respective companies.

Maintaining anonymity is a key aspect of all interviews. The names of individuals and company names are not disclosed to ensure anonymity due to sensitivity of information involved. According to Lancaster (2017), promising anonymity is something that could increase the respondents' trust during the interviews and hence encourage respondents to speak more freely and honestly. Before the beginning the interview, it was ensured that participants understand what confidentiality means in the context of this study. Moreover, the section on confidentiality is included to the consent form that participants have signed. This document clarified how their information will be protected, used, and shared (see Appendix 1).

Each interview session was carefully planned and executed, with attention to detail regarding timing, date, and background of the respondents. The specific dates and times of the interviews were documented to maintain accuracy and transparency in the research process. In the table below (see Table 5) information regarding the interviews are shown.

Table 5. Interview details.

Respondent	Work experience in years	Background/Education	Date of the interview	Date of transcript validation	Date of transcript confirmation	Duration of the interview
A	+8	Sustainable finance	April 1	April 9	April 15	1:14:57
B	+8	Sustainable finance	April 4	April 11	April 16	1:04:23
C	+17	Economics/engineering	April 7	April 14	April 18	0:47:12
D	+11	Finance	April 7	April 16	April 20	1:11:30
E	+7	Sustainable finance	April 10	April 20	April 24	1:01:32
F	+11	Economics	April 13	April 25	May 2	0:44:04
G	+15	Finance	April 17	May 1	May 3	0:40:11

The interviews were conducted over a period from April 1st to April 17th, ensuring comprehensive coverage of perspectives within a reasonable timeframe. On average, each interview session lasted approximately 50 minutes, allowing for in-depth discussions and exploration of sustainability embedded M&A practices. One week after the interview took place, the interview results were transcribed and subsequently validated with the respondents. Observing the profiles of the interviewees, a trend was noted among M&A practitioners who have joined the field within the past eight years. These individuals have pursued specialized education, particularly master's degrees, with a notable emphasis on sustainability.

2.5. Data analysis method: processing and coding

After conducting the interviews, the next step involves transcribing the audio recordings into text. This transcription should capture the interviews verbatim to preserve the integrity of the data (Bearman, 2019). Content analysis used as a fundamental method for interpreting the results derived from semi-structured interviews. Using qualitative manual methods, the transcribed data is then coded. This involves identifying themes, patterns, and categories that emerge from the data. This step is critical for interpreting the data in line with the research objectives (Kallio et al., 2016). First-order codes represented the initial categorization of data into broad topics, such as "sustainability considerations in due diligence" or "challenges in post-merger integration." Second-order codes, derived from the first-order codes, delved deeper into specific aspects or subtopics within each broad category, providing more granularity in the analysis. The final step involves synthesizing the coded data to form a coherent understanding of the interview content, aligning with the research questions. This synthesis is then used to draft the research findings, conclusions, and potentially inform further research or practice (Adeoye-Olatunde & Olenik, 2021).

2.6. Quality assurance

Assuring quality in research is crucial for producing reliable and valid results. While conducting the study, the researcher should entail ensuring the quality of a study, where research study focused on credibility, transferability, and confirmability to ensure authenticity, instead of aspects such as "reliability, generalizability and validity", otherwise usually focused on in a quantitative study approach (Robson and McCartan, 2016). Assuring quality in qualitative semi-structured interviews can be addressed through few practices (see below Table 6) to meet the requirements of the credibility, reliability, and validity of the data collected.

Table 6. Quality assurance practices.

Method	*Description*	*Implication for this research study*
Pilot testing	Conducting pilot tests of the interview guide can help identify potential issues with interview questions or the structure of the interview itself. This step is crucial for refining questions to ensure they are clear and effectively elicit valuable responses (Barriball & While, 1994)	Pilot test was conducted on April 10th, 2024, with M&A expert (not included in the list of interviews assigned) based on personal network. Interviewing expert provided his feedback on comprehensiveness of interview guide and overall interviewing process
Training interviewers	Ensuring interviewers are well-trained and familiar with the interview guide and objectives of the study helps in maintaining consistency and reducing interviewer bias. It's important that interviewers know how to probe deeply while remaining neutral (Adams, 2015)	Interviewer can be considered as highly trained expert due to significant experience in the industry that provided valuable insights into the subject matter being discussed. Additionally, extensive literature review ensures interviewer are well-versed in the latest trends, developments, and research within their field
Ensuring ethical standards	Adhering to ethical standards, including obtaining informed consent and ensuring confidentiality, is essential in maintaining the integrity of the research process and the protection of participants (Dearnley, 2005)	Research is transparent about role as an interviewer, affiliations, and any potential conflicts of interest that may arise
Reflective practice	Encouraging interviewers to engage in reflective practice can improve the interview process. Reflecting on each interview helps identify any biases or issues that could affect the data collection and analysis phases (McIntosh & Morse, 2015)	Short interview summary was sent to the experts after reflecting upon interview to make sure that main points were correctly addressed
Data triangulation	Using multiple data sources or methods to validate the findings enhances the reliability and depth of the research	The responses obtained during the interview process was triangulated with example of services provided on company webpage and LinkedIn data

All interviews were recorded and transcribed to provide validation and enhance the credibility of the collected empirical data as suggested by Bhattacherjee (2012). A structured process for developing an interview guide is essential. Kallio et al. (2016) suggest following prerequisites for using semi-structured interviews, using existing knowledge, formulating preliminary guides, pilot testing, and refining the guide. This systematic approach contributes to the objectivity and trustworthiness of the study (Kallio et al., 2016).

Quality in the context of M&A studies can be significantly influenced by ethical considerations due to the sensitive nature of the information involved. The researcher is not able to confirm the comprehensiveness of data obtained during the interview. As the interviewing experts are constrained by confidentiality agreements and regulatory requirements governing M&A transactions and research activities. Interviewees may choose to disclose only certain information while withholding other details that could be crucial for understanding the complexities of M&A transactions. Without transparency and ethical guidelines in place, interviewers may not be able to verify the accuracy and completeness of the information provided, leading to potential gaps in the research findings. The research underwent additional peer review throughout its execution, receiving feedback from both fellow researchers specializing in sustainable development and peers from the same academic discipline.

3 Theory

The chapter includes theoretical frameworks, concepts, and models that provide a foundation for understanding how sustainability considerations intersect with different stages of the M&A process. Separate overviews about two phenomena will be provided, followed by conceptual framework linking sustainable development concepts and M&A lifecycle model.

3.1 Introduction to the theoretical framework

In this chapter, separate overviews of the theories related to M&A and sustainable development will be provided when studying sustainability embedded in the M&A. The structure presented in Figure 4 provides a systematic approach to examining sustainability embedded in M&A transactions, covering theoretical foundations, practical applications, stakeholder perspectives.

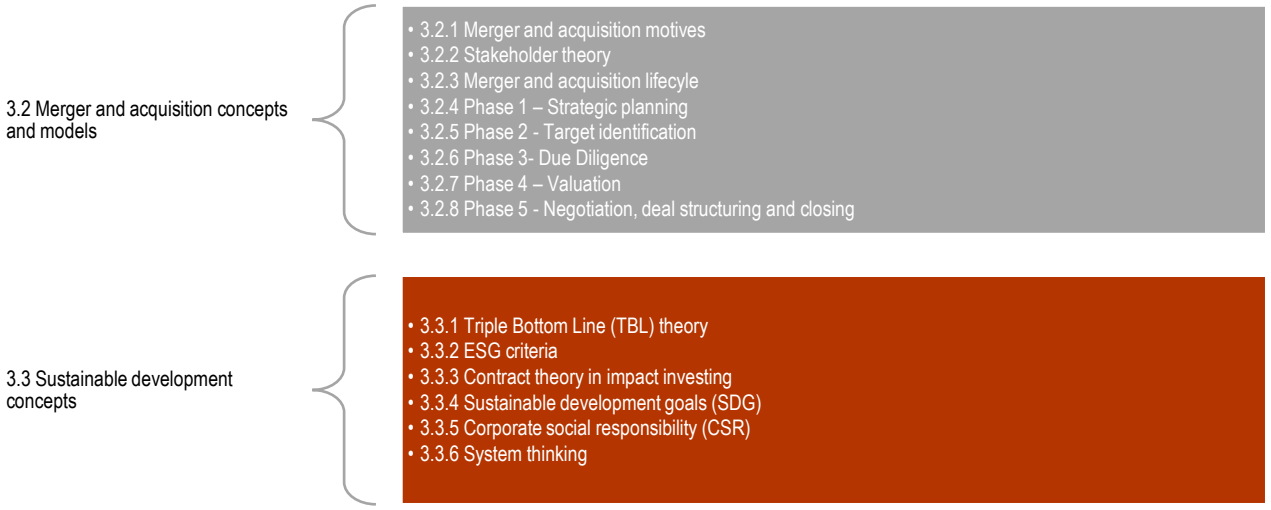

Figure 4. Introduction to the structure of the theoretical framework.

After establishing a strong foundation in M&A and sustainable development theories individually, it's possible to explore how these theories intersect, complement, or diverge from each other when applied to sustainability embedded in M&A transactions. In addition, this relates to the fact that, while sustainability-embedded deals may require extra considerations and specialized tools, practitioners still leverage classic M&A tools to facilitate the execution of these transactions. Integrating sustainability into the M&A process requires a comprehensive approach that combines traditional M&A techniques with specialized expertise in sustainability management.

3.2 Mergers and acquisition concepts and models

M&A are usually considered in terms of one company (hereinafter referred to as the "acquirer") purchasing a majority of the shares (over 50%) of another company (hereinafter referred to as the "target") or parts of it, such as a division or business unit (Ahern & Weston, 2007). Sui et al. (2016) defines M&A as a path that companies take to grow faster than organic business growth and can be a channel for companies to strengthen their global market position and increase competitiveness. M&A can take various forms, each with its own characteristics and implications with diverse

motivations or dynamics and yield distinct outcomes for the companies engaged. However, the overarching objective of all M&A transactions remains the same—to derive value from the transaction in some capacity. M&A is a corporate action that includes large-scale cash inflow, has upside risks, especially in terms of the uncertainty of commodity prices in the market (Savolainen, 2016).

3.2.1 Merger and acquisition motives

M&A can be driven by a variety of motives, depending on the specific circumstances and goals of the companies involved. Although scholars have approached these motives from various perspectives and theoretical perspectives, they generally encompass financial, strategic, and managerial factors (Junni et al., 2019). The financial motives drive M&A when the company to increase firm value through cost-based synergies, such as economies of scale or scope, and synergies related to revenue, which increase sales or asset expansion (Eccles et al., 1999). Piesse et al. (2013) listed the reason for takeovers such as efficiency, agency, free cash flow, market power, diversification, information, bankruptcy avoidance, and accounting/tax hypothesis. Figure 5 is based on Snow (2011) paper and provides several reasons for selling assets, company shares or a business itself.

Figure 5. Sell-side perspective om mergers and acquisition motives (Snow, 2011, 45).

When it comes to selling assets, particularly in the context of businesses or investment strategies, there are various motives that can drive such decisions. These motives can range from financial considerations to strategic restructuring. Tamosiuniene and Duksaitelet (2009) suggest several motives behind the initiating M&A transaction from the buy-side perspective, which are summarized in Figure 6.

Figure 6. Buy-side perspective om mergers and acquisition motives (Snow, 2011, 45).

On the buy-side of asset transactions, motivations can vary significantly depending on the strategic, financial, and operational goals of the acquiring party.

3.2.2 Stakeholder theory

Stakeholder theory in M&A suggests an institutionally embedded view, highlighting the roles of various stakeholders in the acquisition process and proposing that acquisitions should incorporate broader institutional settings (Meglio, 2019). In this section, the focus shifts to examining the role of stakeholders in the context of M&A transactions by applying stakeholder theory. Freeman et al. (2010) stated that "a stakeholder approach to business is about create as much as possible for stakeholders, without to tradeoffs". Additionally, Freeman et al. (2010) defines primary (employees, suppliers, customers, finances and communities) and secondary stakeholders (competitors, consumer advocate groups, media and government) who are involved in value-creating process.

Anderson et al. (2012) applied the stakeholder approach to M&A context. However, we also observe how stakeholder approach might be limited. In M&A, it is evident that there are many different companies and other type of organizations as well as individuals, that depend on succuss of M&A deal (Anderson et al., 2012). Beside financial gains, the stakeholders can be motivated by strategic and other business motives. Anderson et al. (2012) highlights important fact that the doubling of certain stakeholder groups suggests the potential for internal tensions and conflicts within each of these groups. Additionally, stakeholders' groups and motives could vary significantly between the pre-merger stage and the post-merger stage. Figure 7 illustrates the principles for how M&A deals create complexity by doubling stakeholder groups.

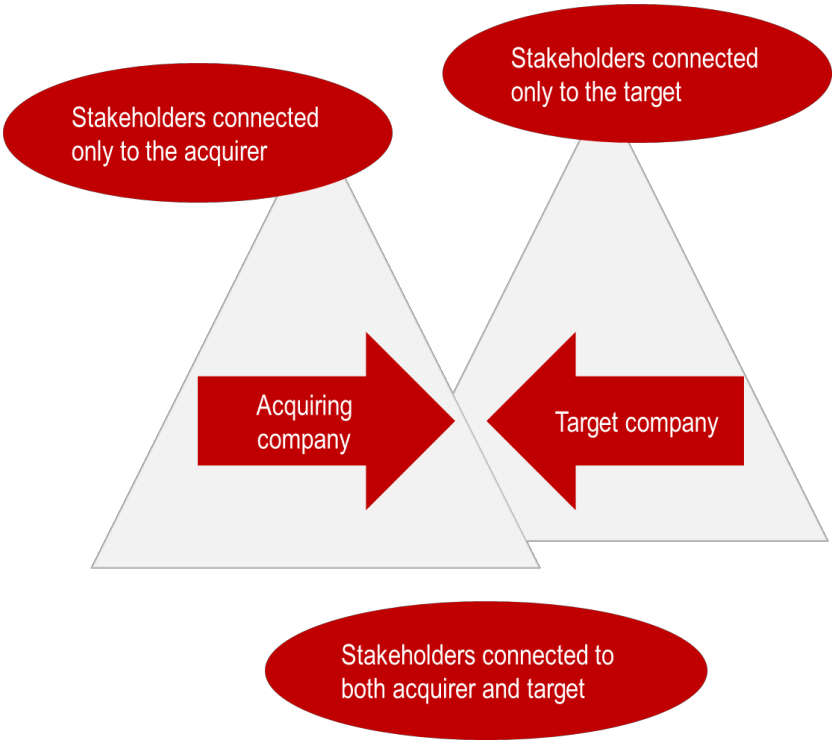

Figure 7. A multi-stakeholder approach to mergers and acquisitions (Anderson et al., 2012, page).

Since various stakeholders often have divergent goals and aspirations, their roles in a merger or acquisition can vary greatly. Goals and ambitions fluctuate among stakeholder groups and even among individuals within the same category of stakeholders.

3.2.3 Merger and acquisition lifecycle

Two to seven steps comprise the general framework for understanding the M&A process (Calipha et al., 2012), but the specific steps and timelines may vary depending on the nature of the transaction, the industries involved, and other factors. By dividing the M&A process into pre-merger planning and implementation phases, scholars provide a structured framework for understanding the sequence of activities and the key considerations at each stage. By leveraging proposed frameworks, organizations effectively manage the complexities and challenges associated with M&A process and maximize the likelihood of success.

Boland (1970) categorized M&A process into two main phases: the pre-merger phase and the post-merger phase. Schweiger and Weber (1989) proposed a framework for understanding the M&A process, dividing it into two main phases: the pre-merger phase and the implementation phases. Carpenter and Sanders (2007) proposed a comprehensive framework that is not aligned with the traditional pre-merger and post-merger phases. According to Carpenter and Sanders (2007), there are four stages to a merger: idea, justification, acquisition integration, and results appraisal. Snow (2011) highlights that M&A execution is a serial process — transactions follow a step-by-step process that includes 12 steps, presented in Figure 8.

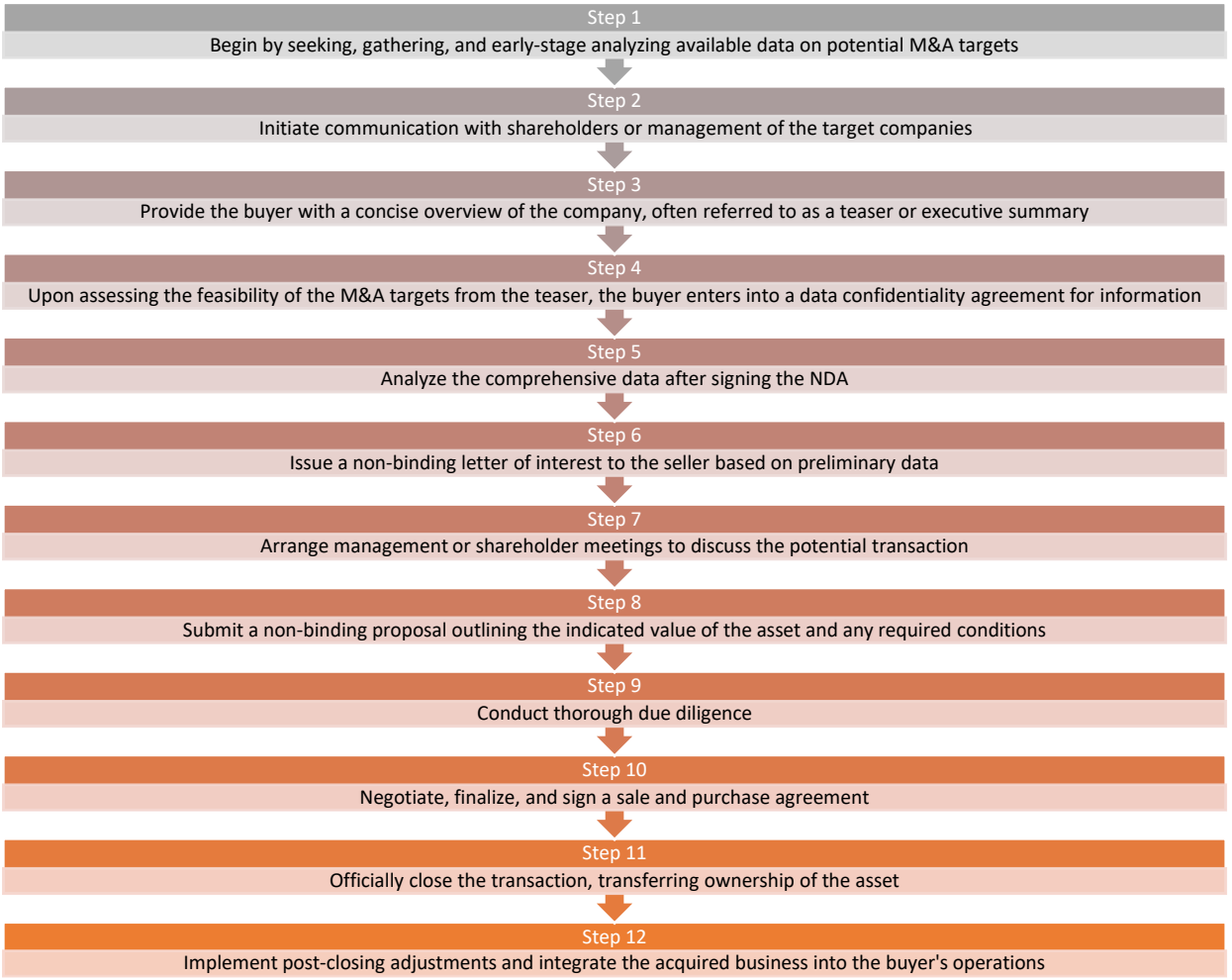

Figure 8. Merger and acquisition step-by-step process (Snow, 2011).

Since each merger or acquisition is unique, the stages of the acquisition lifecycle may not unfold uniformly before and after the announcement. Those twelve steps usually simplified to less complex process and may vary depending on deal specifics.

Additionally, if the acquiring company has multiple objectives for the acquisition, the achievement of each objective may occur at different times, necessitating flexibility in performance studies to account for this (Das et al., 2012). Number of findings from M&A research are diverse and lack necessary integration and consolidation ((Das et al., 2012). Examining three decades of M&A research, Cartwright and Schoenberg (2006) have noted that the inconsistent performance of mergers and acquisitions may stem from a lack of communication between academic research and practitioners, or from incompleteness in existing research.

It is important to build a common base approach for the topic of this this research by reviewing the existing literature and analyzing the studies of consulting firms. Through this analysis, it was possible to frame the M&A steps and homogenizes the definitions to further embed the concept of sustainable development through the M&A lifecycle. These steps provide a structured framework (see below Figure 9) for managing the complexities of mergers and acquisitions and maximizing the value created through the integration of companies.

Figure 9. Merger and acquisition lifecycle framework applied in this research.

Each phase depicted in Figure 9 is thoroughly examined in the subsequent sections, which provide a detailed overview of the key elements within each phase.

3.2.4 Phase 1 – strategic planning

M&A have been the cornerstone of the growth strategy of many companies and have influenced competitive sector dynamics globally across industries (Hill and Jones, 2009; Lynch, 2006). Before pursuing any strategy, decision makers should recognize an organization's mission (why it exists) and vision (what it is striving to become). Strategy is the path toward fulfilling the mission and reaching a vision. Mariani (2017) exploits the SWOT analysis (see Figure 10) approach to emphasize the strengths. weakness, opportunities, and threats, which may, or may have, an impact on the success of a deal.

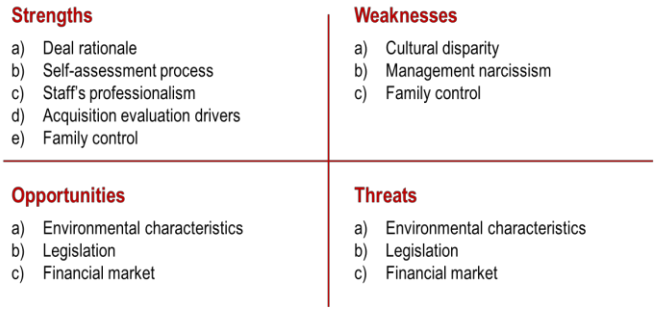

Figure 10. SWOT of acquisition strategy (Mariani, 2017,8).

The corporate strategy serves as the starting point and guiding framework for determining the rationale behind a potential acquisition or merger and sthe desired M&A targets. Based on a comprehensive company strategy review, an M&A strategy defines the detailed strategic targets to be achieved by deal motives, frames the corporate finance part of potential acquisitions, Outlines objectives for value creation, including anticipated synergies, determines the preferred approach for external growth, and establishes criteria for profiling the ideal target company

It's crucial to understand that acquisitions are not inherently strategic decisions, but rather a potential method for implementing a growth strategy, provided they lead to increased economic value.

3.2.5 Phase 2 - target identification

Once M&A is chosen as part of the corporate strategy, several key steps typically follow to execute the strategy effectively. Emot (2017) suggests considering few approaches to identify potential acquisition targets, presented in Figure 11.

Figure 11. Target identification process (Emot, 2017, 75).

This preliminary evaluation aims to identify the companies that offer the most significant enhancement in filling the identified gaps when their capabilities are combined with those of the buyer, based on a pro forma acquisition analysis.

Research on M&A target screening is conducted by scholars in various fields, including finance, strategic management, economics, and organizational behavior. The following are the examples of criteria for choosing the right transaction target (Emot, 2017; EY, 2023; KPMG, 2024):

Example of strategy output criteria for target identification:

- Industry/business/product/service area sought to close identified gaps;
- Technology/know-how/enabling competency sought to close identified gaps;
- Geographic dispersion sought to close identified gaps.

Qualitative criteria for target considerations and evaluation:

- Technology-driven producers or service providers;
- Target company's employee relations, talent management practices, and workforce capabilities;
- The strength of the target company's brand reputation, customer relationships, and market perception;
- Target company's supplier relationships, strategic partnerships, and ecosystem dynamics. Consider how the acquisition will impact supply chain management, vendor relationships, and value chain integration.

Quantitative Fundamental criteria for target evaluation:

- Historical revenue growth rate of the target company to assess its ability to generate increasing sales over time;
- Gross profit margin, operating profit margin, and net profit margin to gauge the target's efficiency in generating profits from its operations;
- Target company's financial leverage ratios, such as debt-to-equity ratio and interest coverage ratio, to assess its capital structure and debt repayment capacity;
- Valuation multiples such as price-to-earnings (P/E) ratio, price-to-sales (P/S) ratio, and enterprise value-to-EBITDA (EV/EBITDA) ratio to compare the target company's valuation relative to its financial performance and industry peers.

In the report "M&A Screening: New Strategies Require a Wider View" by Bain & Company (2020), the example of successful M&A screening capability is provided. KLA Corporation's efforts to broaden its scope into related sectors exemplify effective acquisition strategies. As a prominent figure in the process control systems and solutions sector, particularly serving the semiconductor and associated nanoelectronics fields, KLA faces a tightly integrated market with few opportunities for substantial expansion through scaling deals. Consequently, KLA has pursued a strategy aimed at establishing enduring, profitable avenues for growth by entering adjacent markets (Bain & Company, 2020). The company defined following M&A objectives: "short-term business objectives required tuck-in deals, whereas medium- and long-term objectives relied more on scope deals and venture capital–style investments" (Bain & Company, 2020).

3.2.6 Phase 3- due diligence

Due diligence represents a thorough analysis of target company operations; its strengths and weaknesses, its strategic and competitive position within the industry (Angwin, 2001). Due diligence is the critical step to take decision about whether the initiated M&A process will proceed as planned or be terminated (McIntyre, 2004; Venema, 2012). Due diligence is only part of whole M&A lifecycle, but it has been expressed to be one of the most crucial parts for it to be successful with value creation as a result (Savovic & Pokrajcic, 2013).

Due diligence should include a quick but rigorous examination of the target, evaluate business infrastructure and assess the performance of key business processes, analyzing the operational efficiency of the target company and identifying potential opportunities for achieving financial savings, improved productivity and improved quality of products and services (Robin, 2002). This phase helps identify potential risks and uncertainties associated with the target company. By conducting thorough due diligence, acquirers can assess the level of risk exposure and develop strategies to mitigate or manage these risks effectively. Moreover, due diligence promotes transparency and accountability throughout the M&A lifecycle by providing entities with access to accurate and reliable information about the target company. The data room supports the due diligence process by providing efficient access to due diligence materials. A data room, also known as a virtual data room (VDR) or deal room, is a secure online repository used to store and share confidential documents and information related to the transaction.

Emot (2017) explains due diligence process in two phases. Phase one or preliminary due diligence enables the acquirer to evaluate target company to "a point where a conditional offer can be made and presented in a nonbinding letter of intent or term sheet". Phase two or detailed due diligence generally follows "offer acceptance and captures the balance of the pertinent due diligence concern areas and follow-up items from phase one" (Emot, 2017).

While consulting firms can certainly play a role in supporting due diligence efforts, it's important to

note that due diligence is typically performed by a combination of internal and external parties, depending on the complexity of the transaction and the specific needs of the client. While consulting firms can provide valuable expertise and resources, they are often one of several types of professionals involved in the due diligence process.

Each of consultancies developed due diligence framework based on market needs and structured approach that covers various aspects of the target company's legal, financial, operational, and strategic position. Generally, consultancies focus on three main areas during due diligence process: financial, commercial, legal. While in recent time, more attention is paid to other disciple which adds more considerations to well-established process: cybersecurity, IT, AI, Software (Accenture, 2024), property, antitrust, tax, intellectual property rights (EY, 2024).

3.2.7 Phase 4 - valuation

Mergers can achieve success when the acquiring company offers a reasonable price to the target firm, reflecting both tangible and intangible returns. Proper valuation determines the fair price for the transaction, ensuring equitable financial terms for both parties involved in the merger or acquisition (Schill & Loutskina, 2017). Overpayment has been cited as a primary cause of merger failures, while less measurable factors like strategy and execution have often been underestimated. Astrachan (2008) stated that company valuation, is normally conceived as a "calculations exercise based on a method which suitable to the cases, involving a large number of intangible factors". According to Ferris and Petit (2013), there are several valuation methods available, summarized in Table 7.

Table 7. Financial valuation methods.

Method	*Description*
Comparable Company Analysis (CCA)	This method involves comparing the target company's financial metrics, such as revenue, earnings, and multiples (e.g., price-to-earnings ratio), to similar metrics of comparable publicly traded companies. CCA provides a relative valuation perspective based on market benchmarks (Eaton et al., 2022; Comparable Companies Analysis, 2009).
Precedent Transaction Analysis (PTA)	Precedent Transaction Analysis (PTA): Similar to CCA, CTA compares the valuation multiples of completed M&A transactions similar to the one under consideration. This approach helps assess the market value of the target company by analyzing recent deals in the same industry or sector (Eaton et al., 2022; Comparable Companies Analysis, 2009).
Discounted Cash Flow (DCF) Analysis	DCF analysis estimates the present value of a company's future cash flows, taking into account factors such as projected revenue growth, operating expenses, capital expenditures, and discount rate (usually the company's cost of capital). DCF is a common method for valuing companies based on their expected future financial performance (Huang et al., 2023)

Each method has its strengths and limitations, and often, multiple methods are used in combination to triangulate an accurate valuation (Schill & Loutskina, 2017). These methods help buyers and sellers assess the fair price for a transaction. M&A deals often aim to realize synergies, where the combined value of the entities is greater than their individual values. Valuation methods, like the Discounted Cash Flow (DCF) approach and comparable firm multiples, help quantify these synergies (Schill & Loutskina, 2017).

Additionally, this phase involves a thorough examination of the target's financial statements, revenue streams, profitability, and growth prospects. Financial metrics such as EBITDA, cash flow, and net

assets are critically assessed to gauge the financial health and future performance of the company (Hu, Shao, & Xu, 2022). Market conditions can significantly affect the perceived value of the target company (Bouwman, Fuller, & Nain, 2003). This includes understanding the competitive landscape, market size, growth potential, and regulatory impacts.

3.2.8 Phase 5 - negotiation, deal structuring and closing

Effective valuation techniques provide a solid basis for negotiation during M&A transactions. It brings discipline and rigor, making sure that the deals are not only financially prudent but also make business sense (Welch et al., 2020). Galpin (2020) points out that negotiations encompass more than just price, covering a wide array of terms including management roles, organizational structure, and compensation among others. Clearly defining these terms and deal elements is essential for the clarity and success of the agreement (T. Galpin, 2020). The deal structuring phase in M&A involves several key components that determine how the transaction is organized and executed. Key aspects of this phase summarized in Table 8.

Table 8. Key components of deal structuring.

Deal structing components	*Description*
Form of the Acquisition	The deal can be structured as a merger, acquisition, asset purchase, or a consolidation, each having different legal and financial implications. The choice affects how assets and liabilities are transferred and can influence tax liabilities and the integration process (Kumar & Sharma, 2019).
Payment Method	The transaction can be financed through cash, stock exchange, or a combination of both. Each method has implications for company control, tax, and financial accounting. For example, using stock can dilute existing shareholders but might be more tax-efficient (Depamphilis, 2019).
Legal and Tax Considerations	Structuring deals must consider legal statutes, regulations, and potential tax impacts. For instance, merging companies must address issues such as anti-trust laws, securities regulations, and tax obligations which can differ significantly depending on the jurisdictions involved (Depamphilis, 2010).
Deal Protection Mechanisms	These include measures like termination fees or lock-up options that protect the interests of the acquirer by deterring the target from accepting another offer after agreeing to a deal (Hotchkiss, Qian, & Song, 2005).

These components are essential for crafting a deal that aligns with strategic goals, minimizes risks, and maximizes value creation from the merger or acquisition.

The closing phase in M&A is a critical stage where the actual transfer of ownership occurs and the detailed agreements are finalized and executed (Depamphilis, 2015). Ownership transfer includes the formal handover of the target company's shares or assets to the acquirer. It often involves the exchange of payment and the official transfer of legal titles (Depamphilis, 2015). After that, final regulatory approvals should be secured, and any compliance issues are addressed. This includes securing approvals from government bodies, industry regulators, or shareholders, depending on the legal requirements in the jurisdictions involved and the structure of the deal (Depamphilis, 2015). All parties involved sign the final transaction documents, which legally bind them to the terms of the

acquisition. This often includes merger agreements, shareholder agreements, and other ancillary legal documents necessary to complete the transaction (Depamphilis, 2015). Finally, communication strategies should be implemented to inform stakeholders about the deal's closure to manage expectations and reduce uncertainties associated with the merger or acquisition (Depamphilis, 2015).

3.2.9 Phase 6 -post-deal

The post-deal phase in M&A is critical for realizing the intended benefits and ensuring the long-term success of the transaction. The integration process is often considered the most challenging part of M&A. It involves merging the operations, cultures, and systems of the combining entities. Effective integration planning and execution are crucial for achieving the synergies and cost savings anticipated from the merger (Kancherla et al., 2011). After the deal closes, it is important to continuously monitor the performance of the newly formed entity against the deal's objectives. This includes tracking financial metrics, customer retention rates, and employee satisfaction to ensure the merger is delivering the expected benefits (Savovic, 2012). Post-deal, many operational issues may arise, such as systems integration, streamlining operations, or addressing redundancies. Timely and effective resolution of these issues is crucial for the smooth functioning of the organization (Depamphilis, 2015). The success of the post-deal phase heavily influences whether the M&A achieves its strategic objectives, making it a pivotal period for both the management team and the broader organization.

3.3 Sustainable development terminology

Reviewing the M&A lifecycle through the lens of definitions and theories of sustainable development provides a holistic approach to understanding and managing the sustainability aspects of green deals. Sustainable development is tackled in corporations through a variety of concepts and theories aimed at integrating considerations into their business operations and decision-making processes (Mio et al., 2020). Figure 12 summarizes how this study employs different sustainability definitions and theories to inform each phase of the M&A lifecycle.

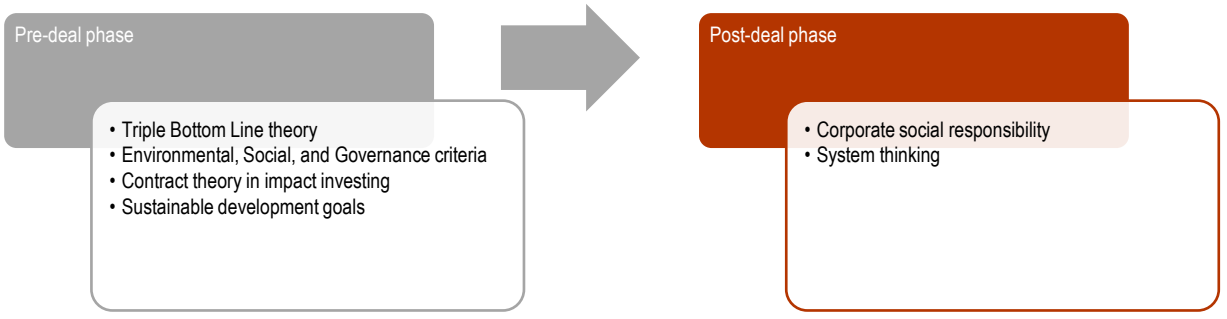

Figure 12. Integration of sustainable development definitions and theories into merger and acquisition lifecycle.

By perceiving the M&A lifecycle through sustainability definitions and theories, companies can integrate ESG considerations into every phase of the process, leading to more resilient, responsible, and value-driven deals. However, it's important to acknowledge that existing sustainability frameworks may not fully capture the complexity of these sustainability metrics at the operational

level (Labuschagne et al., 2005).

3.3.1 The concept of the Triple Bottom Line

Elkington introduced Triple Botton Line (TBL) as a framework for businesses to consider their economic, social, and environmental impacts. This holistic approach was targeted at expanding the traditional reportable performance metrics to include "people, planet, and profit" (Elkington, 1998). Elkington's work highlighted the need for new language and frameworks that resonate with business leaders, leading to the adoption and integration of sustainability into core business strategies and operations (Elkington, 2013). However, it has been critiqued for lacking specific measurement tools for its social and environmental components (Glac, 2015).

In practice, M&As that consider TBL aspects need to evaluate how the merged or combined company will achieve broader goals. This includes detailed due diligence on the compatibility of sustainability practices and a strategic integration plan that aligns and merges differing corporate cultures around "people, planet, and profit" concept. Companies might seek partners that complement their sustainability practices, potentially creating more robust, sustainable business models (Glavas & Mish, 2015).

3.3.2 Environmental, social and governance criteria

The term ESG (Environmental, Social, and Governance) gained prominence following a United Nations (UN) report in 2004. The report titled "Who Cares Wins" was published in collaboration with the World Bank and was pivotal in linking financial markets to a changing world. It emphasized the importance of integrating ESG factors into financial markets for sustainable development (United Nations, 2004). This report provided the foundation for what would become a significant focus on corporate responsibility towards environmental stewardship, social impact, and governance ethics, influencing investment decisions and corporate policies globally.

TBL and ESG criteria share a common goal of promoting sustainable business practices. TBL expands this by emphasizing three critical areas: social, environmental, and financial performance (Schaltegger & Burritt, 2018), while ESG focuses on company-specific metrics that demonstrate adherence to sustainable, ethical, and responsible standards. The importance of ESG has been highlighted in several studies. For example, (Clementino et al. (2020) says that firms with robust ESG ratings are found to have lower cost of capital, reduced volatility, and better operational performance.

The ESG factor serves as a motivator in M&As, playing a key role in the decision-making and strategic planning of firms aiming for sustainability and better resource management (Knyazeva & Boyko, 2023). Integration of ESG into TBL practices is seen as an effective approach to enhance corporate transparency and accountability, fostering a holistic view of business impact on society and the environment (Epstein & Buhovac, 2014). This can be proved by growing trend in mandatory ESG disclosures across countries highlights the growing regulatory focus and public interest. ESG rating agencies have evolved their criteria over the past decade to more accurately and robustly measure corporate performance to respond to global challenges (Escrig-Olmedo et al., 2019).

3.3.3 Contract theory in impact investing

Evans (2013) applies contract theory to explore how impact investing can secure social impact without sacrificing financial performance. This theoretical approach addresses the multi-tasking problem where impact investors must balance financial returns with social impact goals, providing a structured way to manage these potentially conflicting objectives (Evans, 2013). In the scenario

where impact investing principles meet M&A strategies, contract theory could provide a framework for designing contracts that ensure the alignment of both financial and impact goals. Following elements can be introduced to align sustainability and contract theory (Table 9).

Table 9. Examples of contract theory applications.

Examples of contract theory applications	*Description*
Performance-based Earnouts	Where part of the purchase price is contingent on the acquired firm meeting specific impact targets along with financial targets.
Impact Verification Clauses	Contracts may include clauses that require regular auditing of impact claims to prevent "impact washing."
Long-term Incentive Alignment	Ensuring that the management teams of the target companies are incentivized not just on immediate post-merger financial performance but also on the sustained achievement of social and environmental goals.

These theoretical applications suggest that while direct studies on contract theory in impact investing and M&A are sparse, the principles of contract theory could be very effectively applied to ensure that M&A transactions in the realm of impact investing achieve both their intended financial and social outcomes. The structure of these agreements can play a crucial role in the success of these dual-objective M&A transactions.

3.3.4 Sustainable Development Goals

The Sustainable Development Goals (SDGs) represent a pivotal step in global efforts toward sustainability, building on the legacy of the Millennium Development Goals (Griggs et al., 2014). On September 25, 2015, world leaders adopted the 2030 Agenda for Sustainable Development, which includes the 17 Sustainable Development Goals. These goals were designed to be a "blueprint to achieve a better and more sustainable future for all" by 2030. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace, and justice. The goals interconnect and aim to leave no one behind, emphasizing a universal call to action (Stafford-Smith et al., 2016). An important challenge addressed by the business world has correspondingly been to “integrate sustainability to core business strategies and long-term risk assessment […] and create a systemic change in order to better measure and value true performance of business” (Pingeot, 2014:18). This suggests that for sustainability to progress, there's a need to shift strategies in sustainability management.

While M&A activity is increasingly seen as opportunity to enhance sustainability performance. Companies are leveraging M&A to align with SDGs by acquiring firms with superior sustainability practices, thus boosting their own sustainability scores and overall company performance (Mihaiu et al., 2021). Cross-border M&As present unique challenges and opportunities for sustainable business practices. Hečková et al. (2019) states that such deals require careful consideration of sustainability attributes to ensure that they contribute to long-term business success and alignment with SDGs.

3.3.5 Corporate social responsibility

According to Fitch (1976), corporate social responsibility (CSR) is defined as a serious attempt by corporations to solve social problems, whether caused wholly or in part by their operations. This

strategy underscores the company's commitment to actively participate in tackling societal concerns through its actions and policies. From the 1970s onward, CSR became a global concept, integrated into business strategies across different countries including the UK, Japan, and India. This period saw CSR evolving from merely ethical propositions to a strategic framework essential for long-term business sustainability (Husted, 2015). The development of frameworks such as Carroll's Pyramid of CSR during the late 20th century provided structured approaches to CSR, identifying specific economic, legal, and ethical responsibilities of corporations. These frameworks have guided the modern practices and theoretical studies in CSR (Schwartz et al., 2003). Mergers involving firms with strong CSR commitments are likely to be more efficient and face fewer obstacles. Such firms are better at engaging stakeholders, which can facilitate smoother integration and less resistance during the merger process. This can also lead to enhancements in financial ratios and operational performance in the long term (Caiazza et al., 2021).

3.3.6 System thinking

Systems thinking aids in understanding and addressing complex sustainability challenges that are often characterized by nonlinear interactions and feedback loops. Hjorth et al. (2006) highlight how traditional fragmented approaches fall short, advocating for a systems dynamics approach to navigate towards sustainable development more effectively (Hjorth et al., 2006). Systems thinking provides a holistic view of problems and solutions, recognizing that a system's behavior results from the interactions of its parts rather than from the parts themselves. This perspective helps in identifying and addressing root causes of issues rather than just symptoms (Allen et al., 2009). Systems thinking is crucial in addressing the integration of information systems during M&A. This involves managing the complex interdependencies between different IT systems and business processes to ensure seamless integration and minimal disruption. A review by Henningsson et al. (2018) highlights the importance of understanding these interdependencies to effectively manage systems integration in M&A (Henningsson, Yetton, & Wynne, 2018). Larsson and Finkelstein (1999) developed a conceptual framework that integrates these perspectives to better understand how synergy realization is affected by the merging organizations' compatibility and the integration process (Larsson et al., 1999). Research by Robbins et al. (1999) examines how post-merger systems integration affects the information systems capabilities of the merged entities. Their study identifies factors that influence the success of systems integration, which can be critical for maintaining operational efficiency and achieving strategic goals post-merger (Robbins et al., 1999).

3.4 A conceptual framework

Conceptual framework provided in Figure 13 serves as a roadmap that outlines the key concepts, variables, relationships, and assumptions underpinning the in this research.

A conceptual framework "can be viewed as a system of constructs related to each other by propositions" (Bacharach, 1989:498). Constructs are viewed as an abstract in nature but can be operationalized empirically by defining variables (ibid.). Studying how sustainable development theories are embedded within the M&A lifecycle requires a multidimensional conceptual framework that incorporates both sustainability principles and the stages of M&A transactions.

While studying how sustainability or sustainable development embedded into M&A lifecycle, sustainability part may be broken down into two main variables, namely strategies and methods. Each sustainable development theory can provide a lens through which to analyze the sustainability implications of M&A activities. However, the specific strategies and methods that M&A practitioners employ to integrate sustainability within each stage remain unclear. This uncertainty will be addressed by research question 1 "What are the key strategies and practices currently used by practitioners for

embedding sustainability considerations throughout the merger and acquisition lifecycle?". By systematically examining these variables within the conceptual framework, we can further gain a deeper understanding of how M&A practitioners define sustainable development in M&A and how these definitions influence their strategies, practices, and decision-making processes. This helps to address the research question 2 "How do dealmakers conceptualize the notion of sustainable development?".

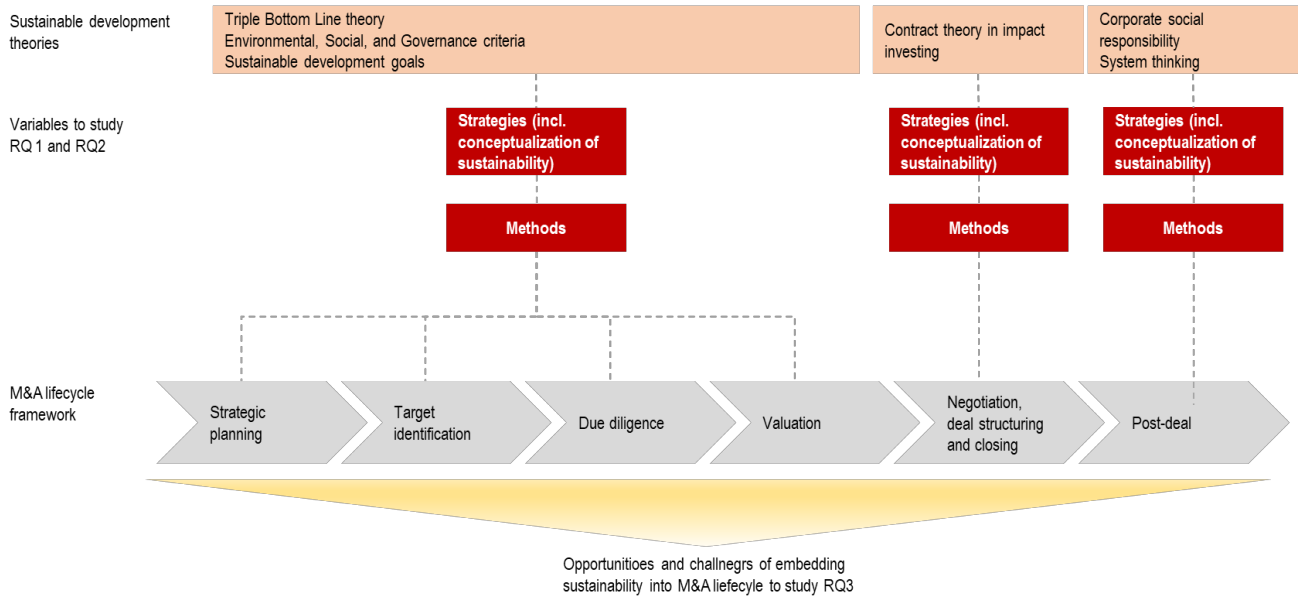

Figure 13. A conceptual framework for capturing mergers and acquisition values from a sustainability perspective.

4 Results

This chapter presents the findings from semi-structured interviews with M&A practitioners in the financial industry. The interview guide was carefully constructed to thoroughly explore the M&A lifecycle, utilizing a framework specifically developed for this study. Findings were systematically presented, ranging from strategic planning to post-deal phases. Additional topics that emerged during the interview were combined in the end of the chapter.

4.1 Mergers and acquisition through the lens of sustainable development

The interviews were meticulously organized to provide a comprehensive grasp of the M&A lifecycle based on framework identified earlier in this research (see below Figure 14). Findings were systematically presented, ranging from strategic planning to post-deal phases. As, M&A process are, by their nature, complex and consist of a pre-deal and a post-deal phase (Gomes et al., 2013). In this chapter, the results will be aligned and triangulated with classic M&A theories rather than concepts related to green deals. Because studies, and reviews of the relationship between sustainability and M&A from an integrative perspective that highlight the pre- and post-deal stages are very limited (Kayser, 2024).

Follow-up questions were posed during the interviews to delve deeper into specific topics, trends, and examples, allowing for a thorough categorization of insights.

Figure 14. Merger and acquisition lifecycle framework applied in this research.

The stages of mergers and acquisition lifecycle are further presented below (4.1.1- 4.1.6).

4.1.1 Strategic planning and sustainability

All respondents highlighted the fact that unlike five years ago, it's no longer feasible to overlook sustainability considerations when deciding whether to proceed with M&A activities or not. Although while describing the motives scholars use various perspectives, they generally encompass financial, strategic, and managerial factors (Junni et al., 2019). Respondents remark that the evolving business landscape, changing stakeholder expectations, and increasing regulatory scrutiny have made sustainability a fundamental aspect of strategic decision-making in M&A transactions.

> *"When it comes to strategic planning, we see the trend that the sustainability has shifted from being a minor consideration to one of the primary aspects in M&A deals. Companies that give prominence to sustainability in their strategic planning stand in a stronger position to generate value for stakeholders, bolster brand reputation, and proficiently mitigate risks." (Respondent G, 2024)*

> *"Sustainability is no longer just a 'nice-to-have' in M&A transactions—it's a 'must-have.'*

Investors, customers, employees, and regulators are placing greater emphasis on companies' ESG performance. (Respondent C, 2024)

Based on discussion, we observe that the frequency of sustainability integration in M&A strategic planning depends on the materiality and relevance of sustainability factors to the organization's business model and industry. Moreover, the extent to which sustainability is integrated into M&A strategic planning also depends on the organization's corporate strategic objectives and priorities. This is also proved by M&A best practices. Mariani (2017) states that before pursuing any strategy, decision makers should recognize an organization's mission.

"... in industries where sustainability is a top priority due to regulatory requirements or consumer's expectations, clients prioritize sustainability considerations more prominently in M&A strategic planning." (Respondent A, 2024)

"We recently encountered a project where the company lacked a comprehensive sustainability strategy, which posed significant challenges in advancing the sustainability agenda within the M&A process. That's why we encouraged the company to consider its overall sustainability strategy, before diving into M&A planning." (Respondent F, 2024)

"If a company considers emissions reduction important, you will structure the deal to align with this ambition. For instance, you will estimate the target company's ambitions for reducing emissions." (Respondent E, 2024)

The interviewees repeatedly stressed that M&A strategic planning encompasses more than just selecting which companies to invest in; it also involves determining which tools to utilize throughout the M&A process. Strategic planning for M&A can be approached by stakeholder theory by identifying and analyzing all relevant stakeholders, including employees, management, shareholders, customers, suppliers, and even the community where the businesses operate. Understanding the expectations, concerns, and potential impact on these groups helps in tailoring strategies that consider these varied interests. In M&A, it is evident that there are many different companies and other type of organizations as well as individuals, that depend on success of M&A deal (Anderson et al., 2012). Namely during this stage, you decide how to incorporate sustainability into your decision-making process and overall, in the M&A transaction.

"Selecting the right targets for investment is just the beginning. M&A strategic planning includes a range of tools and techniques, from due diligence to post-deal phases, to ensure successful transactions and long-term value realization." (Respondent B, 2024)

"Successful M&A transactions require careful planning and execution. It's really impossible to jump between phases with ESG topics." (Respondent G, 2024)

In the discussion regarding strategies and methods to embedded sustainability within the phase, the interview suggested various tools and frameworks. The United Nations Sustainable Development Goals appeared to be the most frequently used as a framework for guiding sustainability initiatives and strategic planning, including in the context of M&A transactions. Respondents explained how they align UN SDG when planning M&A transaction.

"Utilizing tools such as SDG mapping enables companies to systematically evaluate the alignment of M&A transactions with the UN SDGs. This tool provides valuable insights into the potential sustainability implications of deals, guiding strategic decision-making." (Respondent A, 2024)

> *“Incorporating the UN SDGs into M&A strategic planning requires a data-driven methods supported by robust analytical tools. By leveraging advanced analytics, companies can quantify the expected contributions of M&A deals to SDG targets, assess trade-offs, and optimize investment decisions for sustainable outcomes." (Respondent B, 2024)*

Based on responses, we can sum up the overall approach for aligning with UN SDG. Companies identify specific SDGs that align with their business objectives, industry focus, and corporate values. Companies prioritize SDGs that are most relevant to their operations and where they can have the greatest positive impact. Companies establish strategic objectives and targets that are aligned with specific SDGs. Hečková et al. (2019) states that such deals require careful consideration of sustainability attributes to ensure that they contribute to long-term business success and alignment with SDGs.

EU Taxonomy emerged as a critical criterion in strategic planning phase. Moreover, this approach supports the EU's objectives of promoting green finance, facilitating the transition to a low-carbon economy, and achieving environmental sustainability goals. The EU taxonomy serves as a valuable tool for integrating environmental considerations into M&A decision-making. By aligning with established taxonomy criteria, companies can ensure that their investment strategies support the transition to a more sustainable activity. One of the examples of leveraging EU taxonomy in this phase was provided by responded A:

> *"We have established a strategy to invest exclusively in companies that have implemented carbon accounting tools and software platforms, aligning with the principles outlined in the EU taxonomy. These tools enable us to quantify and track greenhouse gas emissions associated with the target company's operations, ensuring transparency and accountability in our investment decisions while advancing our commitment to environmental sustainability." (Respondent E, 2024)*

It's evident that legislation and global sustainability initiatives significantly shape the M&A strategic planning phase. Adherence to regulatory requirements and alignment with international sustainability frameworks not only influence decision-making but also drive the integration of sustainability considerations into the entire M&A process. As an example, Respondent C explained how the Principles of Responsible Investing (PRI) initiative is adopted by organization to guide M&A strategic planning and investment decisions. PRI is a global initiative that promotes responsible investment practices among institutional investors (The Principles for Responsible Investment, 2006).

> *“... based on the principles outlined in PRI, we have suggested several practices around the M&A lifecycle to ensure sustainability. For example, we established through monitoring and reporting mechanisms to report on every stage in M&A lifecycle to promote more responsible business practices”. (Respondent F, 2024)*

In addition, respondents highlighted that integrating double materiality into M&A strategic planning is crucial for a holistic evaluation of potential transactions. Double materiality is a concept in ESG that recognizes the dual impact of business activities: how sustainability issues affect a company's financial performance (financial materiality) and how the company's operations impact society and the environment (environmental and social materiality). By incorporating double materiality into M&A strategic planning, companies can ensure a comprehensive evaluation of potential deals, balancing financial performance with environmental and social impacts to achieve sustainable growth.

4.1.2 Target identification and sustainability

Respondents shared the perspective that an increasing number of companies are integrating ESG target identification into their investing thesis. Embedding sustainability into this phase is often considered one of the more manageable aspects of incorporating ESG considerations into investment strategies. There are few reasons, provided by respondents:

> *"Target identification typically occurs early in the investment process, providing an opportunity to prioritize sustainability considerations from the outset." (Respondent C, 2024)*

> *"... when it comes to large companies, target identification phase can be easy to manage due to sources available to those companies. Such as, ESG data and information available from various sources, including third-party ESG ratings providers, sustainability reports, and industry databases". (Respondent F, 2024)*

Respondents highlighted the versatility of screening tools in the target identification process, noting that companies can effectively utilize single or both external providers' screening tools and in-house frameworks. This dual approach allows for a comprehensive assessment of potential targets' environmental, social, and governance performance, ensuring alignment with the company's specific sustainability objectives and investment criteria. Examples of external provider's screening tools were provided in the Table 10, which further were complemented with short description and popularity withing respondents.

Table 10. Examples of external provider's screening tools and frameworks.

Screening Tool or Framework	*Example of Usage*	*Popularity Within Companies*
MSCI ESG Ratings	Assessing potential targets based on their ESG performance across key sustainability metrics	Widely used among institutional investors and asset managers for ESG integration
Sustainalytics ESG Risk Ratings	Evaluating companies' exposure to material ESG risks and their management of these risks.	Popular choice for investors seeking to assess ESG risk management practices
Bloomberg ESG Data	Utilizing a wide range of ESG data and analytics, including ESG scores, carbon footprint metrics	Commonly used by financial professionals and corporate sustainability teams for analysis
Dow Jones Sustainability Indices (DJSI)	Benchmarking potential targets against leading sustainability-driven companies worldwide	Widely recognized and used as benchmarks for sustainability performance assessment
Corporate Sustainability Assessment (CSA)	Assessing companies' sustainability performance across various ESG criteria	Utilized by investors and companies alike for comprehensive sustainability assessments
PRI Assessment Tools	Integrating ESG considerations into investment processes based on PRI principles	Widely adopted by signatories of the Principles for Responsible Investment (PRI)

The variety of tools and frameworks allows investors to choose tools that best suit their specific needs and objectives. For example, tools such as Dow Jones Sustainability Indices (DJSI) and Corporate Sustainability Assessment (CSA) offer benchmarking capabilities, allowing investors to compare potential targets against leading sustainability-driven companies worldwide. This enables investors to

identify industry leaders and assess performance relative to peers.

The respondents were queried about examples of KPIs utilized by companies as target identification criteria. They highlighted several indicators across ESG criteria, providing valuable insights into the factors considered crucial for identifying sustainable investment targets. These criteria are summarized in Table 11.

The table showcases a diverse array of ESG KPIs mentioned by respondents, covering environmental, social, and governance aspects. This diversity reflects the multifaceted nature of sustainability and the importance of considering various factors in target identification. Each category of ESG KPIs offers a comprehensive assessment of a company's sustainability performance. Environmental KPIs focus on factors such as carbon footprint and energy efficiency, while social KPIs encompass employee turnover, diversity metrics, and community engagement. Governance KPIs assess aspects such as board diversity, executive compensation, and ethics and compliance. Respondents warned that it's essential to take into account sector-specific sustainability considerations and regulatory requirements when evaluating potential targets.

Table 11. Examples of ESG KPIs that respondents mentioned during the interviews.

Type of KPI (based on ESG criteria)	*Example of KPIs*	*Frequency of reference during the interviews*
Environmental	Carbon footprint: Total greenhouse gas emissions (CO2e)	7
	Energy consumption: Total energy consumed by the company	6
	Water usage: Total volume of water withdrawn and consumed	5
	Waste generation: Total amount of waste generated	5
Social	Employee turnover rate: Percentage of employees leaving the company	4
	Diversity metrics: Representation of diverse groups within workforce	7
	Health and safety performance: Number of workplace accidents	3
	Community engagement: Investments in community development	6
Governance	Board diversity: Composition of the company's board of directors	7
	Executive compensation ratio: Ratio of CEO pay to average employee pay	4
	Ethics and compliance: Number of legal and regulatory violations	2
	Transparency and disclosure: Level of transparency in financial reporting	3

4.1.3 Due diligence and sustainability

Due diligence is the critical step to take decision about whether the initiated M&A process will proceed as planned or be terminated (McIntyre, 2004; Venema, 2012). Due diligence is widely recognized as one of the most popular steps to embed sustainability in M&A transactions because it enables companies to assess and address ESG risks and opportunities, align with stakeholder expectations,

inform integration planning, and ensure legal and regulatory compliance. These perspectives were discussed by respondents:

> *“Climate due diligence stands as one of our most sought-after services, reflecting the growing emphasis on sustainability in business practices. By identifying risks early on and capitalizing on opportunities, due diligence not only safeguards against potential pitfalls but also fuels value creation.” (Respondent B, 2024)*

> *"Out of the 20 due diligence projects we conducted last year, a significant 45% comprised climate due diligence assessments. This trend underscores the rising importance of climate considerations in business transactions and reflects our commitment to addressing sustainability challenges head-on.” (Respondent G, 2024)*

ESG due diligence stands as the cornerstone of our decision-making process when considering investments. By thoroughly assessing climate-related risks and opportunities, companies gain critical insights that inform whether to proceed with an investment or not.

> *"In one instance, during our thorough climate due diligence process, we uncovered substantial climate-related risks associated with the target company's operations, including vulnerability to regulatory changes and physical climate risks. Recognizing the potential impact on long-term value and sustainability objectives, the decision was made to cease the M&A negotiations." (Respondent H, 2024)*

> *“During out last engagement, through meticulous analysis, we identified key sustainability opportunities within the target company's operations, including sustainability experts withing the board. We helped our client navigate these opportunities effectively, resulting in a successful M&A transaction that not only enhanced the company's sustainability governance.” (Respondent B, 2024)*

> *“In a recent climate due diligence, the target was heavily reliant on carbon-intensive production processes and faced regulatory uncertainties related to impending carbon pricing regulations. As a result, the decision was made to halt the M&A negotiations.” (Respondent E, 2024)*

Further, respondents were asked to elaborate specifically on which sustainability topics should be incorporated into due diligence and how they could be integrated into the process. Based on their responses, Table 12 was compiled. Absence of major differences between respondents indicates on standardized approach in the industry. Some parts may vary based on the industry and regulation landscape. It’s important to assess the company’s performance against the material topics of buyers.

The table reflects a balanced approach to ESG due diligence, acknowledging the importance of both risk mitigation and opportunity identification. By addressing critical components across legal, environmental, social, and governance dimensions, companies can make informed decisions that promote long-term sustainability and value creation.

Even though the content parts are similar between respondents, the diversity of tools and approaches mentioned by respondents reflects the evolving nature of ESG due diligence and the wide array of methodologies available to assess ESG factors. Different respondents may specialize in specific areas of ESG due diligence and therefore utilize tools and approaches tailored to their expertise. For example, a consultancy focused on carbon emissions may emphasize the use of carbon accounting tools, while a firm specializing in labor practices may prioritize stakeholder engagement and supply chain audits. Regulatory requirements and industry standards may also shape the choice of tools and

approaches. Companies operating in highly regulated industries may need to comply with specific reporting frameworks and disclosure requirements, leading to the adoption of standardized assessment tools and methodologies.

> *"By utilizing stakeholder engagement platforms and conducting comprehensive surveys, we gain valuable insights into a company's social impact and stakeholder perceptions. This direct dialogue with stakeholders empowers us to address social risks, enhance community relations, and foster trust and transparency." (Respondent C, 2024)*

> *"Utilizing materiality assessment frameworks and conducting comprehensive materiality analyses helps us prioritize ESG issues based on their significance to a company's business and stakeholders. This strategic focus ensures that our ESG due diligence efforts are targeted towards addressing the most material risks and opportunities, maximizing value creation." (Respondent B, 2024)*

Table 12. Typical parts of ESG due diligence based on interviews

Part of ESG Due Diligence	*Example of Usage*	*Importance in final decision-making process*
Legal and Regulatory Compliance	Assessing compliance with environmental, labor, health and safety, and other relevant regulations and standards	High
Environmental Impact Assessment	Evaluating environmental performance, including energy consumption, waste management, and pollution prevention	High
Social Impact Assessment	Examining social impact on employees, communities, and stakeholders, including labor practices and human rights	High
Governance Structure	Reviewing corporate governance structure, board composition, executive compensation, and risk management processes	High
Supply Chain Management	Assessing sustainability practices in the supply chain, including supplier relationships and responsible sourcing	Medium
Stakeholder Engagement	Evaluating engagement with investors, customers, employees, and communities, and responsiveness to stakeholder concerns	Medium
Materiality Assessment	Identifying and prioritizing material ESG issues based on their impact on financial performance and reputation	High
Integration and Action Plan	Developing integration and action plans based on due diligence findings to address identified risks and opportunities	High

One of the salient themes that surfaced across the four interviews is ESG regulatory compliance. Respondents elucidated that ESG due diligence plays a pivotal role in evaluating performance and preparedness concerning specific ESG regulatory mandates, such as the compulsory sustainability disclosure requisites recently introduced by the Corporate Sustainability Reporting Directive (CSRD). By scrutinizing the company's policies, practices, and reporting mechanisms, ESG due diligence

ensures alignment with evolving regulatory frameworks like the CSRD. Consequently, companies can proactively address compliance gaps, mitigate potential risks, and bolster their transparency and accountability in line with emerging ESG regulations.

> *"The introduction of mandatory sustainability disclosure requirements, such as those mandated by the CSRD, underscores the growing importance of ESG regulatory compliance. Through rigorous due diligence, we assist companies in assessing their readiness to meet these obligations, ensuring robust compliance frameworks are in place to navigate the complexities of evolving regulatory landscapes." (Respondent A, 2024)*

4.1.4 Valuation and sustainability

In the discussions, interviewees emphasized that there isn't a specialized valuation approach exclusively centered on sustainability. Instead, sustainability factors are considered and integrated as essential elements within the overall valuation framework.

> *"Sustainability isn't approached as a standalone valuation exercise; rather, it's seamlessly integrated into the broader valuation framework as an essential component." (Respondent A, 2024)*

> *"In our approach, sustainability isn't an isolated metric or a separate valuation exercise. It's seamlessly integrated into our broader valuation framework, reflecting its intrinsic importance in assessing a company's true value." (Respondent H, 2024)*

However, few observations are made upon valuation methods and ESG considerations. Firstly, interview with respondent G and A revealed a positive correlation between ESG ratings and market valuation, particularly evident in trading multiples such as EV/EBITDA. This is depicted in the quotes below:

> *"Companies with higher ESG ratings tended to command a premium multiple, underscoring the market's recognition of sustainability as a value driver." (Respondent B, 2024)*

> *"Due to their robust ESG performance, companies showcased not only their commitment to sustainable practices but also their ability to generate long-term value, a fact mirrored in the market's willingness to assign premium valuations." (Respondent H, 2024)*

When respondents were asked about their experience in embedding sustainability into a DCF analysis, the most used valuation method among the respondents was likely the DCF method itself. It's important to note that the extent to which sustainability factors are integrated into the analysis significantly vary among respondents. Respondents B, D, G have more experience in incorporating sustainability-related cash flows or adjusting discount rates for sustainability risks, while others have limited experience in this area. Table 13 outlines how sustainability can be embedded into a DCF analysis based on responses of interviewees B, D, D.

Table 13. Typical ways to integrate sustainability in DCF analysis

Aspect	*Description*
Cash Flow Adjustments	Include sustainability-related cash flows such as revenue from sustainable products or cost savings from energy efficiency initiatives
Risk Adjustment	Adjust the discount rate to account for sustainability-related risks such as regulatory compliance costs or supply chain disruptions
Long-Term Growth	Incorporate sustainability considerations into long-term growth assumptions, reflecting revenue growth from sustainable initiatives or risks associated with climate change impacts
Scenario Analysis	Conduct scenario analysis to evaluate the sensitivity of the DCF valuation to different sustainability scenarios such as changes in carbon pricing policies or consumer preferences
Stakeholder Engagement	Engage with key stakeholders to gather insights on sustainability issues and incorporate feedback into cash flow projections and discount rate assumptions

Integrating sustainability-related cash flows into DCF analysis involves identifying and quantifying the financial impact of sustainability initiatives on future cash flows. This may include revenue projections from sustainable products, cost savings from energy efficiency measures, or expenses related to environmental remediation.

Few additional insights were revealed during the discussions. Sustainability-embedded financial modeling may incorporate additional valuation metrics that capture the long-term value creation potential of sustainability initiatives, such as the social return on investment (SROI), environmental return on investment (EROI), or the triple bottom line (TBL). Moreover, models considers both financial risks and sustainability-related risks, such as climate change risk, supply chain disruptions, and reputational risk from ESG controversies. And finally, scope of analysis includes ESG factors, such as carbon emissions, diversity and inclusion metrics, and corporate governance practices.

> *"Our approach to financial modeling goes beyond traditional metrics to encompass a holistic view of sustainability. From carbon footprint to diversity and inclusion, we're broadening the scope of analysis to provide stakeholders with a more nuanced understanding of a company's performance and potential." (Respondent G, 2024)*

4.1.5 Negotiations, deal structuring and closing phase

All respondents emphasized that while sustainability is increasingly acknowledged as a critical business factor, it may not always take precedence in negotiation, deal structuring, and closing. Operational and financial considerations typically retain primary importance in M&A transactions. Maximizing shareholder value is a primary objective in M&A transactions. Operational and financial considerations play a crucial role in assessing the potential synergies, cost savings, and revenue growth opportunities that drive value creation for the combined entity.

“In the dynamic landscape of M&A transactions, operational and financial factors typically lead the discussion, reflecting their direct influence on short-term outcomes.” (Respondent B, 2024)

“It's relatively uncommon for deals to fail at this stage due to sustainability factors. Most of these issues are typically addressed in earlier phases of the deal-making process.” (Respondent E, 2024)

From both the buyer's and seller's perspectives, sustainability often receives limited focus during the negotiation phase. This is compounded by a scarcity of experts proficient in negotiating sustainability matters, leading to its comparatively low share of attention. All negotiations are narrowing to discussions around Share Purchase Agreement (SPA). Including representations and warranties related to sustainability performance, such as compliance with environmental regulations, social responsibility initiatives, and governance practices. Sellers may represent that they have complied with all applicable sustainability laws, regulations, and standards, while buyers may seek warranties regarding the accuracy of sustainability-related disclosures. Addressing sustainability-related risks through indemnification provisions. Sellers may agree to indemnify the buyer for any losses arising from breaches of sustainability representations or warranties, including environmental liabilities or regulatory fines. Indemnification clauses may also cover the costs of remediation for environmental contamination or non-compliance with sustainability standards. Including covenants related to ongoing sustainability obligations post-closing. Sellers may agree to maintain existing sustainability initiatives or implement new sustainability measures as a condition of the sale. Covenants may cover areas such as environmental management systems, employee health and safety policies, or corporate governance practices.

A well-crafted SPA not only addresses financial aspects but also integrates environmental sustainability, social responsibility, and robust governance practices, reflecting a comprehensive approach to business excellence." (Respondent G, 2024)

"By embedding ESG factors into the SPA, companies signal their dedication to sustainable growth, transparency, and accountability, aligning their business objectives with broader societal and environmental goals." (Respondent A, 2024)

4.1.6 Post-deal phase and sustainability

Respondents shared a common perspective in the field of M&A regarding the integration of ESG considerations into the Post-Merger Integration (PMI) process. It suggests that respondents believe that companies are not effectively leveraging ESG factors as a means to create value during the PMI process. They are instead focusing on managing associated ESG risks, such as those related to the acquired company’s sustainability or labor practices.

This viewpoint can be significant as it highlights a potential oversight in the strategic integration process.

“The integration process seems solely focused on immediate financial and operational synergies. There's a significant challenges and gap in how we address environmental, social, and governance factors, which are crucial for long-term value creation.” (Respondent G, 2024)

“It is indeed surprising that sustainability considerations are often overlooked during

the PMI phase, given the increasing emphasis on sustainability in business practices today". (Respondent B, 2024)

M&A practitioners highlighted few reasons attributed to overlooking sustainability during this phase. Respondents A and G stated that merging two companies involves complex processes where multiple operational and strategic aspects need to be addressed. Sustainability factors might be considered as adding another layer of complexity to an already challenging integration process. Respondents A, B and E expressed concern regarding the lack of clear responsibility. In the absence of a dedicated ESG governance or opinion leader involved in the integration process, there may be a lack of clear responsibility for carrying forward sustainability initiatives. This also relates to the low number of sustainability experts involved in business process. And lastly, all the respondents expressed that the primary focus during post-merger integration is on achieving short-term financial synergies. The emphasis tends to be on cost-cutting, restructuring, and streamlining operations to realize immediate financial benefits.

Effectively capturing sustainability value post-deal ensures that the benefits identified during the pre-deal phase are realized and contribute to the overall success and resilience of the merged entity. While mitigating risks is crucial, companies must also focus on leveraging ESG-related synergies and opportunities. PMI presents a unique chance to advance the ESG agenda and elevate related ambitions through adaptation of operating model. Re-engineer operational processes to improve resource efficiency and reduce environmental impact. This can include optimizing energy usage, minimizing waste, and adopting circular economy principles. stablish governance structures that prioritize ESG oversight. This may involve creating dedicated sustainability committees or appointing ESG leaders to ensure accountability and drive continuous improvement. By embedding sustainability into the operating model, companies can ensure that ESG considerations are not just an add-on but a fundamental part of the business strategy and operations. This holistic approach enables companies to realize the full potential of ESG synergies and opportunities, leading to enhanced business performance and long-term value creation.

Through the responses, it was evident that system thinking approach can significantly enhance the integration of sustainability into the M&A lifecycle by providing a holistic framework to understand and manage the complex interdependencies between different aspects of the transaction. System thinking helps in aligning the sustainability goals of merging entities by focusing on the entire value chain and the broader impact on stakeholders. This approach ensures that sustainability is embedded into the combined operating model, governance structures, and corporate culture, leading to more seamless and effective integration. By viewing challenges and opportunities through a systems lens, companies can foster innovation and adaptability. This involves leveraging feedback loops and learning from different parts of the system to continuously improve sustainability practices and adapt to changing conditions.

4.2 Explanatory factors

To address the research question comprehensively, inquiries beyond the M&A lifecycle were made. These broader topics were identified, and results pertaining to each were included in this section.

4.2.1 Educational background of respondents

The empirical gatherings from the interviews show several interesting points when it comes to background information of interviewees. Six out of the seven respondents highlight that traditional

M&A education and training programs typically focus on financial, legal, and strategic aspects of deal-making, with less emphasis on ESG considerations.

According to one of the respondents:

> *"It's often the case that many M&A practitioners do not have formal education or training specifically in the field of sustainability." (Respondent H, 2024)*

Respondents further emphasizes that awareness of sustainability issues grows, and stakeholders increasingly prioritize ESG factors in business decisions, there is a growing recognition of the importance of integrating sustainability into M&A practices. This has led to an increased demand for education and training programs that bridge the gap between traditional M&A expertise and sustainability knowledge.

Another respondent supports this idea:

> *"While some M&A practitioners may have developed an understanding of sustainability principles through their work or through self-directed learning, formal education in the sustainability field is still relatively rare among M&A professionals." (Respondent A, 2024)*

As a result, there is a need for specialized training and development initiatives to equip M&A practitioners with the skills and knowledge needed to navigate sustainable deal-making successfully.

Based on interviewees profiles, the tendency was observed among M&A practitioners who have entered the field within the last eight years and have pursued specialized education, particularly master's degrees, with a significant focus on sustainability. These practitioners likely benefited from programs or courses specifically tailored to sustainability, covering topics such as environmental stewardship, social responsibility, and ethical governance. Such education equips them with a deep understanding of sustainability challenges and opportunities, as well as the tools to integrate sustainability considerations into various aspects of business, including M&A. For example, one of the respondents describe his background:

> *"I made a strategic decision to pursue conceptual education in sustainable development while already working in the M&A field, recognizing the growing significance of sustainability issues in the business world." (Respondent E, 2024)*

Other respondent comments that:

> *"As many professionals in the M&A field, I've learned about sustainability issues through practical experience. I gained knowledge through exposure to sustainability-related projects, collaboration with colleagues who have expertise in sustainability, or participation in training programs provided by my organization." (Respondent G, 2024)*

The interview revealed that the personal motivation plays crucial role while finding the balance between two disciplines. Some respondents take the initiative to educate themselves about sustainability issues through self-directed research, reading industry publications, attending conferences or webinars, and participating in online courses or workshops.

> *"I've started my journey into sustainable development concepts through a free UN course on sustainable finance. And this was fantastic initiative! Such courses can offer valuable insights into the intersection of sustainability and finance." (Respondent A, 2024)*

Respondents state that there are established frameworks, guidelines, and best practices available for incorporating sustainability into M&A transactions, such as the Principles for Responsible Investment (PRI) or the Sustainability Accounting Standards Board (SASB) standards. M&A practitioners use these resources to guide approach and ensure that sustainability considerations are adequately addressed.

4.2.2 Share of sustainability-embedded deals

The interview proved the trend mentioned by Caiazza and Ferrara (2016) that M&A activities have increased in Europe, and this trend is predicted to increase even further. All interviews agreed upon the fact that in recent years, there has been a noticeable increase in the number of sustainability-focused initiatives, investments, and partnerships in their companies' pipelines. Their clients are recognizing the importance of integrating sustainability into their business strategies. Interviews have revealed a notable range, spanning from 40% to 50% of deals that now incorporate at least one sustainability factor.

> *"The momentum towards sustainability is palpable, with companies across industries recognizing the business case for sustainability. From renewable energy projects to circular economy initiatives, the pipeline of sustainability-embedded deals continues to expand as businesses embrace innovation and collaboration." (Respondent C, 2024)*

> *"It's remarkable to see the shift in our project landscape, with more than 40% of our current initiatives demanding the integration of sustainability considerations throughout the deal. This figure starkly contrasts with what we observed just two years ago. It's evident that sustainability has swiftly evolved from a peripheral concern to a central pillar of our project planning and execution." (Respondent A, 2024)*

> *"At least half of our clients approach us with requests for assistance in addressing sustainability concern during execution of the deals." (Respondent B, 2024)*

Few respondents mentioned that some clients may be in the early stages of their sustainability journey, where they are just starting to explore and understand the importance of sustainability. They may lack formal sustainability strategies, metrics, or dedicated resources but have a growing interest in integrating sustainability during M&A lifecycle. When asked to provide share of sustainability embedded deals, the respondents commented the following:

> *"Occasionally, we find it necessary to proactively suggest integrating sustainability offerings into our projects, particularly when we sense legal pressures looming. By taking the initiative, we not only align ourselves with evolving regulatory requirements but also position our projects to meet emerging standards and expectations. (Respondent C, 2024)*

It was further added that there is still the dominance of ordinary transactions that lack explicit sustainability concerns. Particularly, deals executed by private equity firms often prioritize financial returns and immediate gains over sustainability considerations. While this approach may yield short-term benefits, it may overlook the long-term risks and opportunities associated with sustainability.

> *"Our pipeline is still predominantly dominated by classic deals, and our revenue stream reflects the emphasis on traditional M&A services". (Respondent G, 2024)*

> *"It's essential to maintain a balanced approach and not solely rely on green deals for the practice growth. Moreover, classic M&A deals are often valued at higher amounts*

compared to other types of transactions." (Respondent B, 2024)

4.2.3 The definition of sustainability-embedded deals

As mentioned Kayser et al. (2023), M&A itself can be considered as a powerful tool for advancing sustainable development objectives when executed thoughtfully and with a commitment to integrating sustainability considerations into all stages of the transaction lifecycle. On this matter, the question raised on how sustainable development is defined by M&A practitioners. Respondents couldn't provide unified definition or reference to specific theory of sustainability-embedded deals. Consequently, providing a single, universally applicable definition may not fully capture the breadth and complexity of such transactions. Sustainability-embedded deals can vary significantly based on motives, methods, industry context, and strategic objectives. Instead, understanding sustainability-embedded deals requires considering the specific circumstances, motivations, and approaches employed by the parties involved as said by one of the interviewees:

> *"These deals go beyond traditional financial metrics and incorporate ESG factors into decision-making processes." (Respondent E, 2024)*

> *"Sustainability-embedded deals prioritize not only short-term financial gains but also long-term sustainability objectives." (Respondent G, 2024)*

These deals can encompass a wide range of practices, from integrating environmental and social impact assessments into due diligence processes to implementing sustainability targets and metrics post-transaction. Therefore, discussions around sustainability-embedded deals should focus on the specific context and objectives driving each transaction rather than adhering to a rigid definition.

> *"Each project operates within a unique context, including its industry, geographical location, regulatory environment, and stakeholder dynamics. These contextual factors influence how sustainability is perceived and defined for that particular project." (Respondent A, 2024)*

> *"Stakeholders involved in a project may have diverse perspectives and priorities regarding sustainability." (Respondent D, 2024)*

One of the respondents provides historical perspective on the definition of sustainability-embedded deals, showing how overall development of sustainable development reflected in M&A industry:

> *"As awareness of the Triple Bottom Line concept grew in the early 2000s, companies began to explore the intersections between M&A activities and ESG factors. As M&A consultants, we recognized the need to integrate environmental, social, and governance considerations into various aspects of their operations, including M&A activities." (Respondent D, 2024)*

4.2.4 Definition of sustainable development in the M&A process

From the conversations, it appears that M&A practitioners may not always use scientific terminology or definitions when discussing sustainable development concepts, they often have a practical understanding of how these concepts are leveraged and applied in their work. M&A practitioners are

adept at adapting to changing market conditions, regulatory frameworks, and stakeholder expectations. From discussion conducted it is clear that M&A professionals demonstrate agility in incorporating emerging sustainability trends and best practices into their deal strategies. During the interviews, the respondents mention how they leverage sustainable development concepts. To conceptualize this study, the researcher match respondents' comments and key sustainable development theories. This approach enables the researcher to explore how theoretical frameworks are translated into actionable strategies and decision-making processes within the context of M&A, providing valuable insights into the dynamics of sustainability integration in corporate transactions.

During the discussions, resilience theory emerged as one of the scientific theories that resonated with the comments provided by the participants. This theory, which emphasizes the ability of systems to absorb disturbances, adapt to change, and maintain functionality (Luthar, Cicchetti, & Becker, 2000), was matched to the insights shared by the respondents. In more recent literature, resilience is increasingly seen as a multisystem process involving a complex interplay of biological, psychological, and social factors that enable adaptation and survival in the face of challenges (Masten et al., 2021). Respondents highlighted the importance of identifying and mitigating risks, fostering adaptive governance structures, promoting diversity and connectivity, and focusing on long-term value creation in sustainability-embedded M&A deals.

> *"In our experience, companies that proactively address and define sustainability issues during M&A transactions tend to fare better in the long run. By considering environmental and social risks upfront, they build resilience and avoid costly disruptions down the line." (Respondent A, 2024)*

> *"We've observed that businesses with strong governance structures are better equipped to navigate sustainability challenges post-M&A. Adaptive governance, which allows for flexible decision-making and stakeholder engagement, is key to building resilience in today's complex business environment." (Respondent B, 2024)*

The most popular concept of sustainable development used in M&A is the integration of Triple Bottom Line (TBL) and Environmental, Social, and Governance (ESG) criteria. By incorporating TBL and ESG criteria into M&A processes, companies can evaluate the full spectrum of risks and opportunities associated with a potential transaction. This approach allows them to consider not only financial performance but also the social and environmental impact of the combined entity. It promotes transparency, accountability, and long-term value creation for all stakeholders involved in the M&A transaction.

5 Discussion

This final chapter of the thesis provides analysis of the findings presented in the previous chapter as well as addressing the research questions stated in Chapter 1 and opposing to existing studies. The research questions have been intertwined throughout and therefore are discussed simultaneously.

5.1 Linking merger and acquisition with sustainable development

Based on the interview findings presented in the previous chapter, embedding sustainability within the M&A lifecycle becomes a strategic maneuver to enhance corporate resilience and value creation. The paper was started with the introduction that highlighted the reasons of increasing emergence of sustainability embedded deals, such as rising awareness of environmental issues and regulatory pressure.

To further support the concept, the separate overviews of the theories related to M&A and sustainable development were provided. This relates to the fact that, while sustainability-embedded deals may require extra considerations and specialized tools, practitioners still leverage classic M&A tools to facilitate the execution of these transactions. In addition, studies, and reviews of the relationship between sustainability and M&A from an integrative perspective that highlight the pre- and post-deal stages are very limited (Kayser, 2024).

Further, sustainable development theories, specifically Triple-Bottom lime and ESG criteria have played a crucial role in conceptualizing how M&A practitioners apply sustainability to execute M&A deals. These theories provide a framework that guides the integration of environmental, social, and governance (ESG) considerations into the strategic decision-making processes of M&A.

M&A itself can enhance environmental sustainability through improved corporate governance, optimizing firm structures and management practices (Zheng, et al., 2021). Firms with high sustainability scores, particularly in terms of environmental, social, and governance aspects, tend to exhibit better long-term financial performance post-M&A (Caiazza et al., 2021). Sustainability is not only a complementary aspect but a core strategic component in the M&A lifecycle, influencing long-term value creation, operational efficiencies, and corporate governance. Embracing sustainability can significantly affect the success and integration processes of the deals. Interview respondents highlighted the fact that unlike five years ago, it's no longer feasible to overlook sustainability considerations when deciding whether to proceed with M&A activities or not.

The effect of ESG on value creation from M&As was highlighted during the COVID-19 pandemic, showing a complex relationship where sustainability activities may not always be advantageous under economic strain, reflecting the importance of timing and context in integrating ESG considerations (Tampakoudis et al., 2021). ESG factors are increasingly included in the overall motivation for M&A transactions, especially as businesses aim to integrate sustainable practices and address climate and environmental risks, which are critical for maintaining financial stability and corporate image (Knyazeva & Boyko, 2023). So, it can be said that sustainability also become M&A motive from both sellers and buyers' perspective. However, scholars and M&A practitioners have yet to determine whether sustainability can become the primary driver and motivator for executing M&A deals.

The discussions presented further underscore the multifaceted nature of ESG integration, highlighting the need for a holistic approach that encompasses strategic, financial, and sustainable dimensions.

5.1.1 Research question one

The main objective of this study was to explain the strategies used to integrate sustainability considerations in the mergers and acquisitions deals. This entailed examining the practices employed by real-world M&A participants through the use of semi-structured interviews. Generally, this method proved to be highly effective because M&A practitioners, who engage with real-world examples, have access to the most up-to-date information. By highlighting recent developments in mergers and acquisitions, it was possible to consolidate and track the general progression of executing deals that incorporate sustainability. In the following discussion, findings related to research question one will be presented according to the different phases of M&A, aligning these findings with existing research in the field.

The findings from the strategic planning phase of M&A revealed that the degree to which sustainability is integrated into M&A strategies depends on the organization's broader strategic objectives and priorities, according to observations from respondents. However, this relationship can also be reversed. Sustainability itself can become a powerful tool in the M&A process to create value. For example, Denˇci´c-Mihajlov (year) proposes that incorporating sustainability in the M&A processes could release the potential sustainability value and reduce the possible faults, subsequently resulting in better strategic investment decisions. Karunasena et al. (2016) raised benefits of integrating sustainability concepts to value planning that is the reduction of unnecessary costs and attraction of new clients. The initiation of a deal that encompass to sustainability principles fundamentally begins during the strategic planning phase. This crucial stage is where the foundational elements of the M&A process are laid out, integrating sustainability not just as a compliance measure but as a core strategy that can drive the entire M&A lifecycle.

By prioritizing sustainability from the outset, companies can identify synergies that enhance sustainable practices, such as resource efficiency, ethical supply chain management, and community engagement. This approach not only supports a smoother integration post-acquisition but also positions the combined entity to better manage risks and capitalize on opportunities that arise from emerging sustainability trends. As for strategies and methods, respondents outlined UN SDG, regulatory frameworks such as EU Taxonomy, Principles of Responsible Investing (PRI). In M&A, it is evident that there are many different companies and other type of organizations as well as individuals, that depend on success of M&A deal (Anderson et al., 2012). That’s why strategic planning for M&A should be approached through the lens of stakeholder theory, which emphasizes the importance of identifying and analyzing all relevant stakeholders. This comprehensive view includes not only the typical focus on employees, management, and shareholders but also extends to customers, suppliers, and the communities where the businesses operate. By engaging with these stakeholders early in the strategic planning process, companies can gain a fuller understanding of the expectations and potential impacts of the M&A. This approach helps in assessing the broader implications of the merger or acquisition, such as cultural integration, social responsibilities, and local community impacts, which are crucial for the long-term success and acceptance of the M&A initiative. Incorporating stakeholder perspectives into M&A planning also aids in anticipating and mitigating risks associated with stakeholder opposition or negative perceptions. For example, addressing employee concerns about job security or community issues regarding corporate governance practices can preemptively smooth the path for integration and enhance the overall success of the M&A. All subsequent steps in the M&A process are typically planned during the strategic planning phase by establishing sustainability criteria and selecting the appropriate tools and frameworks to use.

Target identification phase is considered as one of the more manageable aspects of incorporating ESG considerations into investment strategies. Investors use ESG information primarily for investment performance, client demand, product strategy, and ethical considerations, with full integration and engagement being more beneficial (Amel-Zadeh et al., 2018). Respondents emphasized the flexibility of screening tools in the target identification process, pointing out that companies can effectively use either external providers' screening tools, in-house frameworks, or a combination of both. This approach allows organizations to tailor their target screening to align with specific sustainability criteria and operational requirements, enhancing the precision and effectiveness of their selection process. The concentration level of ESG-screening matters for balancing costs and benefits of ESG-screening in portfolios (Ick Jin et al., 2020). The target identification phase of M&A can be effectively approached through the lens of the Triple Bottom Line and ESG (Environmental, Social, and Governance) criteria. This perspective ensures that the selection process not only focuses on financial viability but also considers the environmental impact, social responsibility, and governance practices of potential targets. By integrating these criteria, companies can better assess the holistic value of a potential acquisition, ensuring alignment with broader sustainability goals and mitigating risks associated with non-financial factors.

ESG due diligence is fundamental to our decision-making process when evaluating investments. By thoroughly assessing climate-related risks and opportunities, companies acquire essential insights that guide the decision on whether to proceed with an investment. ESG due diligence can add value to private equity investments and drive profit creation and strategic direction for environmental companies (Duke et al., 2015). This comprehensive evaluation not only helps in understanding the environmental impact of potential investments but also examines social practices and governance issues, ensuring that any investment aligns with broader sustainability objectives. This approach minimizes potential risks and maximizes opportunities for sustainable growth, making it a critical strategy for responsible investing. Researchers highlight that due diligence requirements, backed by enforcement sanctions, can significantly contribute to sustainable development by requiring companies to eradicate or mitigate negative impacts in global supply chains (Villiers et al., 2019). For example, the European Commission's proposal for a Corporate Sustainability Due Diligence Directive is a significant step towards advancing the green transition and protecting human rights in Europe and beyond (Mak et al., 2022). The proposed Corporate Sustainability Due Diligence Directive (CSDDD) may impact the structure and operation of corporate groups, as it requires parent companies to conduct due diligence in their subsidiaries (Sørensen et al., 2022). One of the tools that was not mentioned during the interviews is life cycle sustainability assessment. This tool helps companies exercise due diligence in social responsibility throughout their value chain, contributing to sustainable development (Mazijn et al., 2022). Linking ESG due diligence to sustainable development theories offers a robust framework for evaluating investments. Ultimately, the combination of ESG due diligence with the Triple Bottom Line approach enhances a company’s ability to thrive in the modern economy while acting responsibly towards the environment and society. This integration is increasingly seen not just as a good-to-have, but as essential for long-term success and resilience.

According to Minna Yu et al. (2015), good corporate sustainability practices positively impact firm value, particularly in countries with strong investor protection and high disclosure levels. Moreover, companies with a good reputation for sustainability leadership have higher market valuation of net income compared to their counterparts (Lourenço et al., 2014). That's why it's crucial to carefully address sustainability practices during the valuation phase. By integrating ESG considerations into the financial assessment, companies can more accurately capture the long-term value and risk associated with potential investments. Current practices in financial analysis now incorporate the integration of sustainability-related cash flows into discounted cash flow (DCF) models. This involves identifying and quantifying the financial impact of sustainability initiatives on future cash flows.

During the negotiation phase of mergers and acquisitions, sustainability issues often do not receive the attention they merit from both buyers and sellers. This oversight is largely due to a lack of experts skilled in integrating sustainability considerations into negotiation strategies. Consequently, the focus during negotiations tends to be predominantly on the Share Purchase Agreement (SPA), specifically on aspects like representations and warranties.

5.2 Research question 2

To deepen the understanding of how sustainable development is perceived within the context of mergers and acquisitions (M&A), the second research question, "How do M&A practitioners conceptualize the notion of sustainable development?" was introduced to interviewees. This inquiry served to open up a broader discussion and analysis regarding the role of sustainability in M&A practices.

The exploration began with a foundational question where each participant was asked to provide their personal definition of sustainable development. This initial question was critical as it aimed to uncover the diverse perspectives and understandings that M&A practitioners hold about sustainability, revealing the variety in depth and focus of their responses. The range of definitions might highlight gaps in knowledge or varying levels of sophistication regarding sustainable development, pointing to potential areas for further education or training within the professional community of M&A. Interview results identified sustainable development as a crucial strategic component for enhancing corporate sustainability. This is also supported by some academic observations. For example, Jackson (2007) states that such approach often incorporates both environmental and social governance aspects to ensure a holistic integration. According to Brown et al., (1987) sustainability may be defined broadly or narrowly, but a useful definition must specify the context, temporal and spatial scales being considered, and maintain a healthy environment and stable human population. The relevance of sustainable development in M&A can vary significantly depending on the specifics of the deal and the industries involved. The acquiring company often evaluates sustainable practices as part of its due diligence to understand not only the compliance and risks associated with the target company but also the potential for aligning with or enhancing its own sustainability goals.

In practice, M&A practitioners use various guidelines and frameworks to construct their own approach to sustainable development. These are often designed to align with corporate policies and strategic objectives, providing a structured yet flexible method of integration (Kruijsen, 1998). This was also proved by interview findings. This observation from the interview findings is quite insightful and aligns with the practical application of sustainable development concepts in the business world, especially in the realm of M&A.

Practitioners often prioritize pragmatic outcomes and business integration over academic definitions, focusing on how sustainability can be leveraged to add value, mitigate risks, and enhance company profiles. Explanations of sustainability provided during the interviews could be aligned with established sustainability theory. This alignment not only validates the practical understanding of the concepts by M&A practitioners but also enriches the theoretical framework with real-world applications. The following definitions and concepts in sustainability theory surfaced during the interviews: Triple Bottom Line theory, Bruntland Commission definition of sustainable development, ESG criteria, Corporate Social Responsibility, UN Sustainable Development Goals and resilience theory. The Bruntland Commission definition of sustainable development is often cited, but its simplicity and development-bias is criticized (Ramsey et al., 2014). Sustainability definitions in M&A can be grouped into archetypes, focusing on aspects like nature, resources, economic growth, population growth, technology, and social equity (Vos et al., 2007). This approach can help clarify

how different elements contribute to a comprehensive understanding of sustainability within the context of mergers and acquisitions.

The notion of sustainable development can be quite vague and subject to varying interpretations depending on the context and the agenda of the institutions or organizations involved. This flexibility in definition can be both a strength and a weakness. On one hand, it allows organizations to adapt the concept to their specific circumstances and strategic goals, fostering creativity and ownership. On the other hand, it can lead to inconsistencies and challenges in measuring and comparing sustainability efforts across different contexts.

5.3 Research question 3

To address the research question on potential paths for advancing sustainability-infused mergers and acquisition (M&A) processes, an effective approach is to assess the limitations of current practices and strategies. By identifying these limitations, the industry can continuously strive to optimize and improve practices, aligning them more closely with sustainability goals.

Standardizing the M&A process across companies and industries is indeed a critical step towards enhancing the execution of sustainability-infused M&A strategies. Currently, as was noted during the interviews, the integration of sustainability varies widely among companies, largely depending on their individual knowledge, experience, and commitment to sustainability issues. This is also supported by Jabaree (2008), who states that there's a recognized need for a comprehensive theoretical framework to guide the integration of sustainability into business strategies, including M&A. This lack of framework contributes to the varied understanding and implementation practices among practitioners. Practitioners should engage more with regulatory bodies to ensure that these frameworks are not just recommendations but are backed by official policies and guidelines. This could help enforce a minimum standard of sustainability assessment and integration across all M&A activities.

One of the other ways to advance sustainability-embedded deals is promoting continuous improvement and innovation. A systematic review of the existing body of knowledge on mergers and acquisitions and sustainability can provide insights into the nature and trends of research on this emerging topic (González-Torres et al., 2020). So, the creation of the mechanisms for ongoing feedback and periodic review of the standardization frameworks is needed to ensure they remain relevant and effective in the face of changing environmental and market conditions.

Systematic literature reviews have identified the root causes of labor exploitation in international supply chains, emphasizing the "wicked problem" of global labor governance that requires multi-stakeholder approaches to foster meaningful improvements in labor rights (Shbikat, 2019). The current focus of many M&A deals on environmental issues reflects the growing global awareness and regulatory emphasis on environmental sustainability. However, there's a discernible shift towards incorporating social aspects more prominently in the future. This evolution is crucial, as social factors are integral to holistic sustainability and can significantly influence the long-term success and ethical grounding of a merger or acquisition. ESG standards are integral in combatting modern slavery, human trafficking, and child labor. Companies whose supply chains are linked to such oppressive labor practices face not only ethical condemnations but also financial repercussions, suggesting that investors should avoid these companies to align with responsible investment principles (Hammond, 2021).

Integrating innovative solutions such as green technology and sustainable business practices through the M&A lifecycle, especially with the aid of cutting-edge digital tools and AI, can greatly enhance

the efficiency and impact of sustainability-focused M&A strategies. AI can analyze large datasets to predict ESG risks and returns, model potential impacts of sustainability initiatives, and identify synergies between merging entities. This can be done through the participate in open innovation platforms where businesses can share challenges and solutions related to sustainability in M&A, promoting a cooperative approach to problem-solving. Moreover, M&A specialists can involve a broader range of stakeholders in the M&A process, including non-traditional voices like environmental NGOs, community representatives, and sustainability experts. When the stages of mergers and acquisitions (M&A) progress from valuation to closing, it's observed that these phases often rely on traditional tools and methodologies, with little or no specific dedication to sustainability strategies.

6 Conclusions

The conclusion chapter of this research paper effectively summarizes the study by highlighting the key findings and main conclusions drawn from the analysis. It synthesizes the implications of these findings in the context of existing knowledge and discusses the potential impact on future research and practice in the field.

6.1 Contribution – addressing the aim of the study

When studying sustainability embedded into the M&A lifecycle, it's crucial to remember that the primary objective is to safeguard positive impact. In this evolving landscape, it is conceivable that sustainability will eventually outweigh financial gains as the primary driver of business decisions, including M&As. This research has effectively demonstrated the integral role of sustainability in the M&A lifecycle, from strategic planning through to due diligence and negotiation. By employing semi-structured interviews with real-world M&A participants, the study has highlighted how sustainability considerations are not only integrated but are also driving value creation within this field.

By embedding sustainability from the onset, organizations can create a cohesive framework that guides subsequent phases—such as due diligence, negotiation, and integration. This alignment is crucial not only for achieving specific ESG targets but also for ensuring that the overall strategic objectives of the organization are met in a manner that supports sustainable growth and value creation. Integrating sustainability concepts into value planning during M&A offers significant benefits that can enhance the overall value and effectiveness of the transaction. In the target identification phase of M&A, the goals set during the strategic planning phase play a foundational role. By using the Triple Bottom Line and ESG criteria as lenses through which targets are evaluated, companies ensure a holistic approach to selection that balances financial viability with broader sustainability goals. ESG due diligence plays a critical and probably most vital role in the decision-making process when evaluating investments, particularly in the context of mergers and acquisitions. This comprehensive assessment aids companies in understanding not just the financial metrics but also the broader impact and sustainability of potential investments. Following steps from valuation to closing leverage classic tools and methods with no dedicate sustainability strategies. When the stages of mergers and acquisitions (M&A) progress from valuation to closing, it's observed that these phases often rely on traditional tools and methodologies, with little or no specific dedication to sustainability strategies. The findings from interviews with M&A practitioners reveal a landscape where sustainability is increasingly incorporated into mergers and acquisitions processes through various guidelines and frameworks. Each company crafts its approach to sustainable development, leveraging established frameworks to tailor strategies that align with their specific business models and industry requirements. This customization, while beneficial, highlights a broader challenge and opportunity: the need for standardization in the M&A process to enhance the execution and effectiveness of sustainability-infused strategies across different companies and industries. Practitioners should engage in continuous learning to stay updated with the latest developments in sustainability practices and how these can be applied effectively in M&A scenarios.

To frame the conclusion of this study within its contextual and practical limitations, it's crucial to note that the research was primarily focused on the European region, reflecting the specific legislative environment which greatly influences M&A activities in this geography. This regional focus means that the findings and recommendations might not be fully applicable to other areas with different regulatory frameworks and market dynamics. Embedding sustainability into the M&A lifecycle is resource intensive. It requires not only financial investment but also significant human and technological resources to implement effectively. Companies facing resource constraints might find it challenging to fully apply the study's findings.

6.2 Implications – contribution to the continued development

In conclusion, this study provides a solid foundation, equipped with the necessary tools and theoretical frameworks, to serve as a starting point for future research and practical application in the field of mergers and acquisitions. The insights gathered from practitioners through this research underscore the growing recognition and necessity of integrating sustainability into the M&A lifecycle. There is ample room for academia and industry professionals to explore and refine the sustainability frameworks used in M&A. Future research could focus on developing more precise metrics and tools that quantify the impact of sustainability on M&A outcomes.

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Appendices

Appendix A - Semi-structured Interview Guide

Introduction

Thank you for joining us for this research interview! Your participation is highly valued and will provide invaluable insights into the integration of sustainability within mergers and acquisitions (M&A). The aim of this interview is to collect information on the incorporation of sustainability factors throughout the M&A lifecycle, with the goal of examining current trends and assessing the potential of this important area of study.

Goals and Objectives

Primary goal is to answer following research questions:
RQ1: What are the key strategies and practices currently used by practitioners for embedding sustainability considerations throughout the merger and acquisition lifecycle?
RQ2: Through qualitative analysis, how do M&A practitioners conceptualize and interpret the notion of sustainable development?
RQ3: What potential paths for advancing sustainability-infused M&A processes have been identified?

Interview consent form

Interview process starts with obtaining consent from the interviewee. This ensures that both sides are fully aware of the purpose of the interview, how the information will be used, and that interviewees agree to participate voluntarily. Providing and obtaining consent upfront helps establish trust between the interviewer and interviewee and ensures ethical conduct throughout the interview process. While the interviewee is under no obligation to participate, they have previously agreed to do so. This acknowledgment is crucial for maintaining transparency and ensuring that both parties understand the terms of the interview process. The consent form and interview guide were sent via e-mail 2 days prior to the interview.

Instructions for Recording

Th researcher makes it clear that interview will be recorded for accuracy and reference purposes. Consent to being recorded is already included in the consent form the interview signed, but the researcher wants to verbally confirm this with the respondent as well. Once the recording is complete, the interviewee(s) have the option to request the removal of specific parts from the recording. The interviewers will store the audio recording of the interview in a password-protected storage (Google Drive) and will delete it either at the conclusion of the study or within 6 months year at the latest. Any names, locations, or other business-related information mentioned by the interviewee will be anonymized in the transcript to the extent required.

Copyrights

The ownership of the interview materials, including recordings, transcripts reside on the interviewers and the supervisor of the project. Interviewers can decide whether to disclose the results of the study or not.

Interview guide

The interview questions are categorized based on the research questions. While it's suggested to follow the themes in sequence, the interviewer has the flexibility to skip around if the interviewee leads the conversation in a different direction. Throughout the interview, the researcher may ask follow-up questions to clarify your responses or explore certain topics in more detail. The interviewee can elaborate on any answers or ask for clarification if needed.

Closing Remarks

Thank you for your willingness to participate in this research interview. Your insights are invaluable to our study, and we appreciate your time and contributions. If you have any further questions or would like to contact us, please feel free to reach out using the contact information provided below.

Appendix B – Interview Consent Form

Participant Information
Name: [Participant's Name]
Date: [Date]

I, [Participant's Name], hereby acknowledge that I have voluntarily agreed to participate in a research interview conducted by [Researcher's Name] on [Date]. I understand that the purpose of this interview is to gather information on how sustainability embedded in the M&A lifecycle.

I understand that my participation in this interview is entirely voluntary, and I may withdraw at any time without consequence. I am under no obligation to answer any questions that I do not wish to answer, and my decision to participate or not will not affect my relationship with the researchers or any associated organizations.

I understand that my identity and any personally identifiable information disclosed during the interview will be kept strictly confidential. My responses will be anonymized in any reports or publications resulting from this research, and only aggregated data will be used.

I understand that this interview may be recorded for accuracy and reference purposes. I consent to being recorded and understand that the recording will only be used for research purposes and will be kept confidential. If I prefer not to be recorded, alternative arrangements can be made.

Contact Information:

If I have any questions or concerns about the interview or the research project, I understand that I can contact Muatter Valiyeva at muatterva@gmail.com.

Consent:

I have read and understand the information provided in this consent form. I voluntarily consent to participate in this research interview conducted by Muatter Valiyeva.

Participant's Signature:	Interviewers' Signature:
[Signature]	[Signature]
Date:	Date:
[Date]	[Date]

Appendix C – Semi-structured Interview Questions

General questions

Q1. Can you provide an overview of your experience and expertise in mergers and acquisitions (M&A), particularly concerning sustainability considerations? How many years of relevant experience do you have?

Q2. Do you possess any relevant education or certifications in the field of sustainability? How has your education or training influenced your approach to sustainability considerations in M&A transactions? Additionally, do you believe that a lack of education in sustainability could pose challenges or limitations when integrating sustainability into M&A processes? If so, what measures do you think organizations can take to address this issue effectively? How do you define sustainability within the context of M&A?

Q3. What motivated your organization to prioritize sustainability in M&A transactions?

M&A lifecycle related

Q4. Can you describe any specific sustainability criteria or metrics used during the M&A due diligence process?

Q5. In your opinion, what role do sustainability factors play in the decision-making process during M&A negotiations?

Q6. Can you share examples of successful M&A transactions where sustainability considerations were effectively integrated?

Q7. What challenges or obstacles have you encountered when attempting to incorporate sustainability into M&A processes?

Q8. How do you evaluate the financial impact of sustainability initiatives within M&A deals?

Q9. What strategies have you implemented to mitigate sustainability-related risks in M&A transactions?

Q10. How do you communicate sustainability goals and commitments to stakeholders during the M&A process?

Q11. What role do cultural and organizational differences play in integrating sustainability into M&A transactions?

Q12. Can you discuss any regulatory or compliance issues related to sustainability that have influenced M&A decisions?

Q13. How do you ensure alignment between sustainability goals and the overall strategic objectives of the M&A deal?

Q14. Can you provide examples of innovative approaches or best practices for embedding sustainability into M&A transactions?

Q15. How do you measure the long-term impact of sustainability initiatives post-M&A integration?

Q16. What methods or tools do you use to track and report on sustainability performance within merged entities?

Q17. How do you address potential conflicts between short-term financial objectives and long-term sustainability goals in M&A?

Q18. Can you share any lessons learned or insights gained from past M&A transactions involving sustainability considerations?

Q19. How do you engage employees and foster a culture of sustainability within newly merged organizations?

Q20. What strategies do you employ to ensure that sustainability commitments made during M&A negotiations are upheld post-acquisition?

Q21. Can you discuss any industry-specific trends or challenges related to embedding sustainability in M&A?

Q22. How do you assess the reputational impact of sustainability-related decisions made during M&A transactions?

Q23. What role does stakeholder engagement play in shaping sustainability strategies within M&A transactions?

Q24. How do you ensure transparency and accountability in disclosing sustainability performance metrics to shareholders and other stakeholders?

Q25. Can you discuss the role of innovation and technology in advancing sustainability goals within merged organizations?

The prospectives

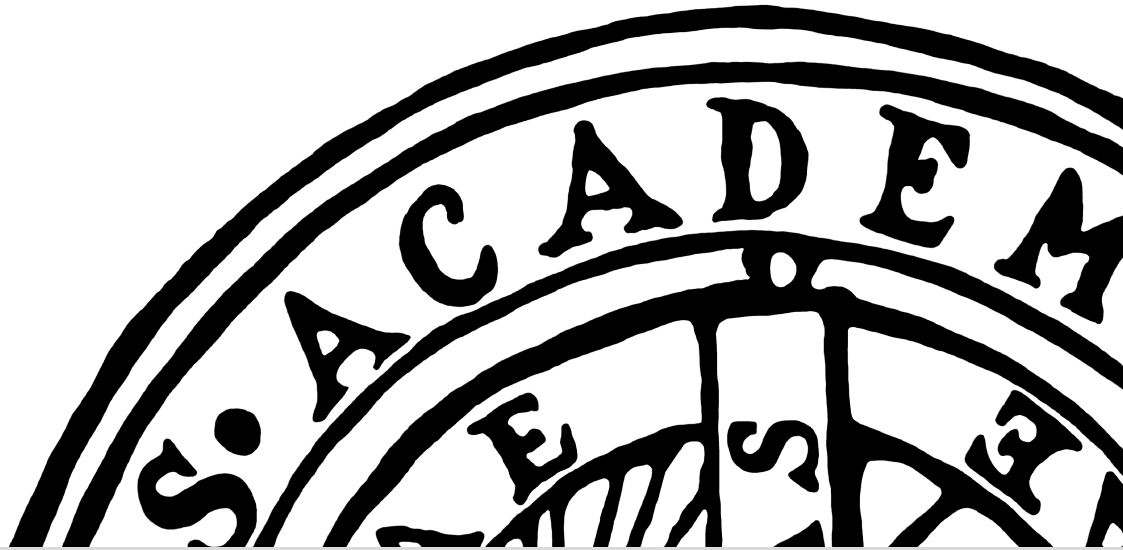
Q26. What opportunities do you see for enhancing the integration of sustainability into future M&A transactions?

Q27. How do you balance the need for financial returns with environmental and social sustainability objectives in M&A deals?

Q28. Can you share examples of collaboration or partnerships with external stakeholders to advance sustainability goals in M&A transactions?

Q29. How do you navigate the complexities of international regulations and standards related to sustainability in cross-border M&A deals?

Q30. In your view, what are the key success factors for effectively embedding sustainability into M&A transactions?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