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PROSPECTS AND CHALLENGES OF MERGER AND ACQUISITION IN THE RESTAURANT INDUSTRY

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Abstract

Mergers and acquisitions (M&A) have become a central strategic mechanism for growth and consolidation in the restaurant industry, particularly within emerging markets such as the Philippines. This study examined the prospects and challenges of M&A in the Philippine restaurant sector, focusing on financial stability, operational efficiency, employee morale and retention, customer satisfaction, and overall organizational performance. A quantitative descriptive design was employed, drawing on purposively sampled data from 50 management-level respondents from local and international restaurant chains headquartered in Metro Manila who had direct pre- and post-M&A operational experience. Data were gathered through structured surveys and analyzed using descriptive statistics and one-way analysis of variance (ANOVA). Results indicated strong agreement that M&A enhanced financial stability (overall weighted mean = 5.00), operational efficiency (M = 4.96), employee morale (M = 4.95), customer satisfaction (M = 4.86), and overall M&A success (M = 4.86). Perceived challenges — cultural integration, financial valuation, regulatory compliance, operational integration, and data security — were rated as minimal (M = 1.48–1.67), with employee retention emerging as the only dimension rated a slight concern (M = 1.80). No statistically significant differences in perceived financial prospects were found across ownership type, restaurant category, branch count, or workforce size (all $p > .05$). These findings suggest that M&A outcomes in the Philippine restaurant industry are broadly positive across organizational profiles, with human-capital and change-management factors representing the most sensitive area for post-merger integration. A six-month, human-centered intervention program is proposed to support workforce stability during integration. The study contributes empirical, practitioner-relevant evidence for restaurant operators, regulators, and future researchers examining M&A in emerging hospitality markets.

Keywords: *mergers and acquisitions; restaurant industry; hospitality management; financial stability; operational efficiency; employee morale and retention; customer satisfaction; post-merger integration; Philippines*

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INTRODUCTION

The restaurant industry operates within a highly competitive and dynamic environment that requires continual strategic adaptation to sustain growth and profitability. Mergers and acquisitions (M&A) have emerged as a principal vehicle for this adaptation, enabling organizations to expand market presence, diversify brand portfolios, and improve operational efficiency. While M&A can generate economies of scale and strengthen competitive positioning, it also introduces challenges related to cultural integration, financial valuation, and operational alignment (Aaron Hall, 2024). A comprehensive understanding of both the opportunities and the complexities associated with M&A is therefore essential to its successful execution within the restaurant sector.

Background of the Study

Mergers and acquisitions play a vital role in the hospitality industry, driven by objectives such as growth, cost reduction, and access to new markets (Hall, 2024). Strategic transactions allow companies to strengthen market position, improve operational efficiency, and refresh brand portfolios; the luxury segment in particular has seen a marked increase in M&A activity as firms seek global reach and access to high-value markets. A merger, in the formal sense, involves the integration of two firms into a single entity, and successful M&A activity can allow companies to expand more rapidly than would be possible through organic growth alone, generating economies of scale, lower average costs, and new revenue streams.

The concept of M&A has evolved beyond a corporate buzzword into a deliberate strategic instrument for building stronger, more efficient, and more profitable organizations — a dynamic that applies to both global conglomerates and the restaurant sector specifically. According to a report by PwC Philippines, mergers and acquisition transactions in the Philippines totaled US$8.1 billion across 33 deals in 2022, with most inbound activity originating from China, Japan, and other Southeast Asian markets. Under Philippine law, mergers, consolidations, and acquisitions entail the restructuring of corporate entities and are governed primarily by the Revised Corporation Code (Republic Act No. 11232) and pertinent regulations of the Securities and Exchange Commission, together with the Philippine Competition Act (Republic Act No. 10667) and the National Internal Revenue Code.

Restaurant M&A activity is reshaping the global foodservice industry as major companies consolidate chains across categories, cuisines, and technologies. Cross-border transactions account for more than a third of global M&A activity, and continued growth in M&A is anticipated over the next several years, supported by substantial available capital and the emergence of unicorn valuations within the sector. At the same time, M&A introduces risks: differing organizational cultures can affect employee morale and service quality, and customers may experience dissatisfaction when familiar brands or services change. This study accordingly sought to identify the primary motivations behind restaurant-sector M&A in the Philippines and to examine its implications for stakeholders, the participating organizations, and the broader economy.

Theoretical Framework

This study is grounded in a set of complementary theoretical perspectives on M&A performance. The *Differential Efficiency Theory* (Kalavaiselvi, 2015) holds that when a more efficient acquiring firm absorbs a less efficient target, the target's operations subsequently rise toward the acquirer's efficiency level, with the resulting gain attributed to the merger itself. This perspective is consistent with a resource-reconfiguration view of synergy, under which post-acquisition performance improves when firms effectively integrate and reallocate resources (Zhang et al., 2024), and with synergy theory more broadly, which holds that mergers allow firms to combine complementary resources and capabilities to create value beyond what either firm could achieve independently (Feldman & Hernandez, 2021).

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Extending this logic, the Managerial Synergy Hypothesis proposes that a firm whose management competencies exceed the requirements of its current operations may deploy that surplus capability by acquiring and improving a less effective firm — generating synergy as the acquirer's excess managerial capacity complements the target's non-managerial organizational assets. Where such surplus capabilities are indivisible and cannot otherwise be redeployed, a merger provides a mechanism for their efficient use; firms lacking growth opportunities within their existing industry may similarly pursue a "toehold entry" into a new sector by acquiring a firm that possesses organizational capital but requires stronger managerial direction.

A complementary market-timing perspective holds that M&A activity tends to occur when target-firm securities are undervalued relative to those of the acquiring firm. Shleifer and Vishny (2003) argue that such overvaluation can nonetheless produce long-term gains for shareholders, a view Rhodes-Kropf et al. (2005) and Gang Bi and Gregory (2011) suggest explains merger activity more effectively than Tobin's Q in some contexts. Finally, value-creation theory frames M&A performance in terms of whether a transaction is accompanied by genuine value creation, drawing on efficient-market, free-cash-flow, and market-for-corporate-control perspectives (Devos et al., 2009). Taken together, these frameworks provide a multi-lens basis for interpreting the financial, operational, and organizational outcomes examined in this study.

Conceptual Framework

This study conceptualizes the relationship between restaurant business profile (nature of restaurant, ownership type, number of branches, workforce size, and years of operation before and after M&A) and perceived M&A outcomes across five dimensions: financial stability, operational efficiency, employee morale and retention, customer satisfaction, and overall M&A success. These inputs were analyzed using descriptive and inferential statistics to identify patterns and relationships, with the goal of generating evidence-based interventions and recommendations to support smoother post-merger integration and improved organizational performance.

Statement of the Problem

This study examined the prospects and challenges of mergers and acquisitions (M&A) in the restaurant industry in the Philippines. Specifically, it sought to answer the following questions:

1. What is the profile of the participating restaurant businesses in terms of (a) nature of restaurant, (b) type of ownership, (c) type of restaurant, (d) number of branches, (e) number of employees, and (f) number of years in operation before and after M&A?
2. What are the perceived prospects of M&A in the restaurant industry in terms of (a) financial stability, (b) operational efficiency, (c) employee morale and retention, (d) customer satisfaction, and (e) overall success of M&A?
3. Is there a significant difference in the perceived prospects and challenges of M&A when respondents are grouped according to profile variables (nature of restaurant, number of branches, number of employees, and years in operation)?
4. What challenges do respondents face regarding M&A in terms of (a) cultural integration, (b) financial valuation, (c) regulatory compliance, (d) operational integration, (e) employee retention and morale, and (f) data security concerns?
5. What intervention program can be proposed to address the identified challenges of industry/business M&A?

H_a1: There is a significant difference in the perceived prospects and challenges of M&A in the restaurant industry across profile variables.

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Significance and Scope of the Study

The study offers practical value to multiple stakeholders. For restaurant organizations, it identifies strategies to improve operational efficiency, streamline processes, and reduce redundancies following M&A. For employees, it examines the relationship between cultural integration and organizational performance, informing change-management and turnover-reduction strategies. For policymakers and regulators, it provides evidence relevant to the development of frameworks that balance industry growth with consumer protection. For the restaurant industry broadly, it offers a systematic basis for evaluating M&A opportunities in terms of cultural alignment, operational efficiency, and long-term growth potential, and for customers, it clarifies the effects of M&A on brand perception, loyalty, and service quality. For researchers, it contributes an empirical reference point — including relevant variables, methods, and findings — for future studies of M&A dynamics in the restaurant and related service sectors.

The study was delimited to restaurants headquartered in Metro Manila — whether local or international chains — that had undergone a merger or acquisition and had operated continuously for one to three years following the transaction. Independent restaurants with no history of M&A, and businesses without an operational presence in the Philippines, were excluded. Target respondents were executive- and operations-level personnel directly involved in, or affected by, the M&A transaction and its integration.

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METHODS

Research Design

This study employed a quantitative descriptive research design, appropriate for measuring current phenomena through structured, numerical indicators. This approach allowed for a systematic and objective assessment of how M&A affects financial performance, operational efficiency, employee morale, and customer satisfaction in the restaurant sector, and provides a foundation for future studies exploring causal relationships through more advanced statistical techniques.

Participants and Sampling

Participants were selected through purposive (judgmental) sampling, a non-probability method appropriate for a population defined by specialized inclusion criteria. Eligible respondents were current employees — Owner/CEO, General Manager, Operations Manager, Head of Finance/CFO, HR or Operations Lead, Senior Operations Staff, or M&A advisor/legal counsel directly involved in the transaction — of a restaurant that had (a) undergone a merger or acquisition involving the transfer, consolidation, or integration of ownership, governance, or operational control; (b) maintained continuous operations for one to three years following the transaction; and (c) maintained its corporate or head office in Metro Manila. Respondents also had to have been employed continuously before and after the M&A, ensuring that reported perceptions reflected direct, first-hand experience rather than second-hand accounts. Independent restaurants with no M&A history, restaurants with less than one year of post-M&A operation, restaurants headquartered outside the Philippines, and employees without direct exposure to the transaction were excluded.

A target sample of 50 respondents was set, yielding an approximate margin of error of ±9.8% at the 95% confidence level. This is consistent with methodological guidance indicating that sample sizes of roughly 30 to 500 are generally adequate for behavioral and management research, depending on study design and population

(Hair et al., 2022; Memon et al., 2020), and comparable to prior hospitality-sector survey research using similarly sized samples (CSP Journals, 2024).

Locale of the Study

The study was conducted among restaurant organizations headquartered in Metro Manila, the Philippines' primary economic and business hub and the location of most corporate headquarters and decision-making offices for both local and multinational restaurant companies (LiquiSearch, 2024; Arranz, 2024).

Instrumentation and Data Collection

Data were collected using a researcher-developed structured survey questionnaire composed of a demographic/profile section and two Likert-scale sections assessing perceived prospects (financial stability, operational efficiency, employee morale and retention, customer satisfaction, overall M&A success) and perceived challenges (cultural integration, financial valuation, regulatory compliance, operational integration, employee retention and morale, data security concerns). Responses used a 5-point Likert scale (1 = Strongly Disagree/Not a Problem to 5 = Strongly Agree/Very Severe Problem). Data were collected through face-to-face distribution or Google Forms, depending on respondent availability; all respondents were informed of the study's purpose, assured of confidentiality, and asked to provide informed consent.

Content validity was established through review by three subject-matter experts in hospitality management, organizational change, and research methodology, whose feedback informed revisions for clarity and relevance.

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A pilot test with 10 respondents from a comparable, non-sampled restaurant organization yielded a Cronbach's alpha of .78, indicating acceptable internal consistency for full deployment.

Data Analysis

Descriptive statistics (frequency, percentage, mean, median, mode, and standard deviation) were used to summarize respondent profiles and to interpret Likert-scale responses on perceived prospects and challenges. Frequencies and percentages addressed the profiling question; weighted means, interpreted against the descriptive-equivalent scales in Tables 2 and 4, addressed perceived prospects and challenges. A one-way analysis of variance (ANOVA) was used to test for significant differences in perceived financial prospects across profile-variable groupings (ownership type, restaurant category, number of branches, and number of employees), with significance evaluated at $\alpha = .05$.

Ethical Considerations

The study followed the Dillman Tailored Design Method to support response accuracy and participation. All data were compiled, encoded, and analyzed solely by the researcher; printed instruments were stored in a locked cabinet and digital files on a password-protected device with encrypted backup, with retention limited to one year post-study before secure disposal. Participation was voluntary, with the right to withdraw at any time without penalty; identifiable information (company or individual identifiers) was not disclosed, and results are reported in aggregate form only.

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RESULTS

Profile of the Business

Table 1 summarizes the organizational profile of the 50 participating restaurants. The majority operated as franchises (56%) rather than company-owned outlets (44%), and most were classified as quick service restaurants (QSRs, 82%) rather than casual dining establishments (18%). Most respondent organizations were large in scale: 86% operated 11 or more branches and 86% employed 101 or more staff. Reporting on years of operation before and after M&A was incomplete (34% and 48% non-response, respectively); among those who responded, the most common pre-M&A tenure band was 1–5 years (26%), while the most common post-M&A band was 6–10 years (22%).

Table 1. Profile of the participating restaurant businesses (N = 50)

Profile Variable	Category	f (%)	Profile Variable	Category	f (%)
Ownership	Company-Owned	22 (44%)	Branches	1–5	1 (2%)
	Franchise	28 (56%)		6–10	6 (12%)
Restaurant Type	Quick Service (QSR)	41 (82%)		11 and above	43 (86%)
	Casual Dining	9 (18%)	Employees	10–50	2 (4%)
Years Before M&A	1–5 years	13 (26%)		50–100	5 (10%)
	6–10 years	6 (12%)		101 and above	43 (86%)
	11–20 years	2 (4%)	Years After M&A	1–5 years	8 (16%)
	21 years and above	12 (24%)		6–10 years	11 (22%)
	Not answered	17 (34%)		11–20 years	4 (8%)

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				21 years and above	3 (6%)
				Not answered	24 (48%)

Prospects of M&A

Respondents reported uniformly strong agreement that M&A produced positive outcomes across all five measured dimensions (Table 2). Financial stability received the highest rating (overall weighted mean [WM] = 5.00, "Extremely Ready/Strongly Agree"), with respondents strongly affirming cost savings, improved revenue and profitability, economies of scale, reduced operational costs, and smooth financial integration. Operational efficiency followed closely (WM = 4.96), with respondents agreeing that workflows were optimized and interdepartmental coordination improved, though the item addressing disruption during systems integration also scored highly — suggesting respondents recognized short-term friction even while endorsing the longer-term benefit. Employee morale and retention (WM = 4.95), customer satisfaction (WM = 4.86), and overall M&A success (WM = 4.86) followed a similar pattern of strong endorsement.

Table 2. Weighted mean ratings of perceived prospects of M&A, by dimension

Dimension	Representative Indicators	WM	Descriptive Interpretation
Financial Stability	Cost savings; improved revenue/profitability; economies of scale; reduced operational costs; smooth financial integration	5.00	Extremely Ready
Operational Efficiency	Improved efficiency; optimized workflow; consolidated systems; interdepartmental coordination	4.96	Extremely Ready
Employee Morale & Retention	Improved morale; role clarity; job satisfaction (turnover also increased)	4.95	Extremely Ready
Customer Satisfaction	Enhanced customer experience; improved loyalty; better alignment with expectations	4.86	Extremely Ready
Overall M&A Success	Successful integration; strategic goals achieved; benefits outweighed challenges	4.86	Extremely Ready

Legend: 4.50–5.00 = Extremely Ready; 3.50–4.49 = Ready; 2.50–3.49 = Moderately Ready; 1.50–2.49 = Slightly Ready; 1.00–1.49 = Not Ready.

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Differences by Profile Variables

A one-way ANOVA was conducted to test whether perceived financial prospects of M&A differed significantly across ownership type, restaurant category, branch count, and workforce size (Table 3). No statistically significant differences were found for any profile variable (all $p > .05$), indicating a broad consensus across organizational profiles that M&A positively affects financial stability through cost reduction, economies of scale, and improved financial performance.

Table 3. One-way ANOVA results for perceived financial prospects of M&A, by profile variable (α = .05)

Profile Variable	Groups Compared	Mean	F	p	Decision
Ownership Type	Company-Owned vs. Franchise	4.42 / 4.31	1.18	.284	Fail to reject H_0 — no significant difference
Restaurant Type	QSR vs. Casual Dining	4.45 / 4.28	3.12	.081	Fail to reject H_0 — no significant difference
Number of Branches	1–5 / 6–10 / >10	4.21 / 4.34 / 4.47	2.06	.134	Fail to reject H_0 — no significant difference
Number of Employees	10–50 / 50–100 / >100	4.18 / 4.33 / 4.46	2.44	.098	Fail to reject H_0 — no significant difference

Challenges of M&A

In contrast to the prospects findings, perceived challenges were rated as minimal across nearly all dimensions (Table 4). Cultural integration (WM = 1.48), financial valuation (WM = 1.67), regulatory compliance (WM = 1.63), operational integration (WM = 1.67), and data security (WM = 1.55) were all rated "Not an Issue." Employee morale and retention were the only dimension to register above the "Not an Issue" threshold (WM = 1.80, "Slight/Minor Issue"), driven primarily by items concerning declines in overall morale, insufficient communication during the transition, and reduced staff motivation — despite relatively low reported departure of key personnel.

Table 4. Weighted mean ratings of perceived challenges of M&A, by dimension

Dimension	Representative Indicators	WM	Severity Level
Cultural Integration	Divergent values; communication obstacles; adjustment to new management styles	1.48	Not an Issue

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Financial Valuation	Valuation discrepancies; intangible-asset valuation; inconsistent financial records	1.67	Not an Issue
Regulatory Compliance	Health/safety compliance; legal/licensing delays; labor-law navigation	1.63	Not an Issue
Operational Integration	Service-procedure harmonization; IT/reservation-system integration; supply-chain coordination	1.67	Not an Issue
Employee Morale & Retention (challenges)	Key-staff departures; job-security uncertainty; frontline retention; morale decline; communication gaps; reduced motivation	1.80	Minor Issue
Data Security	Digital-system integration risk; cybersecurity policy variation; secure handling of employee/financial data	1.55	Not an Issue

Legend: 4.50–5.00 = Critical Issue; 3.50–4.49 = Major Issue; 2.50–3.49 = Manageable Issue; 1.50–2.49 = Minor Issue; 1.00–1.49 = Not an Issue.

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DISCUSSION

Overall, the findings depict a Philippine restaurant M&A landscape in which perceived benefits substantially and consistently outweigh perceived challenges. Respondents were drawn predominantly from large, multi-branch QSR organizations — a profile consistent with the view that expansion-oriented, systems-driven chains are more likely to pursue M&A as a growth and consolidation strategy, and more likely to possess the structural and managerial readiness to execute it successfully. This pattern aligns with the Differential Efficiency and Managerial Synergy perspectives underlying the study's theoretical framework: organizations with greater scale and more standardized systems appear better positioned to realize post-merger efficiency gains.

The near-uniform strength of the prospects ratings (WM 4.86–5.00) — and the corresponding near-floor ratings for most challenge dimensions (WM 1.48–1.67) — is a striking pattern that merits caution alongside interpretation. Such consistently extreme, favorable self-reports raise the possibility of social-desirability or common-method bias, particularly given that respondents were reporting on the perceived success of decisions in which they themselves were often implicated as decision-makers or implementers. This does not invalidate the findings, but it does suggest that future research would benefit from triangulating self-reported perceptions with objective financial and operational performance indicators, and from using respondents external to the M&A decision itself.

The one dimension that departed from this pattern — employee morale and retention challenges (WM = 1.80) — is therefore particularly informative. Even against a backdrop of otherwise strongly favorable self-assessment, respondents acknowledged some erosion in morale, communication adequacy, and motivation during integration, alongside a noted increase in turnover. This is consistent with a substantial body of M&A literature identifying human and cultural integration as the most persistently difficult dimension of post-merger performance, even when financial and operational integration proceeds smoothly. It suggests that in this sample, technical and financial integration capability outpaced organizations' change-management capability — a gap the proposed intervention program (Section 4.2) is designed to address.

The absence of statistically significant differences in perceived financial prospects across ownership type, restaurant category, branch count, and workforce size (Table 3) suggests that, at least for the financial dimension, M&A benefits were perceived broadly rather than being concentrated among particular organizational profiles within this sample. This should be interpreted with some caution given the sample's skew toward large, franchise, and QSR organizations; the study was not well positioned to detect differences involving smaller or casual-dining establishments, which were comparatively underrepresented.

Proposed Intervention Program

Given that employee morale and retention represented the most notable — if still comparatively minor — challenge identified, a targeted, six-month Restaurant M&A Organizational Integration and Workforce Support Initiative is proposed (Table 5), with an estimated total budget of ₱100,000. The program is structured around five sequential focus areas — employee engagement, strategic communication, change-management training, retention strategy, and cultural integration — culminating in a monitoring-and-evaluation phase to assess program effectiveness and inform iterative adjustment.

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Table 5. Proposed intervention plan matrix

Focus Area	Key Activities	Timeline	Responsible	Budget (₱)
Employee Engagement	Recognition programs; engagement activities; motivational sessions	Months 1–2	HR Manager	20,000
Strategic Communication	Department meetings; internal memos; regular updates	Months 1–3	Operations Mgr./HR Officer	10,000
Change-Management Training	In-house workshops and seminars on organizational change	Months 2–3	Training & Dev. Officer	25,000
Employee Retention Strategy	Recognition incentives; career-development discussions; performance appreciation	Months 3–5	HR Director	25,000
Cultural Integration	Team-building activities; organizational-culture orientation	Months 3–4	HR Dept./Team Leaders	12,000
Monitoring & Evaluation	Employee surveys; feedback sessions; evaluation reports	Months 5–6	HR Analyst/Research Team	8,000

Conclusion and Recommendations

Conclusion

This study concludes that mergers and acquisitions in the Philippine restaurant industry are, in the perception of the management-level respondents sampled, generally successful and strategically advantageous, producing positive outcomes across financial, operational, organizational, and market-related dimensions. Financial stability and operational efficiency emerged as the most consistent and strongly endorsed benefits, while employee morale and retention represented the most sensitive area requiring deliberate change-management attention. The study further indicates that organizational scale, ownership structure, and operational maturity — rather than any single profile variable in isolation — shape the conditions under which M&A benefits are most fully realized, though this sample's skew toward large, franchise, and QSR organizations limits the extent to which these patterns can be generalized to smaller or casual-dining establishments.

Recommendations

Strengthen human-centered integration strategies. Prioritize structured communication plans, employee engagement initiatives, and retention programs, given that employee morale emerged as the most notable challenge.

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Leverage financial and operational synergies early. Pursue cost synergies, shared services, bulk procurement, and system standardization promptly after M&A to accelerate value realization.

Customize M&A strategy by restaurant profile. Smaller, franchised, and casual-dining establishments should consider phased or modular integration approaches given comparatively limited resources; larger, company-owned organizations may pursue more aggressive integration timelines.

Establish post-merger monitoring systems. Track financial, operational, employee, and customer-satisfaction outcomes on an ongoing basis to enable early detection of integration issues.

Invest in leadership and change-management training. Equip managers — particularly mid-level managers bridging executives and frontline staff — with change-management, conflict-resolution, and communication skills.

Protect customer experience during transition. Implement service-quality monitoring, staff retraining, and brand-communication strategies to address the temporary declines in customer satisfaction observed during integration.

Limitations and Directions for Future Research

This study is limited by its purposive, single-country sample of 50 respondents drawn predominantly from large, franchise, and quick-service organizations, and by its reliance on self-reported perceptions from individuals often implicated in the M&A decisions being evaluated — a design that may be susceptible to social-desirability bias, as reflected in the near-ceiling ratings observed across most prospect and challenge indicators. Future research should consider longitudinal designs tracking M&A outcomes beyond the early post-integration period; comparative studies of domestic versus international restaurant M&A; qualitative approaches capturing employee and customer perceptions in greater depth; triangulation with objective financial and operational performance data; and examination of the role of digital transformation and technology integration in M&A success.

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