Abstract
The theory of mergers and acquisitions (M&As) has been developed almost exclusively from the study of large deals by large firms. In this paper we argue that the behaviour and success of M&As by small and medium sized enterprises (SMEs) may be significantly different. Accordingly, we revisit established M&A theories, and develop a theoretical framework, and several testable hypotheses, regarding the distinctive features of SME M&As. Our empirical results support our expectations and show that, compared to large firms, acquiring SMEs: rely more intensively on external growth via M&As; are more likely to be withdrawn, suggesting that SMEs are more flexible, and more able to avoid deals that turn sour; and, finally, SME M&As are more likely to be financed with equity rather than debt, indicating that the influential financial pecking order theory is of less relevance to SMEs.