



UNIVERSIDADE CATÓLICA PORTUGUESA

New Trends in M&A Literature

Review

Carolina Maria Neves Nunes

Católica Porto Business School
April 2024



UNIVERSIDADE CATÓLICA PORTUGUESA

New Trends in M&A Literature Review

Master's Final Assignment – Internship Report
Presented to *Universidade Católica Portuguesa*
to obtain a Finance Master Degree

by

Carolina Maria Neves Nunes

Under supervision of
Professor Luís Pedro Krug Pacheco

Católica Porto Business School
April 2024

Agradecimentos

O Trabalho Final de Mestrado consiste num trabalho individual, no entanto, não poderia deixar de salientar os meus sinceros agradecimentos a todas as pessoas e entidades que contribuíram, de alguma forma, para o desenvolvimento e a finalização desta dissertação.

Em primeiro lugar, agradecer aos professores orientadores, Professor Luís Pacheco e Professor João Novais, pelo rigor nas suas orientações, pelo apoio e em especial pela confiança depositada.

De seguida, agradecer à empresa onde estagiei, Clearwater International, por me terem recebido de uma maneira impecável, assim como, por tudo o que ensinaram durante o estágio.

A todos os meus amigos e amigas, pelo apoio e motivação demonstrado, e pela compreensão da minha ausência em inúmeros eventos e momentos importantes, nos últimos meses, com o objetivo de terminar a minha dissertação.

Por fim, em especial à minha família, os meus pais e o meu irmão, por acreditarem em mim, por me apoiarem em todos os momentos e por todas as palavras de incentivo que me foram dando durante a realização deste trabalho.

Resumo

Recentemente, tem havido um aumento do interesse em operações de fusões e aquisições (F&A), deste modo, escolas e especialistas começaram a ter mais disposição em estudar e analisar o funcionamento do mercado corporativo, assim como as suas mais recentes inovações. Desta forma, esta tese fornece um estudo abrangente sobre as influências e impactos do mercado financeiro corporativo, com a finalidade de entender e compreender o sucesso e o fracasso das transações de F&A, através da organização e revisão dos trabalhos de investigação mais significativos. As principais evidências revelam diversas perspectivas sobre temas como a dimensão da empresa e o sucesso da transação. Além disso, a pesquisa enfatiza algumas descobertas cruciais sobre tópicos essenciais relativos a F&A, incluindo a influência na composição do conselho, conhecimento financeira, oportunidades em F&A, métodos de pagamento, entre outros. Com isto, este estudo distingue e analisa os padrões dos artigos acadêmicos e científicos mais influenciados, fornecendo sugestões para uma futura investigação, com o objetivo de identificar lacunas que ainda não foram respondidas. A amostra utilizada neste estudo é baseada na melhor qualificação dos jornais, onde os artigos foram publicados, assim como, na quantidade dos artigos, onde mais de 75 artigos são incluídos neste estudo, entre 1977 e 2021. O principal contributo deste trabalho é fornecer evidência empírica organizada dos anos mais antigos e recentes e clarificar a razão por de trás do sucesso das F&A.

Palavras-chave: fusões, aquisições, inovação, licitante, alvo

Número de palavras: 9981

Abstract

Recently there has been an increase in interest in the progress of mergers and acquisitions (M&A) transactions, therefore, scholars and specialists are studying and investigating the corporate market and their latest innovations. This way, this paper provides a comprehensive framework about the influences and impacts of the corporate finance market in order to understand the success and failure of M&A transactions, by organizing and reviewing the most significant research papers. The main evidence reveals diverse perspectives on subjects such as size firm and deal success. Also, the research emphasizes some crucial findings on essential topics about M&A, including the influence on board composition, financial expertise, opportunities in M&A, payment methods, among others. In addition, this article distinguishes and analyses the patterns of the most influential academic and scientific papers providing suggestions for further research to try and fill gaps that still are unanswered. The sample used on this study is based on the best qualification of the journals, where the articles were published, and the quantity of the articles, where more than 75 articles are included in the study, between 1977 and 2021. The main contribution of this paper is to provide organized empirical evidence from the oldest and recent years and to clarify the reason behind the success of takeovers.

Keywords: mergers, acquisitions, innovation, bidder, target, takeover

Number of words: 9981

Table of Contents

Agradecimientos	v
Resumo.....	vii
Abstract	ix
Table of Contents	xi
Introduction.....	13
Literature Review	15
1. M&A overview.....	15
1.1 The influence of board composition.....	20
1.2 Financial expertise	22
1.3 CEO behaviour	23
2. Executive compensations, incentives, and firms' performance.....	25
3. Opportunities	29
4. Cross-border influence.....	31
5. Payment's methods	32
6. Abnormal performance	33
Conclusion	35
Bibliography	43

Introduction

In recent years, mergers and acquisitions (M&A) continue to be the most common resource of corporate development. The corporate finance market has been in constant progress due to the environmental, social, and political factors, but also due to the evolution of technology. Therefore, the markets have been growing and are more competitive, leading firms to expand, particularly their geographic reach.

In finance, one of the most explored departments is the returns of executives and their influence in the success or failure of M&A deals, but also what makes a firm to be the bidder or the target.

This research aims to provide a comprehensive study as well as insights and further research about the corporate finance market and their influences, by creating a framework of the most important empirical research since 1977.

In addition, by organizing a framework with the most influenced papers, like Haleblan, Devers, McNamara, Carpenter & Davison (2009) did, this investigation seeks to gather and answer most of the research questions to better understand the reason behind the success and failure of M&A transactions.

The study starts by collecting the main articles and evaluate their ranking, in terms of quality and quantity. Regarding the quality, the analysis is based on the level of qualification of the journal in which the article is published. Only papers published in the best finance, accounting and management journals are mentioned, particularly with a rank of Q2 or Q1, of the Scimago Journal and Country Rank of 2022. Considering quantity, more than 20 journals are in this investigation, the most mentioned are "*Journal of Finance*", "*Journal of Financial Economics*", "*Journal of Financial and Quantitative Analysis*" and "*Journal of Corporate Finance*". After ranking all the articles, the main topics and sub-topics of the

research are created, such as M&A overview, The influence of board composition, Financial expertise, CEO behavior, among others. In addition, a total of 130 articles were reviewed, however, around 76 articles are analyse in detail, from 1977 to 2021.

Chapter 1

Literature Review

1. M&A overview

Before analysing in detailed the subject of M&A deals, there are some topics to be considered, more specific the concept of “*target firm*”, that consists of a company that has potential to be acquired by another one, and the concept of, “*bidder firm*” which refers to an organization that makes the offer to purchase another company. In other words, “*When a bidding firm acquires a target firm, the control rights to the target firm are transferred to the board of directors of the acquiring firm.*” (Jensen & Ruback, 1983).

There are a lot of articles focusing on the returns of target and bidder firms and their performances, before and after the takeover, however, the distinct approaches conclude different outcomes.

Dodd & Ruback (1977) provide an analysis about stock market reaction and tender offers, regarding the outcome of deals. The results imply that, when successful, twelve months before the offer, bidders’ stockholders earn positive abnormal returns. However, in the target firm, regardless of the successful, stockholders earn bigger positive abnormal returns. In addition, the evidence shows no significant market reaction after an offer.

To understand if corporate resources, that resist to takeovers, are allowed to be used by the management team, Kummer & Hoffmeister (1978) discuss about cash tender offers and their valuation consequences. The findings are coherent with the relation that firms with a potential to be acquired tend to have lower abnormal returns before the takeover announcement. Also, the takeover tends to increase the wealth of the shareholders in both target and bidder firms.

Regarding interfirm cash tender offers and their nature, Bradley (1980) develops and tests a model based on the tenders offers perspective as a bid to resources control, implying that shareholders in target and bidder firms have a significant positive return. During a takeover, the acquiring firm has a loss in capital, considering the shares purchase. In addition, stockholders of the target firm gain capital regardless the outcome.

Arguing about extreme gains earned by investors when acquiring firms, Keown & Pinkerton (1981) confirm that M&A announcements are held poorly in secret, leading to excess information prior to the announcement that damages the future of takeover.

Later, Bruner & Mullins (1983) analyse the gains of bidding firms' shareholders that are affected by mergers. The results do not support the capitalization hypothesis which affirm that bidder gains are earned in the beginning of the deal, but they are consistent with the maximization of value by the management of the bidding firm. There is a positive relation between the bidders' abnormal returns and the size of the firm. The findings before 1969 say that the returns are larger, on the other hand, after 1969, the bigger gains tend to increase the performance of the bidders' firm. These results suggest that, in the early years, the evidence may have a different methodology.

Being horizontal mergers a combination of two or more organizations that operate in the same industry, as well as have the same production and distribution process, Eckbo (1983) provides an analysis on the returns of the bidder and the target firms considering these horizontal mergers. The hypothesis suggest that horizontal mergers create positive abnormal returns for stockholders of both bidder and target firms. However, not much evidence indicates a conclusive or anticompetitive consequences on mergers, despite that the antitrust law enforcement selects the more profitable mergers for deals.

In the same year, Jensen & Ruback (1983) perform an important analysis of a portion of the scientific literature on the corporate control market. According to the results, corporate takeovers develop positive outcome, where the shareholders of the target firm have benefits from, while the shareholders of the bidding firm are neutral. The creation of the market power is not influenced by the gains generated with corporate takeovers.

Jensen (1986) explores the corporate finance, takeovers, and free cash flow (FCF) agency costs. The results imply that FCF theory anticipates the M&A deals that are more likely to destroy value and predicts bigger benefits from takeovers that are financed with debt, as well as cash instead of stock.

Regarding the motives and consequences of takeover, Roll (1986) by making a different approach than Jensen & Ruback (1983) accomplishing a distinct outcome. The "*Hubris Hypothesis*" here says that the bidder pays too much in a takeover for the target firm, based on the sample observed.

Jarrell, Brickley & Netter (1988) analyse the corporate control market in the 1980s, namely the high premiums that shareholders gain with a takeover. The conclusions of the Jensen & Ruback (1983) are reenforced, but it reveals some problems that weren't before answered. Despite not being decisive, the main finding is of approval measurements being a defensive mechanism, appearing to be less harmful to the shareholders wealth when implemented.

Considering the consequences of corporate governance characteristic behavior analysed by Westphal & Zajac (1998), the evidence suggests that actions are positively related with stockholders that can dissuade other reforms, reflecting power asymmetries on institutions.

Moeller, Schlingemann & Stulz (2004) explore the size of the firm and the earnings from acquisitions between 1980 and 2001, indicating that the return of weighted abnormal announcement is 1,1%, however, shareholders of the acquiring firm suffer a mislay of \$25.2 million after the announcement, this

significant difference implies that the firms size affects the takeover returns, concluding the same has Bruner & Mullins (1983).

A discussion about the effects on the corporate control market by the shareholders investment scope by Gaspar, Massa & Matos (2005) provide that short-term shareholders of the target firm have a bigger probability of finding an offer, however, the premiums are lower. In bidder firms, with short-term investors the abnormal returns among the announcement are even worse. Overall, these conclusions imply that short-term shareholders tend to have lower positions in acquisitions.

Morellec & Zhdanov (2005), considering the valuations of stock market in mergers, introduced a new model of takeovers. This model defines the takeovers timing and their terms by integrating competition, as well as asymmetries of information and resolving the option strategies between the target and bidder shareholders. The model predicts a relation between the returns, the volatility and correlation of both bidder and target stock returns.

In the same year, Moeller, Schlingemann & Stulz (2005) provide a study about bidder firm returns in recent mergers, which during the acquiring announcement the bidder's shareholders lose 12 cents per dollar spent in these transactions. In the 1980s bidders' shareholders lost a total of \$7 billion, however, the number has increase, between 1998 and 2001, to a total of \$240 billion. Because of the lower amount of acquisitions with poor synergy gains at the time, the wealth of the bidders' shareholders was also low.

Tuch & O'Sullivan (2007) provide evidence about the impact of takeovers on firm performance, implying that in short-term, there is an insignificant effect of acquisitions in the shareholders wealth, but in long-term there is a significant negative relation, also when using accounting methods, the results are mixed. In general, with higher firm performance the acquirers are bigger and more likely

pay in cash. In addition, firms with poor post-bid performance are related to bidders with higher pre-bid performance.

Alexandridis, Petmezas & Travlos (2010) provide an analysis on the compensation from M&As, more likely the relation between public acquisitions to zero abnormal returns, which reveal that, on the most competitive market of takeovers, the bidders pay much less premiums. In addition, target shareholders gain less indicating that the advantages caused are more even among the parties involved.

Golubov, Yawson & Zhang (2015) explore the firms' fixed impacts on acquisitions, revealing the fixed effect of bidders that is more than 6% in comparison with the returns, these unexplained effects persist even with different Chiefs of Executive Officer (CEO). Therefore, the acquirers return heterogeneity implies that firms are extraordinary acquirers regardless the board leadership and the takeovers agreement structure.

The main research by Boyson, Gantchev & Shivdasani (2017) is the activism mergers, such as takeovers outcomes influenced by the shareholders value from hedging a fund. The intervention of activist can cause a takeover to increase when selected decisions are controlled. In contrast, to third-party bids, when the activist is the bidder, the target firm has lower returns, premiums, and success rates.

Fich, Nguyen & Officer (2018) investigate the wealth creation in M&A deals, showing that bigger acquisitions, in comparison with the acquirer firm size do not proceed with smaller size firms. The large acquisition also occurs when a specific transaction takes place or a merged firm synergies is intensified. Therefore, when the bidder has a higher valuation the probability of executing an acquisition is bigger.

Renneboog & Vansteenkiste (2019) argue on the success and failure in M&A. Despite the innumerable academic studies on this subject, there are some gaps on

the wide variety of the sample. This way, with a range in the recent literature review, the findings indicate that some key determinants such as serial acquisitions, overconfidence in CEOs, shareholders intervention, and others can affect the performance of the firms after takeover.

1.1 The influence of board composition

There are many studies on the influence of board composition in M&A, some refer the family ownership, others mention gender of directors and others talk about ownership concentration.

Considering the examination by Morck, Shleifer & Vishny (1988), where a new measurement was created, about the relation between corporate performance and management ownership, the conclusions imply that when board directors hold rise, there is an increase before a reduction in Tobin's Q measurement. With firm's age increasing its reveal a lower Q, when a founder family runs the firm rather than when the manager does not have a relationship with the founder.

Lang, Stulz, & Walkling (1989), considering successful tender offers and Tobin's Q measurement, found that shareholders with high Q bidders earn more than shareholders with low Q bidders. Normally, takeovers are more beneficial for shareholders with low Q targets than shareholders with high Q targets.

Some years later, Servaes (1991) re-examines the relation between takeover gains and the Tobin's Q ratios, from 1972 and 1987, and confirm the results of Lang, Stulz, & Walkling (1989) study. In addition, they reveal that the findings also consider mergers and other factors of takeover earns, when controlled.

Agrawal & Mandelker (1990) explore the impact of bigger shareholders when monitoring managers, after alleging antitakeover charter amendments. The analysis differentiates two distinct hypotheses one being "*active monitoring hypothesis*" and the other "*passive voting hypothesis*". This analysis finds a positive connection between the stockholder's wealth impact and the organizational

ownership. Overall, the conclusions tend to support the “*active monitoring hypothesis*”.

DeFusco, Johnson & Zorn (1990) study about the effects of managers stock option plans on stockholders and bondholders, revealing that executives take more risk when the plans of executive stock option have asymmetries. Therefore, the results are consistent with executive stock option plan that generates wealth from bondholders to stockholders.

Hermalin & Weisbach (1991) investigate the impact of board composition and the incentives on firm performance, indicating that in lower levels of ownership, the firm performance improves with more ownership, however, in higher levels of ownership, corporate performance decreases.

An analysis of the relation between the board composition and the corporate takeovers by Kini, Kracaw & Mian (1995) suggests that takeovers work as a replacement for outside directors, when setting as a control instrument. This way, there are two main effects of a disciplinary takeover, the first being the inside directors decrease and the outsider directors would continue to be the same, and second, the inside directors increase while the amount of outside directors decrease.

The relationship between institutional investors and the large firm’s performance provided by Cornett, Marcus, Saunders & Tehranian (2007) suggest that the company’s cash flow returns, the percentage of stock ownership and the amount of organizational stockholders have a strong relation between them. However, when there is a connection between the company’s investors and the business relations the acquisition process is compromised.

Masulis, Wang & Xie (2007) present an analysis on the methods of corporate governance that influence the firm’s acquisition profitability. The findings justify the hypothesis that firm’s executives protected by antitakeover provisions are more willing to create bigger acquisitions that can demolish shareholders value.

In addition, higher competitive industries and the board composition separated, where acquisitions are accomplished, have a bigger abnormal announcement returns.

Regarding the family ownership in a firm, when merging and acquiring, Basu, Dimitrova & Paeglis (2009) deliver an investigation about the impact on value creation in M&A, of the position and the changes in a family control firm. The discovers indicate that lower level of family ownership gain less abnormal returns than the acquires with higher level of control. In addition, value creation is influenced by the concentration of a firm's family control.

In contrast, Bhaumik & Selarka (2012) with the analyse about the ownership concentration and the post-M&A results, despite the implications on M&A deals and owners of greater firms, indicate that concentration of ownership on firms decreases the agency conflict, however, this does not mean that ownership concentration helps with post-M&A performance. When the economies of emerging market appear to be weak, this analysis may not me the most appropriate.

When refiring to the gender in takeover, Levi, Li & Zhang (2014) investigate the differences of a female and a male CEO in the market, suggesting that female executives are more likely to pay a lower bid premium and less likely to achieve an acquisition. In addition, the results imply that female directors, with their impact on deals, are more assistants of the creation of value for shareholders.

1.2 Financial expertise

The role of financial expertise emerges as one of the factors influencing decision-making in corporate takeovers. Scholars and researchers have dived into this field, investigating what impacts the financial expertise among directors and executives, could have on the success M&A deals.

According to Güner, Malmendier & Tate (2008), on how corporate decisions are affected by the financial expertise of directors, there is a significant impact on financial experts, but not essentially for the shareholders' interests, contrasting with the common expectation that financial expertise would have a positive significant impact in decision-making benefiting shareholders. Overall, there is not much evidence on this matter.

On the other hand, Custódio & Metzger (2013) believe that CEO experience in the industry can affect deals terms and their outcomes, in other words, CEOs with previous expertise in the industry, normally, have greater acquisitions agreements, however, they pay less premiums for the target, this maybe be stronger with higher information discrepancy.

When referring the relationship between value creation and the financial expertise in M&A, Cuypers, Cuypers & Martin (2017) found that firms with more experience tend to create more value in a takeover, aligning with the notion that financial expertise plays an essential role in achieving positive returns in M&A deals. In addition, the results suggest a contingent relationship between the experience on value creation and the information asymmetric level of the bidder.

Despite the contradict conclusions, the results collectively provided a perspective on the influence of financial expertise in the industry in corporate decisions, to understand the relationships between the decision makers, their expertise, and their outcomes.

1.3 CEO behaviour

The study of Chief of Executive Officer (CEO) behaviour, in the context of M&A deals, is an important subject to understand in detail. In this research several relationships were analysed, such as the overconfidence of the CEO, the impact of CEO life disasters, as well as the political ideology.

Discussing the impact of CEO overconfidence in international M&A deals, between 2000 and 2006, Ferris, Jayaraman & Sabherwal (2013) imply that overconfidence is related to critical aspects of international mergers. In addition, overconfidence helps understand the amount of offers that CEOs make, most noticed in CEOs who run companies in Christian countries, where individualism is encouraged.

Years later, Bernile, Bhagwat & Rau (2017) argue about CEOs relation to early life disasters, and the risks taken in a firm. The results suggest that more aggressive leaders, have fewer negative consequences of fatal disasters for the company. In other words, CEOs with experience in fatal disasters, that do not have highly bad consequences, tend to manage firms with more aggressive behavior. In contrast, CEOs act more controlled when witnessing the extremely negative consequences. Therefore, there are real consequences on the risk, as well as the cost of capital of a firm when corporate policies and the CEOs fatal experience is related.

Furthermore, Elnahas & Kim (2017) develop an analysis on CEOs political ideology and M&A investment decisions, between 1993 and 2006, indicating that a firm's investment decision is affected by CEO's political ideology, and that republican CEOs are not likely to commit to M&A deals, but when they do, the target is more likely to be in the same industry and to be a public firm. This way, in long-term, there is a significant impact in the CEOs political ideology and the firm valuation, however, the analysis does not support that, in short-term, CEO political ideology creates value for the firm.

2. Executive compensations, incentives, and firms' performance

Over the years, there have been some studies on executive's compensation and their influence in firms' performance. Despite the number of studies, there are different perspectives, and different conclusions on the topic.

Considering the analysis by Coughlan & Schmidt (1985), the main hypothesis is about compensation and managers changes that consist of mechanisms to control top management. The analyse implies that board control helps the creation of incentives for managers and owners through changes in management and compensation, setting methods benefiting the firms' shareholders.

Agrawal & Mandelker's (1987) findings defend the hypothesis of a positive relationship between the differences in firm variance and financial leverage and the managers' security holdings. The conclusions imply that the director of the security holdings decrease the conflicts of agency, being coherent with the hypothesis.

Regarding post-acquisition performance and the executive compensation, Schmidt & Fowler (1990) analysis indicate that bigger acquisitions have lower performance, in post-acquisition phase. The increase in executive compensation is most reveal for the main executives of the firm. Overall, the financial performance is not associate with the differences in executive compensation, however, when the size effects of the firm are controlled, the financial performance is related to the executive's compensation.

Mehran (1995) reviews the executive compensation organization and their outcomes, appearing to demonstrate evidence on high compensations, but also demonstrates that the managers' motivation, to offer big compensation, comes from the level of the incentive. The percentage of equity held by managers and their compensation are significantly positive associated to firm performance.

Franks & Mayer (1996) extend the discussion on excessive compensation providing evidence in the context of takeover, in 1985 and 1986. The results imply that bidders' higher premiums represent excessive compensation that are anticipated. Considering the managers failures, the results suggest that greater board turnover does not come from the failure of prior managers, as there is not much evidence from poor performance before bids.

Aligning with Mehran's (1995) focus on executive motivation, Aggarwal & Samwick (1999) present a different investigation where they found a relationship between the sensitivity of executive's compensation and the variance of firm's performance. The results indicate that, in general, the executive remuneration contracts only imply the benefits of risk, and do not mention the advantages on information of the firm's performance evaluation.

Core, Holthausen & Larcker (1999) confirm that the number of variations in executives' compensations is justified in board and ownership structure standards. In addition, when governance structure is less efficient, the executive compensation is higher. This way, the evidence suggest that agency problems are bigger when the firm has a weak structure, causing executives to gain a much significant compensation.

To reinforce the relationship between compensation and stock price performance, Datta, Iskandar-Datta & Raman (2001), aligning with Mehran (1995) and Schmidt & Fowler (1990) studies, indicate a significant positive connection between managers' compensation and the performance of stock price, during the process. When comparing lower and higher equity-based compensation, the executives with higher compensation pay a much lower premium, and vice-versa.

Gerety, Hoi & Robin (2001) argue that the advantage of shareholders by the adoption of incentive compensation for directors, indicate an insignificancy both

in economic and statistics. Therefore, the evidence implies that shareholders do not benefit from the adoption plans.

Considering Hartzell & Starks (2003) study about organizational investors and executive compensation, it reveals a positive relationship between the concentration of firm's ownership and managers' compensation sensitivity, however, there is a negative relation between the ownership concentration and the level in executive compensation.

Extending the discussion on the relationship between the executive power and compensation, Grinstein & Hribar (2004) examine the executive's compensation, in M&A transactions. The findings suggest that the bigger is the CEOs influence on the board decisions, the larger are their bonuses. CEOs that have more power are also involved in bigger deals, but the market is going to have a negative effect when the acquisition announcement is made. Therefore, in the same way as Coughlan & Schmidt (1985) the results imply that M&A bonuses relate to the executive's power.

Contributing with the understanding of the relationship between compensation and firm policies, in terms of risk, Coles, Daniel & Naveen (2006) results indicate a strong relationship among managers compensation and the firm's risk, investment, and debt policy. In addition, the higher is the executive compensation's sensitivity (delta) over stock volatility (vega), the riskier is the policy decision making. In other words, compensation structures with high sensitivity and low volatility come from riskier policy options.

Harford & Li (2007) implement a study on the effect of executives' compensations in M&A policies, implying that bidding executives are, in most of the time, better even in deals where bidding investors perform worst. Therefore, CEO's do not gain from the major capital expenses of a merge.

An analysis of the evolution of CEO compensation and the impact on firm performance, since the 1930s by Frydman & Jenter (2010) indicate two important

determinants of CEOs compensation such as competitive market supplies and managers power, however, none of these strategies are consist with the results provided, in contrast with Coughlan & Schmidt (1985) and Grinstein & Hribar (2004).

The research by Croci, Gonenc & Ozkan (2012) of the effect of family ownership and institutional investor on CEOs compensation, suggest a insignificant impact of family ownership on the level of compensation, indicating that CEOs compensation is not used to expropriate the minority of shareholders wealth, when the firm is family controlled. In addition, there is a positive significant effect on the level of CEO compensation by the institutional investors, increasing the utility of equity-based compensation in firms with families or not.

Aligning with earlier research of Coughlan & Schmidt (1985) and Grinstein & Hribar (2004), Song & Wan (2019) analyse, between 1993 and 2012, the managers ability and power provided to find the impacts the CEOs compensation. Considering the managers ability perspective, the hypothesis suggests that more powerful CEOs gain more than the less powerful. Regarding the managers power view, they believe in the reality of more powerful CEOs that gain more than the less powerful, reflecting the ability of the CEOs gaining more compensation. Overall, the conclusions suggest that the managers ability perspective is more coherent.

Hasan, Navone, To & Wu (2020) analyse the influence of compensation incentives on the performance of an acquisition, suggesting that lower announcement returns occur when there are bigger incentives from the acquisition. In addition, there is a bad impact that comes from the risky behavior of elder executives. Therefore, the results indicate that not only the CEO, but the elder executives have a crucial role in the decision making of M&A transactions.

Li & Pengb (2021) study the executive compensation duration in M&A and found that larger acquisitions are more likely to be involved with long-term

compensation duration. Deals with long-term pay, have a negative effect on the returns during the announcement, and have lower post-acquisition operations and lower stock performance. In addition, to improve the managers long-term decisions, focusing on duration only does not appear to be sufficient. These results align with some earlier studies made by Schmidt & Fowler (1990) and Datta, Iskandar - Datta, & Raman (2001).

3. Opportunities

Over the years, the opportunities in M&A scope have become a subject of research, more likely the innovations and technology advances. In this research corporate innovation is investigated to understand the potential emerging trends, in the context of M&A.

In a study by Cloodt, Hagedoorn, & Van Kranenburg (2006) on post-M&A innovation performance, the results suggest that, when acquiring, non-technological M&As have a negative effect on the post-M&A innovation performance and technological M&As decrease the innovative performance. When being acquired, there is a positive impact in the first years, however, in long-term the effect inverts, turning into a negative innovation performance, for the acquiring firm.

Exploring the dimensions of corporate innovation, between 1984 and 2006, Bena & Li (2014) examination imply that firms with low Research and Development (R&D) expenses but with big patents, normally are the bidder and firms with higher R&D expenditures and lower growth in patents are the targets. Also, the conclusions indicate that bidders, with a technological connection with the target, generate more patents.

Cefis & Marsili (2015) analyse whether M&A transactions triggers innovation patterns and if this effect is influenced by firm size. The results are consistent with the hypothesis suggesting that M&A influences the probability of firm's innovation activities and that the effect may vary with firm size. In long-term, large firms benefit more from innovation efforts and outcome when employing M&A activities. For small firms, M&A increases the probability of becoming an operative innovation entity.

Considering the study about innovation driven in M&A, Bauer, Matzler & Wolf (2016) found different effects on the innovation outcome, regarding human integration and task integration, after a transaction. The findings imply that human integration can be destructive while task integration brings benefits for innovation. In addition, cultural differences may have an impact in the innovation-integration relationship, where the results indicate that similar cultures have more benefits in innovation driven M&A transactions, with Central Europe targets.

In the same year, Stiebale (2016) develops an analysis about the effects of cross-border M&A on European firms' innovations, indicating a significant increase in post-acquisition innovation, driven by the acquirer investor's country, while manages to decrease when innovation is based in the target country.

Recently, Hanelt, Firk, Hildebrandt & Kolbe (2021) provide evidence about digital M&A, innovation and firm performance suggesting that firms with more digital technologies are increasingly being acquired by industrial-age firms. The findings support the idea that digital M&A helps to build digital knowledge base of industrial age firms, that enables digital innovation. In addition, digital innovation tends to improve firm performance of industrial-age firms.

The investigation by Hsu, Huang, Humphery-Jenner, & Powell (2021) about cross-border M&A and innovations imply that in countries with low innovation, innovative firms may undertake cross-border transactions and, when it happens,

they select targets that are innovative, comparing to innovative firms in high innovation countries. In addition, innovative firms in countries with low innovation that acquirer targets with high innovation, generate more patents and therefore invest more in R&D.

4. Cross-border influence

Because of the differences in governance, political and social around the world, there are some different studies about the cross-border and the influence on value creation in M&A transactions.

Brown & Caylor (2004) provide a new corporate governance measurement called "*Gov-Score*". With this method, the results suggest that the firms perform better when good governance is measured through executive compensation. In comparison, a poor performance is strongly associated with better governance when measured with license and regulations.

In the same year, Rossi & Volpin (2004), extended the debate to the governance environment, at the country level and the impact in M&A deals, suggesting that countries with greater accounting principles, as well as higher shareholders protection tend to have a bigger amount of M&A activity. In general, target firms are from countries with weaker shareholders protection than the bidders' countries. In sum, the results indicate that improving the shareholders protection of target firms influences the cross-border transactions.

In addition, almost a decade later, Erel, Liao & Weisbach (2012) analyse the same topic, however, between 1990 and 2007 and providing a new factor such as temporal perspective. The results, on two countries, imply an increase of M&A by three different categories such as geography, bilateral trade, and accounting quality. The conclusions are coherent with previous research indicating that

companies in countries with high stock market value, valued currency, and high value market-to-book are more likely to be purchase, and firms with lower performed economies are more likely to be targets.

Karolyi, Liao & Loureiro (2015) perform a study about the international serial acquirers and their decreasing returns, implying that not only the governance of the acquiring firm matters, but also the governance environment of the bidder that influences the post-acquisition returns. In other words, the findings suggest that post-acquisition returns are decreasing when the acquirer comes from a better governed country or have a bigger percentage of other holdings from better governed country. The agency cost theory for acquisition actions is coherent with this study.

5. Payment's methods

The approach in which the acquiring firms choose to operate is important for the success of the M&A deals. With the evolution of the financial scope, there is a diversity of payment methods that has emerged into the corporate landscape.

Between 1985 and 1997, Heron & Lie (2002) provide an investigation about the method of payment in M&A deals, earnings management, and firm performance. The results do not support the extant literature reviews that imply a significant relation between the methods of payment and the post-acquisition excess return of acquirers, in contrast, there is no evidence that indicates the methods of payment affects the acquirer's firm performance post-acquisition.

Faccio & Masulis (2005) explore the payment choices of European bidders in M&A, between 1997 and 2000, suggesting a bigger impact in the bidder's payment choice with the tradeoff among debt financing restriction and the corporate governance worries.

It's important to understand the relationship between family control and the payment method, since it is crucial for the future M&A transactions and their financial flexibility that accelerates the international M&A market, this way, Bouzgarrou & Navatte (2014) extended the discussion by connecting these two concepts. The findings indicate a positive significant relation between the percentage of cash payment and family voting rights however, family wedge is negatively connected with cash payment.

Karampatsas, Petmezas & Travlos (2014) develop an analysis associating credit ratings and the payment method, the results indicate that bidders holding a credit rating and/or with a high rating position, tend to use cash as their financial method. The evidence is robust to various deals and firms' characteristics and insensitive to the used method.

6. Abnormal performance

In the dynamic of M&A activity, the concept of abnormal performance has become an important area of research. Abnormal performance, in the context of M&A, refers to unpredictable fluctuations cause by expected outcomes, both positive or negative, during or after the transaction process. This occasion is influenced, among others, by accounting and financial characteristics. The various empirical research from the past, are not consistent with each other, mainly because of the approach, method of measurement and data available.

Therefore, by analysing the abnormal returns to rivals of acquisition targets, Song & Walkling (2000) develop and test the "*Acquisition Probability Hypothesis*", which refers to abnormal returns earned by original acquisition targets' competitors due to likelihood of becoming targets themselves. Regardless the acquisition, competitor firms, normally, gain positive abnormal returns that

increase with the size of the initial acquisition. During the announcement, rivals that become targets gain higher abnormal returns.

Agrawal & Jaffe (2003) affirm that, according to financial economists, takeovers are meant to improve firms with low performance, despite the weak empirical evidence from the past. Therefore, a re-investigation about takeover targets and their underperformance, do not support that targets perform poorly, regarding a conventional view.

An analyse about the motivation and post-merger operating performance, in European utility sectors, by Brahma, Boateng & Ahmad (2018) reveal a significant negative impact in post-merger operating performance, considering all accounting indicators in the study (growth in turnover, growth in earnings before interest and tax, return on assets, net profit margin and growth in fixed assets) coordinated with the firm size and the market. This investigation suggests that, in long-term, utility mergers underperform. Also, the gains from involved utilities in acquisitions are, normally, short-term.

Regarding post-initial public offering (IPO) operating performance, in European firms, Giudici & Bonaventura (2018) provide valuable insights by investigating the cost of efficiency (return on sales) and asset profitability (return on assets). The findings on acquiring IPO firms suggest that their performance is not different from non-acquiring counterparts, however, they are lower in operating performance which is common for IPO firms.

Conclusion

This research attempts to offer an analysis, insights, and further research into the dynamics of the corporate finance market and its influences and impacts. The study aims to construct a comprehensive framework upon the most significant empirical research conducted since 1977. There is various empirical research on M&A and their impact on firm performance, however, they lead to diverse perspectives, leading to different conclusions. Therefore, the analysis clarifies some important questions about corporate finance.

An analysis of stock market reaction and tender offers by Dodd & Ruback (1977) implies that both in bidder and target firm stockholders earn positive abnormal returns, however, in bidder, only when successful, and in the target the outcome does not matter.

Bradley (1980) highlights interfirm cash tender offers, where the results reveal that both target and bidder shareholders have positive returns, despite the capital loss in acquiring. Keown & Pinkerton (1981), suggest that leaks before the announcement have a negative impact on the M&A deals. Bruner & Mullins (1983) extend the discussing when they linked the capitalization hypothesis to M&A activity post-1969, however, the results do not support the hypothesis, implying a positive relation between the bidders' abnormal returns and the size of the firm. Despite the lack of evidence, and aligning with Bradley (1980), Eckbo (1983) extended into the horizontal mergers, affirming that positive abnormal returns come from bidder and target firms. In the same year, Jensen & Ruback (1983) reveal that corporate takeovers generate positive returns, where target shareholders benefit from, while bidder shareholders are neutral. Jensen (1986) connects corporate takeovers with Free Cash Flow (FCF) agency costs, predicting M&A transactions that are more likely to destroy value. The introduction of the

"Hubris Hypothesis" from Roll (1986) research, has a different approach than Jensen & Ruback (1983), which suggests that bidders pay too much in takeovers and the value of the target and bidders' firm, close to the takeover, should decrease. Reinforcing once more Jensen & Ruback (1983) studies, Jarrell, Brickley, & Netter (1988), found mechanisms of defense with approval measurements appearing to be less harmful to shareholders wealth. Relating firm size with takeover returns, Moeller, Schlingemann, & Stulz (2004), found a positive relation between them, implying that the size of the firm affects the acquisition returns. However, Fich, Nguyen, & Officer (2018) have a contradict opinion that implies that big acquisitions do not necessarily align with acquirer firm size. The studies by Gaspar, Massa, & Matos (2005), correlate corporate control with shareholders' investment scope and takeover returns suggesting that, in target firms, short-term shareholders have higher probability of finding an offer, but the premiums are lower. However, Tuch & O'Sullivan (2007), prove that in short-term, exists an insignificant effect of acquisitions in the shareholders wealth, but in long-term there is a negative effect. Golubov, Yawson, & Zhang (2015) studied firms' fixed effects on acquisition and found that firms are extraordinary acquirers, regardless the board leadership and the takeovers agreement structure. In activism mergers study by Boyson, Gantchev, & Shivdasani (2017), activist intervention can cause a takeover to increase, when controlling the selected decisions. Discussing the success and failure in M&A deals, Renneboog & Vansteenkiste (2019), discovered some key determinants that can affect the performance of firms after takeover, such as serial acquisitions, overconfidence in CEOs and shareholders intervention.

This analysis of board composition reveals different perspectives on areas such as family ownership, gender diversity and ownership concentration.

Morck, Shleifer, & Vishny (1988), create a new measurement, *"Tobin's Q"*, which reveals a relationship between board composition and Tobin's Q

influenced by family control and the age of the firm. Lang, Stulz, & Walkling (1989) found that shareholders with high Q bidders earn more than shareholders with low Q bidders, and that takeovers are more beneficial for shareholders with low Q targets. Servaes (1991) re-examination, from 1972 and 1987, confirms the results of early studies. Agrawal & Mandelker (1990) support the active monitoring hypothesis, meaning that the impact of shareholders wealth and the firm ownership have a positive connection. Later, Hermalin & Weisbach (1991) analysis indicate that a lower ownership level improves the firm performance adding more ownership, in contrast, in higher level of ownership, the firm's performance decreases with more ownership. Extending the discussion, Cornett, Marcus, Saunders, & Tehranian (2007), indicate a strong positive relationship between institutional investors and firm performance. In competitive industries, Masulis, Wang, & Xie (2007), connect provisions from antitakeover with destruction of value from executives. Connecting family control to corporate takeovers, Basu, Dimitrova, & Paeglis (2009) reveal that family control influences the abnormal returns, and the more control, the higher are the gains. Bhaumik & Selarka (2012) discover that ownership concentration reduces agency conflicts, however, does not mean that ownership concentration improves post-takeover performance. Regarding gender diversity, Levi, Li, & Zhang (2014), imply that female executives contribute to value creation, but they are more likely to pay lower premiums and achieve less acquisitions.

Within financial expertise, among directors and the board, the relationships between financial expertise to shareholders' interests, CEOs and value creation, are the most analysed in detail.

Güner, Malmendier & Tate (2008) on the relationship between financial expertise and shareholders' interests suggests that the impact of expertise in the industry may not align with the shareholders' interest, contradicting what would be the normal expectation, that expertise would influence the decision-making,

benefiting the investors. On the other hand, the conclusions of both, Custódio & Metzger (2013) and Cuypers, Cuypers & Martin (2017) imply that financial expertise in the industry has an impact on the outcomes and terms of the deals, in other words, the more experience firms and CEO's the more value creation there is in M&A transactions.

Over the years, the behavior of the CEO, particularly their overconfidence, fatal life disasters and the political ideology is a focus of some studies. Ferris, Jayaraman, & Sabherwal (2013) investigation on the impact of CEO overconfidence in international M&A deals, reveals that overconfident CEOs, particularly in Christian countries, have an impact in the number of offers that are made. Years later, Bernile, Bhagwat, & Rau (2017), explore the early life disasters of CEOs, which indicates that CEOs with experience in fatal disasters do not have bad consequences, and therefore, tend to manage firms with more aggressive behavior. This way, there are real consequences on the risk, as well as the cost of capital of a firm when corporate policies and the CEOs fatal experience is related. In the same year, an analysis on the political ideology of the CEO is made by Elnahas & Kim (2017), the findings imply that firms' investment decision is affected by the CEOs political ideology. In long-term, the results imply a significant impact between the political ideology and the firm's valuation, but in short-term this analysis is not supported, affirming the creation of value in the CEOs political ideology.

One other topic of consideration in this analysis is the relationships between executive compensations, incentives, and firms' performance. Schools and researchers investigate various dimensions such as governance, risk, and the impact of different shareholders in M&A activity. This way, the study by Coughlan & Schmidt (1985) indicate that compensation and managerial changes are mechanisms to control top management, where board control helps create incentives for managers that benefit shareholders. Agrawal & Mandelker's (1987)

findings suggest a positive relationship between firm variance, financial leverage, and security holdings that reduce conflicts of agency. Schmidt & Fowler (1990) indicate that bigger acquisitions correlate with lower post-acquisition performance, where executive compensation increases only for main executives. With a focus on executive motivation, Mehran (1995) results imply a positive relation between equity-based compensation and firm performance. Years later, Franks & Mayer (1996) extended the discussion on excessive compensation, suggesting that higher bidder premiums represent excessive compensation that is anticipated. Grinstein & Hribar (2004) discuss about the executive power and their bonuses and found a connection between them, indicating that CEO's influence on board composition impacts with large bonuses. Almost a decade later, Croci, Gonenc, & Ozkan (2012) imply that family ownership does not have a significant impact on the CEO's compensation, but institutional investors do. When analysing the CEO's ability and power, Song & Wan (2019) indicate that more powerful CEOs have higher compensation. Furthermore, the role of elder executives in decision-making by Hasan, Navone, To, & Wu (2020), suggest that bigger incentives lead to lower announcement returns. Aligning with earlier conclusions, Lia & Pengb (2021), contribute to the understanding of compensation duration on acquisitions returns, implying that larger M&A transactions involve long-term compensations; however, this has a negative impact in the returns and post-acquisition performance.

Regarding the analysis of the impacts of opportunities in corporate finance, Cloudt, Hagedoorn, & Van Kranenburg (2006) investigated post-M&A innovation performance and found that non-technological M&As have a negative impact and technological can decrease the innovative performance. Between 1984 and 2006, Bena & Li (2014), investigation reveals that firms with low R&D expenses and big patents, normally are the bidders. On the other hand, firms with higher R&D expenditures and lower growth in patents are the targets.

The study on the triggers of innovation patterns and firm size by Cefis & Marsili (2015) suggests that M&A impacts the firms innovation activities and varies with firm size. The study about innovation driven in M&A by Bauer, Matzler & Wolf (2016) reveals that human integration can be destructive while task integration brings more benefits for innovation. Also, similar cultures have more benefits in these transactions with Central Europe as targets. Stiebale (2016) findings indicate an increase in post-acquisition innovation after a takeover, driven by acquirers' investors country, but a decrease when innovation is based in the target country. In recent years, Hanelt, Firk, Hildebrandt & Kolbe (2021), connect digital M&A with digital innovation and firm performance, indicating that digital M&A helps create digital knowledge from industrial age firms, that enables digital innovation, improving firm performance. Combining cross-border with innovation, Hsu, Huang, Humphery-Jenner, & Powell (2021) findings indicate that countries with low innovation, undertake cross-border transactions and, when it happens, firms select targets that are innovative, comparing to innovative firms in high innovation countries.

Over the years, the cross-border influence on corporate decisions, continues to be an essential topic for the success of M&A transactions. The studies include subjects such as corporate governance, shareholders protections, accounting principles and economic indicators. Focusing on internal corporate governance, Brown & Caylor (2004), introduce the "Gov-Score" as new a measurement suggesting that firm's performance is better when good governance is measured through executive compensation. In the same year, Rossi & Volpin (2004) highlighted and extended the importance of accounting quality and economic indicators in the influence of cross-border M&A. Almost a decade later, Erel, Liao, & Weisbach (2012) provided a different point of view on the matter, referring to the temporal perspective that indicates an exchange of trends in the M&A activity. Karolyi, Liao, & Loureiro (2015) focus on the governance of the

acquirer and the decreasing returns, aligning with both internal governance and the cross-border economic indicators. The evidence suggests that not only the governance of the acquirer, but also the governance environmental on the country of origin, have an impact on the post-acquisition returns.

In addition, the success and failure of the M&A activity relates to the chosen payment methods of the acquiring firms. Between 1985 and 1997, Heron & Lie (2002), analyse the existing literature, and provide a comprehensive relationship between the payment methods, the earnings management, and the firms performance, where the results do not support the relationship of payment methods and the post-acquisition excess returns, in contrast to prior reviews. Faccio & Masulis (2005) suggest a bigger impact in the bidder's payment choice with the tradeoff among debt financing restriction and the corporate governance worries. When connecting family control to payment methods, Bouzgarrou & Navatte (2014) indicate a positive relation between the percentage of cash payment and family voting rights, but family wedge is negatively correlated with cash payment. In addition, Karampatsas, Petmezas & Travlos (2014) develop an analysis associating credit ratings to payment method, despite the robust evidence, the results indicate that bidders holding a credit rating and/or with a higher rating position tend to use cash as their financial method.

Finally, the abnormal performance analyse, in the context of M&A is influenced by various factors. Considering the "*Acquisition Probability Hypothesis*", Song & Walkling (2000) analyse abnormal returns and acquisition targets' competitors, highlighting the probability of the rivals become targets themselves to earn higher abnormal returns, during the announcement period. Despite the poor evidence from past, Agrawal & Jaffe (2003) re-investigate takeover targets and their underperformance that do not support the underperformance from targets. Focusing on motivation and post-merger operating performance, in European utility sectors, Brahma, Boateng & Ahmad

(2018) found a negative affect in post-merger operating performance, according to the accounting indicators integrated with the firm size and the market. Therefore, in long-term, utility mergers underperform, and in short-term, earnings are, normally, from involved utilities in acquisitions. In the same year, the analyse of the post-initial public offering (IPO) operating performance, in European firms, by Giudici & Bonaventura (2018) reveal that when acquiring IPO firms' performance is not different than non-acquiring counterparts, but are lower in operating performance.

Over the years, M&A activity, their influences, and firms' performance is the focus of a lot of research, but there is still some unanswered questions and some gaps to be fulfilled. This way, regarding the limitations of this study, the main one is the quality and quantity of the empirical research that may affect the conclusions since it is based on the ranking of the journals from 2022. Also, the research is based only on European markets.

Aligning with Haleblian, Devers, McNamara, Carpenter & Davison (2009), in this research there are somethings that remain unclear, such as the first ever article about M&A transactions, therefore for further research, the main suggestion is turning the attention to this matter, as well as incorporate a larger scope of knowledge from other major markets, such as the USA corporate market.

Bibliography

- Aggarwal, R. K. (1999). The other side of the trade-off: The impact of risk on executive compensation. *Journal of political economy*, 107(1), 65-105. <https://doi.org/10.1086/250051>
- Agrawal, A., & Jaffe, J. F. (2003). Do takeover targets underperform? Evidence from operating and stock returns. *Journal of Financial and Quantitative Analysis*, 38(4), 721-746. <https://doi.org/10.2307/4126741>
- Agrawal, A., & Mandelker, G. N. (1987). Managerial incentives and corporate investment and financing decisions. *The journal of finance*, 42(4), 823-837. <https://doi.org/10.1111/j.1540-6261.1987.tb03914.x>
- Agrawal, A., & Mandelker, G. N. (1990). Large shareholders and the monitoring of managers: The case of antitakeover charter amendments. *Journal of Financial and Quantitative analysis*, 25(2), 143-161. <https://doi.org/10.2307/2330821>
- Alexandridis, G., Petmezas, D., & Travlos, N. G. (2010). Gains from mergers and acquisitions around the world: New evidence. *Financial Management*, 39(4), 1671-1695. <https://doi.org/10.1111/j.1755-053X.2010.01126.x>
- Basu, N., Dimitrova, L., & Paeglis, I. (2009). Family control and dilution in mergers. *Journal of Banking & Finance*, 33(5), 829-841. <https://doi.org/10.1016/j.jbankfin.2008.09.017>
- Bauer, F., Matzler, K., & Wolf, S. (2016). M&A and innovation: The role of integration and cultural differences—A central European targets perspective. *International Business Review*, 25(1), 76-86. <https://doi.org/10.1016/j.ibusrev.2014.07.010>

- Bena, J., & Li, K. (2014). Corporate innovations and mergers and acquisitions. *The Journal of Finance*, 69(5), 1923-1960. <https://doi.org/10.1111/jofi.12059>
- Bernile, G., Bhagwat, V., & Rau, P. R. (2017). What doesn't kill you will only make you more risk - loving: Early - life disasters and CEO behavior. *The Journal of Finance*, 72(1), 167-206. <https://doi.org/10.1111/jofi.1243>
- Bhaumik, S. K., & Selarka, E. (2012). Does ownership concentration improve M&A outcomes in emerging markets?: Evidence from India. *Journal of corporate finance*, 18(4), 717-726. <https://doi.org/10.1016/j.jcorpfin.2012.04.001>
- Bouzgarrou, H., & Navatte, P. (2014). Family firms and the choice of payment method in domestic and international acquisitions. *Management international*, 18(4), 107-124. <https://doi.org/10.7202/1026032ar>
- Boyson, N. M., Gantchev, N., & Shivdasani, A. (2017). Activism mergers. *Journal of Financial Economics*, 126(1), 54-73. <https://doi.org/10.1016/j.jfineco.2017.06.008>
- Bradley, M. (1980). Interfirm tender offers and the market for corporate control. *Journal of business*, 345-376.
- Brahma, S., Boateng, A., & Ahmad, S. (2018). Motives of mergers and acquisitions in the European public utilities: An empirical investigation of the wealth-anomaly. *International Journal of Public Sector Management*, 31(5), 599-616. <https://doi.org/10.1108/IJPSM-01-2017-0024>
- Brown, L. D., & Caylor, M. L. (2004). Corporate governance and firm performance. Available at SSRN 586423. <http://dx.doi.org/10.2139/ssrn.586423>
- Bruner, R. F., & Mullins, D. W. (1983). The gains to bidding firms from merger. *Journal of Financial Economics*, 11, 121-140.

- Cefis, E., & Marsili, O. (2015). Crossing the innovation threshold through mergers and acquisitions. *Research Policy*, 44(3), 698-710. <https://doi.org/10.1016/j.respol.2014.10.010>
- Cloudt, M., Hagedoorn, J., & Van Kranenburg, H. (2006). Mergers and acquisitions: Their effect on the innovative performance of companies in high-tech industries. *Research policy*, 35(5), 642-654. <https://doi.org/10.1016/j.respol.2006.02.007>
- Coles, J. L., Daniel, N. D., & Naveen, L. (2006). Managerial incentives and risk-taking. *Journal of financial Economics*, 79(2), 431-468. <https://doi.org/10.1016/j.jfineco.2004.09.004>
- Core, J. E., Holthausen, R. W., & Larcker, D. F. (1999). Corporate governance, chief executive officer compensation, and firm performance. *Journal of financial economics*, 51(3), 371-406. [https://doi.org/10.1016/S0304-405X\(98\)00058-0](https://doi.org/10.1016/S0304-405X(98)00058-0)
- Cornett, M. M., Marcus, A. J., Saunders, A., & Tehranian, H. (2007). The impact of institutional ownership on corporate operating performance. *Journal of banking & finance*, 31(6), 1771-1794. <https://doi.org/10.1016/j.jbankfin.2006.08.006>
- Coughlan, A. T., & Schmidt, R. M. (1985). Executive compensation, management turnover, and firm performance: An empirical investigation. *Journal of accounting and economics*, 7(1-3), 43-66. [https://doi.org/10.1016/0165-4101\(85\)90027-8](https://doi.org/10.1016/0165-4101(85)90027-8)
- Croci, E., Gonenc, H., & Ozkan, N. (2012). CEO compensation, family control, and institutional investors in Continental Europe. *Journal of Banking & Finance*, 36(12), 3318-3335. <https://doi.org/10.1016/j.jbankfin.2012.07.017>
- Custódio, C., & Metzger, D. (2013). How do CEOs matter? The effect of industry expertise on acquisition returns. *The Review of Financial Studies*, Vol. 26(8), pp. 2008-2047. <https://doi.org/10.1093/rfs/hht032>

- Cuypers, I. R., Cuypers, Y., & Martin, X. (2017). When the target may know better: Effects of experience and information asymmetries on value from mergers and acquisitions. *Strategic Management Journal*, 38(3), 609-625. <https://doi.org/10.1002/smj.2502>
- Datta, S., Iskandar - Datta, M., & Raman, K. (2001). Executive compensation and corporate acquisition decisions. *The Journal of Finance*, 56(6), 2299-2336. <https://doi.org/10.1111/0022-1082.00406>
- DeFusco, R. A., Johnson, R. R., & Zorn, T. S. (1990). The effect of executive stock option plans on stockholders and bondholders. *The Journal of Finance*, 45(2), 617-627. <https://doi.org/10.1111/j.1540-6261.1990.tb03707.x>
- Dodd, P., & Ruback, R. (1977). Tender offers and stockholder returns: An empirical analysis. *Journal of financial economics*, 5(3), 351-373. [https://doi.org/10.1016/0304-405X\(77\)90043-5](https://doi.org/10.1016/0304-405X(77)90043-5)
- Eckbo, B. E. (1983). Horizontal mergers, collusion, and stockholder wealth. *Journal of financial Economics*, 11(1-4), 241-273. [https://doi.org/10.1016/0304-405X\(83\)90013-2](https://doi.org/10.1016/0304-405X(83)90013-2)
- Elnahas, A. M., & Kim, D. (2017). CEO political ideology and mergers and acquisitions decisions. *Journal of Corporate Finance*, 45, 162-175. <https://doi.org/10.1016/j.jcorpfin.2017.04.01>
- Erel, I., Liao, R. C., & Weisbach, M. S. (2012). Determinants of cross - border mergers and acquisitions. *The Journal of finance*, 67(3), 1045-1082. <https://doi.org/10.1111/j.1540-6261.2012.01741.x>
- Faccio, M., & Masulis, R. W. (2005). The choice of payment method in European mergers and acquisitions. *The Journal of Finance*, 60(3), 1345-1388. <https://doi.org/10.1111/j.1540-6261.2005.00764.x>
- Ferris, S. P., Jayaraman, N., & Sabherwal, S. (2013). CEO overconfidence and international merger and acquisition activity. *Journal of Financial and*

- Quantitative Analysis, 48(1), 137-164.
<https://doi.org/10.1017/S0022109013000069>
- Fich, E. M., Nguyen, T., & Officer, M. (2018). Large wealth creation in mergers and acquisitions. *Financial Management*, 47(4), 953-991.
<https://doi.org/10.1111/fima.12212>
- Franks, J., & Mayer, C. (1996). Hostile takeovers and the correction of managerial failure. *Journal of financial economics*, 40(1), 163-181.
[https://doi.org/10.1016/0304-405X\(95\)00840-B](https://doi.org/10.1016/0304-405X(95)00840-B)
- Frydman, C., & Jenter, D. (2010). CEO compensation. *Annu. Rev. Financ. Econ.*, 2(1), 75-102. <https://doi.org/10.1146/annurev-financial-120209-133958>
- Gaspar, J. M., Massa, M., & Matos, P. (2005). Shareholder investment horizons and the market for corporate control. *Journal of financial economics*, 76(1), 135-165. <https://doi.org/10.1016/j.jfineco.2004.10.002>
- Gerety, M., Hoi, C. K., & Robin, A. (2001). Do shareholders benefit from the adoption of incentive pay for directors?. *Financial Management*, 45-61.
<https://doi.org/10.2307/3666258>
- Giudici, G., & Bonaventura, M. (2018). The impact of M&A strategies on the operating performance and investments of European IPO firms. *Journal of Economics and Business*, 95, 59-74.
<https://doi.org/10.1016/j.jeconbus.2017.06.005>
- Golubov, A., Yawson, A., & Zhang, H. (2015). Extraordinary acquirers. *Journal of Financial Economics*, 116(2), 314-330.
<https://doi.org/10.1016/j.jfineco.2015.02.005>
- Grinstein, Y., & Hribar, P. (2004). CEO compensation and incentives: Evidence from M&A bonuses. *Journal of financial economics*, 73(1), 119-143.
<https://doi.org/10.1016/j.jfineco.2003.06.002>

- Güner, A. B., Malmendier, U., & Tate, G. (2008). Financial expertise of directors. *Journal of financial Economics*, 88(2), 323-354. <https://doi.org/10.1016/j.jfineco.2007.05.009>
- Haleblian, J., Devers, C. E., McNamara, G., Carpenter, M. A., & Davison, R. B. (2009). Taking stock of what we know about mergers and acquisitions: A review and research agenda. *Journal of management*, 35(3), 469-502. <https://doi.org/10.1177/0149206308330554>
- Hanelt, A., Firk, S., Hildebrandt, B., & Kolbe, L. M. (2021). Digital M&A, digital innovation, and firm performance: an empirical investigation. *European Journal of Information Systems*, 30(1), 3-26. <https://doi.org/10.1080/0960085X.2020.1747365>
- Harford, J., & Li, K. (2007). Decoupling CEO wealth and firm performance: The case of acquiring CEOs. *The Journal of Finance*, 62(2), 917-949. <https://doi.org/10.1111/j.1540-6261.2007.01227.x>
- Hartzell, J. C., & Starks, L. T. (2003). Institutional investors and executive compensation. *The journal of finance*, 58(6), 2351-2374. <https://doi.org/10.1046/j.1540-6261.2003.00608.x>
- Hasan, I., Navone, M., To, T. Y., & Wu, E. (2020). Tournament incentives and acquisition performance. *The Review of Corporate Finance Studies*, 9(2), 384-419. <https://doi.org/10.1093/rcfs/cfaa001>
- Hermalin, B. E., & Weisbach, M. S. (1991). The effects of board composition and direct incentives on firm performance. *Financial management*, 101-112. <https://doi.org/10.2307/3665716>
- Heron, R., & Lie, E. (2002). Operating performance and the method of payment in takeovers. *Journal of Financial and quantitative analysis*, 37(1), 137-155. <https://doi.org/10.2307/3594998>

- Hsu, P. H., Huang, P., Humphery-Jenner, M., & Powell, R. (2021). Cross-border mergers and acquisitions for innovation. *Journal of International Money and Finance*, 112, 102320. <https://doi.org/10.1016/j.jimonfin.2020.102320>
- Jarrell, G. A., Brickley, J. A., & Netter, J. M. (1988). The market for corporate control: The empirical evidence since 1980. *Journal of Economic perspectives*, 2(1), 49-68. Doi: 0.1257/jep.2.1.49
- Jensen, M. C. (1986). Agency costs of free cash flow, corporate finance, and takeovers. *The American economic review*, 76(2), 323-329.
- Jensen, M. C., & Ruback, R. S. (1983). The market for corporate control: The scientific evidence. *Journal of Financial economics*, 11(1-4), 5-50. [https://doi.org/10.1016/0304-405X\(83\)90004-1](https://doi.org/10.1016/0304-405X(83)90004-1)
- Karampatsas, N., Petmezas, D., & Travlos, N. G. (2014). Credit ratings and the choice of payment method in mergers and acquisitions. *Journal of Corporate Finance*, 25, 474-493. <https://doi.org/10.1016/j.jcorpfin.2014.01.008>
- Karolyi, G. A., Liao, R. C., & Loureiro, G. (2015). The decreasing returns of serial acquirers around the world. Cornell University.
- Keown, A. J., & Pinkerton, J. M. (1981). Merger announcements and insider trading activity: An empirical investigation. *The journal of finance*, 36(4), 855-869. <https://doi.org/10.1111/j.1540-6261.1981.tb04888.x>
- Kini, O., Kracaw, W., & Mian, S. (1995). Corporate takeovers, firm performance, and board composition. *Journal of Corporate Finance*, 1(3-4), 383-412. [https://doi.org/10.1016/0929-1199\(94\)00011-I](https://doi.org/10.1016/0929-1199(94)00011-I)
- Lang, L. H., Stulz, R., & Walkling, R. A. (1989). Managerial performance, Tobin's Q, and the gains from successful tender offers. *Journal of financial Economics*, 24(1), 137-154. [https://doi.org/10.1016/0304-405X\(89\)90075-5](https://doi.org/10.1016/0304-405X(89)90075-5)

- Levi, M., Li, K., & Zhang, F. (2014). Director gender and mergers and acquisitions. *Journal of Corporate Finance*, 28, 185-200. <https://doi.org/10.1016/j.jcorpfin.2013.11.005>
- Li, Z., & Peng, Q. (2021). The dark side of executive compensation duration: Evidence from mergers and acquisitions. *Journal of Financial and Quantitative Analysis*, 56(8), 2963-2997. <https://doi.org/10.1017/S0022109020000812>
- Masulis, R. W., Wang, C., & Xie, F. (2007). Corporate governance and acquirer returns. *the Journal of Finance*, 62(4), 1851-1889. <https://doi.org/10.1111/j.1540-6261.2007.01259.x>
- Mehran, H. (1995). Executive compensation structure, ownership, and firm performance. *Journal of financial economics*, 38(2), 163-184. [https://doi.org/10.1016/0304-405X\(94\)00809-F](https://doi.org/10.1016/0304-405X(94)00809-F)
- Moeller, S. B., Schlingemann, F. P., & Stulz, R. M. (2004). Firm size and the gains from acquisitions. *Journal of financial economics*, 73(2), 201-228. <https://doi.org/10.1016/j.jfineco.2003.07.002>
- Moeller, S. B., Schlingemann, F. P., & Stulz, R. M. (2005). Wealth destruction on a massive scale? A study of acquiring - firm returns in the recent merger wave. *The journal of finance*, 60(2), 757-782. <https://doi.org/10.1111/j.1540-6261.2005.00745.x>
- Morck, R., Shleifer, A., & Vishny, R. W. (1988). Management ownership and market valuation: An empirical analysis. *Journal of financial economics*, 20, 293-315. [https://doi.org/10.1016/0304-405X\(88\)90048-7](https://doi.org/10.1016/0304-405X(88)90048-7)
- Morellec, E., & Zhdanov, A. (2005). The dynamics of mergers and acquisitions. *Journal of Financial Economics*, 77(3), 649-672. <https://doi.org/10.1016/j.jfineco.2004.10.009>

- Renneboog, L., & Vansteenkiste, C. (2019). Failure and success in mergers and acquisitions. *Journal of Corporate Finance*, 58, 650-699. <https://doi.org/10.1016/j.jcorpfin.2019.07.010>
- Roll, R. (1986). The hubris hypothesis of corporate takeovers. *Journal of business*, 197-216.
- Rossi, S., & Volpin, P. F. (2004). Cross-country determinants of mergers and acquisitions. *Journal of Financial Economics*, 74(2), 277-304. <https://doi.org/10.1016/j.jfineco.2003.10.001>
- Schmidt, D. R., & Fowler, K. L. (1990). Post - acquisition financial performance and executive compensation. *Strategic Management Journal*, 11(7), 559-569. <https://doi.org/10.1002/smj.4250110706>
- Servaes, H. (1991). Tobin's Q and the Gains from Takeovers. *The journal of finance*, 46(1), 409-419. <https://doi.org/10.1111/j.1540-6261.1991.tb03758.x>
- Scimago Journal & Country Rank. <https://www.scimagojr.com/>
- Song, M. H., & Walkling, R. A. (2000). Abnormal returns to rivals of acquisition targets: A test of the acquisition probability hypothesis'. *Journal of Financial Economics*, 55(2), 143-171. [https://doi.org/10.1016/S0304-405X\(99\)00048-3](https://doi.org/10.1016/S0304-405X(99)00048-3)
- Song, W. L., & Wan, K. M. (2019). Does CEO compensation reflect managerial ability or managerial power? Evidence from the compensation of powerful CEOs. *Journal of Corporate Finance*, 56, 1-14. <https://doi.org/10.1016/j.jcorpfin.2018.11.009>
- Stiebale, J. (2016). Cross-border M&As and innovative activity of acquiring and target firms. *Journal of International Economics*, 99, 1-15. <https://doi.org/10.1016/j.jinteco.2015.12.005>
- Tuch, C., & O'Sullivan, N. (2007). The impact of acquisitions on firm performance: A review of the evidence. *International journal of*

management reviews, 9(2), 141-170. <https://doi.org/10.1111/j.1468-2370.2007.00206.x>

Westphal, J. D., & Zajac, E. J. (1998). The symbolic management of stockholders: Corporate governance reforms and shareholder reactions. *Administrative science quarterly*, 127-153. <https://doi.org/10.2307/2393593>