The effect of Top Management Turnover on the Success of Acquisitions

The moderating role of pre-acquisition type of ownership

Daan Schrijver

Student number: 461849

June 11th 2018

Msc. Business Administration

Coach: Alina Andrei

Co-reader: Dr. P de Wolf

Preface

First of all, thank you, since you are about to start reading my thesis about the role that top management turnover has in the success of acquisitions. Over the past six months I have studied this topic, as a final challenge as part of the “Master of Business Administration” program at theRSM Business School. Since curiousness is a typical trait of mine, I often wondered what drives organizations to make acquisitions. When I started digging in to this subject, I was surprised to find that many acquisitions fail in the sense that they do not deliver the expected returns. I myself have always been working for family businesses, because I believe that they excel in long term vision over non-family firms. This made me wonder whether family firms and non-family firms perform differently once they are acquired.

A special thanks goes to Alina Andrei, who guided me through this exciting process that lasted from January 2018 until June 2018. Whenever I hit a bump or got stuck, she was there for me, during both weekdays and weekends. Thank you Alina, I couldn’t have done this without you.

Also, I would like to thank my girlfriend an great support Nathalie Starink, who has always supported me and stood by my side during the entire process. She has proven herself to be a star at simplifying things whenever I got caught up in too much details.

Abstract

Though the number of acquisitions has increased over the last years to an all-time high in 2015, the failure rate of these acquisitions remains high. Studies show failure rates of forty up to as high as ninety per cent. Therefore, an often studied topic is what causes these high failure rates. Several studies show that higher levels of top management turnover have a negative impact on the chances of acquisition success. This study looks into whether the pre-acquisition type of ownership has a moderating role in this process. Two hypotheses were drawn up, following out of the already available literature. These hypotheses were tested through a sample of 99 German firms that were equally divided between family firms that were acquired and non-family firms that were acquired. The results are not significant, however, the results show that there is a negative relation between greater levels of top management turnover and acquisition success. Also, the results show that family firms respond more negatively to high levels of top management turnover than non-family firms regarding acquisition success. Through further research on this topic that might include larger samples, solid conclusions may be drawn about the differences between family firms and non-family firms and the way they should be handled when acquired, in order to increase the success rates of acquisitions.

Content

1. Introduction

Now that the economy is booming again after years of recession, there is once again a steep rise in acquisitions. The number of acquisitions 50.000 in 2015 worldwide with a combined value of $2,5 trillion. In comparison to 1990, this is a rise of five hundred per cent in less than thirty years. Though the number of acquisitions rises, the failure rate of acquisitions remain high as well.

Acquisitions is a topic that has been researched extensively over time. While many studies show that stockholders of the acquiring firm do not necessarily benefit from acquisitions, the number of acquisitions seem to rise steadily each year. Research shows that there are positive results in acquisitions, however, the most value that is added goes to the target's shareholders (Agrawal & Jaffe, 2000; Agrawal, Jaffe, & Mandelker, 1992). Research suggests that once a firm has been acquired, the acquirer faces several decisions that have to be made on the desired level of integration; how to design the organizational structure, which business activities to integrate, what to do with the top management, the amount of operational autonomy that is granted to the acquired firm and what vision and values have to be integrated (P Kale & Singh, 2009).

One important determinant of acquisition success is believed to be whether executives are retained or not. Executives are familiar with the firm its resources, customers and organizational culture. This knowledge is hard to replicate for acquiring firms. Very often acquisitions fail, due to decisions that are made in the process after the acquisition regarding the integration of the acquired firm. Whether the top executives of the acquired firm are retained or let go is one of those important choices an acquirer has to make.

Several studies link higher rates of top management turnover to lower post-acquisition performance. However, most of these studies are conducted on large, publicly traded firms in the U.S. (Cannella & Hambrick, 1993; Krishnan, Miller, & Judge, 1997). So far, research on the possible differences in performance between family firms and non-family firms is limited and there is limited research regarding this topic outside of the United States.

This thesis looks into possible effects of top management turnover on acquisition performance and the possible influence that the type of ownership of the acquired firm has on this relation. Since many of the previous studies have been conducted in publicly listed U.S. firms, this study tries to gain additional insights on the topic by researching this topic in a sample of German family and non-family firms.

Though several studies have looked into the failure rates of acquisitions and the root causes of this phenomenon, very few have made a distinction when it comes to family firms and non-family firms. Therefore, the contribution of this thesis is twofold. 1) It tests whether the failure rates remain high in recent acquisitions and does this in the German market, and 2) It tests whether acquired family firms and non-family respond differently on being acquired.

This thesis starts with an extensive review of the literature in chapter 2. Chapter 3 consists of the hypotheses development which is based on the literature review. Chapter 4 discusses the methodology that is used in the empirical research, and chapter 5 outlines the main results of the empirical research. Finally, chapter 6 and 7 consist out of the discussion and possibilities for future research and the main conclusion.

2. Literature review

A study on the available literature review reveals four main perspectives on acquisitions; Financial economic, Strategic management, organizational behavior and Merger and Acquisition process. Thereafter will be explained what studies have looked into the post-acquisition integration process to explain whether the decision of retaining the pre-acquisition top management team may be a decisive determinant of the success of acquisitions. Also, research on acquisitions has been studied to define when an acquisition is a success. The literature review on research on top management team turnover will show that top executives of acquired firms depart at a much higher rate than in firms that have not been subjected to acquisition. Finally, I look into the differences between the two types of firms and the way they are lead.

2.1 Research on acquisitions

In search of growth, organizations generally have two ways in which they can grow; they can grow organically or through mergers and acquisitions. Mergers take place when two organizations combine their equity and debt into a single entity. When one firm takes over another firm, either friendly or hostile, this is called an acquisition (Hitt et al., 2012).

Firms have several reasons for acquiring other businesses. There is the goal of business diversification (H. K. Christensen & Montgomery, 1981), the access to resources (Ahuja & Katila, 2001) entering foreign markets (Hennart & Reddy, 1997), learning as a collective (Maurizio Zollo & Singh, 2004) and establishing a firm position in the market (Chatterjee, 1986). In acquisitions, firms face several challenges in order to make acquisitions a success, such as the process of human resources integration (Anthony Buono, 1989), the creation of desired synergies (Jemison et al., 2016; Kusewitt, 2007), a proper estimate of what a potential target is worth (Hayward, 1997; Roll, 1986) and a deficit of experience in acquisitions (Finkelstein & Haleblian, 2002).

Over the past decades there has been done extensive research on acquisitions through multiple perspectives (Bauer & Matzler, 2014). These perspectives can be combined into four main perspectives: Financial economic, Strategic management, organizational behavior and Merger and Acquisition process (Bauer & Matzler, 2014).

2.1.1. Financial economic perspective

The financial economic perspective is a very dominant research stream in early studies on M&A (Bauer & Matzler, 2014; Stahl & Voigt, 2008). One of the most sought after topics on M&A is the performance of firms once an acquisition is finalized and the effect this has on stock prizes (Bauer & Matzler, 2014). Early research on acquisitions mainly focusses on financial indicators of performance: Does the acquisition deliver the anticipated cost advantages which should be shown in an increase in profitability and stock prices? Zollo & Meier (2008) show in their study about performance of acquisitions that as much as eighty per cent of the studies on performance of acquisitions focus on objective financial accounting measures.

Though these studies use different financial accounting measures, they all seem to agree on one important topic: the failure rates are high in general. Studies show that forty to sixty per cent of acquisitions fail to meet the anticipated financial goals (Bagchi & Rao, 1992; Bower, 2001) and other studies even show rates of seventy to ninety per cent (C. M. Christensen, Alton, Rising, & Waldeck, 2011).

These high failure rates encouraged researchers to search for explanations. This lead to a definition of three other perspectives, which involved more subjective measurements rather than financial accounting measurements.

2.1.2. Strategic management perspective

Generally, there are several reasons for organizations to acquire other firms. They seek to create value, to lower costs through synergies or to improve their performance. In the search of an explanation for underperformance of an acquisition, researchers have looked in to possible differences between target firms that operate in a similar industry as the acquirer or in a dissimilar industry. The results are not conclusive. Some studies found that related businesses generated higher performance than unrelated business (Bruton, 2017; Finkelstein & Haleblian, 2002), while other researchers found no direct relationship between the two (Lubatkin, 1987; Singh & Montgomery, 1987).

One of the possibilities of underperformance of an acquisition stems from the large premiums that are paid in acquisitions. These price premiums are paid to capture the expected synergies and should therefore not exceed the potential synergy (Sirower, 1997). Common expected advantages are an enlargement of market share and market power (Chatterjee, 1986), creation of economies of scale by reducing costs through shared purchasing (Barney J. , 1991; Capron, 1999) and using the acquired firm its distribution channels (Capron, 1999; Rumelt, 1974). These are common strategic reasons for making an acquisition and paying a price premium for the targeted firm. Other studies suggest that there are more personal motivations for executives to acquire other firms. It may reduce the risk of unemployment, generate a larger compensation or establish a better position for the firm and the executive (Hitt, et al., 2012).

2.1.3. Organizational behavior perspective

The perspective of organizational behavior looks at the antecedents and possible consequences of variables at the organizational level in Mergers and Acquisitions (Bauer & Matzler, 2014). It focusses on the organizational, strategic and cultural fit of the acquirer and the acquired firm (Datta D. , 1991). Several studies have looked into the relation between these fits and the performance of acquisitions. Strategic fit defines whether both firms complement each other at strategic level in order to gain possible synergies (Cartwright & Schoenberg, 2006). However, empirical evidence is not conclusive (Seth, 1990; King, Dalton, Daily, & Covini, 2004) and because of this, it is not conclusive that a lack of strategic fit explains the lack of performance in an acquisition. The same counts for organizational fit and cultural fit. There is no conclusive evidence that there is a relation between them. Cartwright & Schoenberg (2006) argue that the right cultural fit between target and acquirer may result in avoidance of conflicts during the integration process because of shared beliefs and values.

Some studies argue that firms may learn from prior successes and failures in acquisitions and that they follow a certain learning pattern through which they may improve their skills and capabilities in subsequent acquisition deals (Barkema, Bell, & Pennings, 2016; Hitt et al., 2012; Maurizio Zollo & Reuer, 2011). Even though extensive research has been done on learning from acquisition experience, studies have found mixed results. This may be explained by suggesting that the learning process in acquisitions differs from the way acquisitions truly work in practice (Reis, Carvalho, & Vasconcelos Ferreira, 2015). One of the explanations is that there is an intrinsic difference between acquisition deals (Haleblian & Finkelstein, 1999). Another explanation is the way that the acquisition process is designed when it comes to valuation, negotiation and the design of the integration process (Haspeslagh & Jemison, 1991).

Other studies even show that prior gained acquisition experience can even lead to lower acquisition performance, because firms transfer the acquisition knowledge from one industry to another industry in which very different processes may be needed (Hitt et al., 2012).

2.1.4. Merger and acquisition process perspective

Once an acquisition deal is made, the success of the combination of the two firms depends on whether the actions and activities of the managers of both companies result in the expected synergies (Haspeslagh & Jemison, 1991). One of the important factors that determine whether an acquisition delivers its expected value is the Process Perspective of M&A (Jemison & Sitkin, 1986). Studies of the M&A Process Perspective argue that research should be focused on the drivers and integration process of the acquisition, since those are the key factors that determine the success (Haspeslagh & Jemison, 1991). Research has shown that improper guidance of the integration process is the cause of acquisition failure in many cases (Buono & Bowditch, 1989).

There are studies have looked into the several stages of the process of acquisitions. Graves (1981) distinguishes four different stages in this process: the stage in which the acquisition is planned, the stage in which anxiety occurs, the stage in which the deal is made and the stage in which the deal is evaluated. Marks (1982) on the other hand distinguishes one less: pre-combination, legal combination and post-combination. The latter shows a few similarities with a study done by Haspeslagh & Jemison (1991) who mention four stages: idea, acquisition justification (which can be compared to the pre-combination stage), acquisition integration and final, the results (which can be compared to the post-combination stage). Though there are both similarities and differences between these phases (that mainly derive from different perspectives), it shows how important it seems to look at the acquisition in a holistic way (Haspeslagh & Jemison, 1991).

2.2 The post-acquisition integration process

Once an acquisition is made, the acquirer needs to make a decision about the design choices when it comes to the structural form of the two organizations. Generally there are two options: the acquirer can either completely absorb the acquired firm, or it can preserve the acquired firm, in which case the firm remains autonomous (Haspeslagh & Jemison, 1991). When two separate organizations are merged into one and they have a common organization structure, this is called structural integration

(Puranam, Singh, & Chaudhuri, 2009). When two organizations merge into one, the acquired organization essentially no longer exists as a separate organization (Puranam & Srikanth, 2007). A second way to manage an acquisition is to let the acquired firm operate completely autonomous, as a separate entity. The acquirer keeps the structural organization and identity intact.

Research has shown that structural integration offers several advantages. Merging two organizations into one has a positive effect on coordination and cooperation between the two organizations (Gulati, Lawrence, & Puranam, 2005). Also, the interests of both parties are aligned to the common goals of the merged organization (Baker, 2002). These positive effects can be generated through a deliberate process of integration. A two phased process in which a clear distinction is made between task integration and human integration leads to mutual interdependencies between the employees of the two merged firms (Birkinshaw, Bresman, & Hakanson, 2000)

Other studies focus on cultural differences that occur at the acquired firm and the acquirer. Empirical research shows that cultural differences can form a major barrier in the integration process when it comes to generating benefits of an integration. However, other empirical studies show that differences in organizational culture can also be a trigger for deliberate learning and value creation.

A study, performed by Datta and Grant in 1990 focusses on the amount of autonomy that has been given to acquired firms by the acquirer, and whether the level of autonomy has an impact on acquisition performance. They mention advantages of high levels of autonomy like high levels of motivation for the acquired management and flexibility and effectiveness for the acquirer and the target. However, when an acquired firm is being given too much autonomy, there is the risk of losing control of the acquired firm.. Their research shows that the level of autonomy that is given by the acquirer is greater in unrelated firms than in related firms. In unrelated acquisitions, a great level of autonomy can be a determinant of superior acquisition performance (Datta & Grant, 1990).

As we can see, the decisions that are made in the integration process largely determine success of acquisitions. If, and to what extend an acquired firm is integrated depends on whether the acquired firm operates in a similar industry or a dissimilar industry and with what goal the acquisition has been done.

2.3 The performance of acquisitions

There is a contradiction in the trend that the number of failed acquisitions remains high, while the total number of acquisitions and their combined value keeps growing year after year (Sirower, 1997). One of the questions that researchers have asked themselves is whether firms are able to learn from previous acquisitions and use that knowledge in future acquisitions. Hayward (2002) shows that the performance of an acquisition has a positive relation to previous acquisitions that show similarities, have encountered failure and operate in the same industry. However, other research suggests that acquisition experience of firms might negatively relate to acquisitions that are yet to come (Haleblian & Finkelstein, 1999), because firms tend to use their acquisition experience in different industries that might have a need for a different approach on acquisitions.

Through the past decades a premise is developed that links high executive turnover rates with lower post-acquisition performance. This premise is mainly based on two empirical studies. In 1993 Cannella and Hambrick conducted research in 96 publicly traded companies from the U.S. They surveyed firm executives of companies that made acquisitions between 1980 and 1984, and measured what they thought of the performance of the organization. They found a relation between a decrease in performance of the acquired firm and greater levels of top management departure. They concluded that firm's executives are an important asset of the target firm and that the performance after the acquisition is partially determent by the retention of executives. Another study, conducted by Krishnan, Miller and Judge shows similar results. Their study was conducted in a collection of 147 large companies from the U.S. that are all publicly traded between 1986 and 1988. Their explanation for the relation between high executive turnover and lower post-acquisition performance was slightly different from the research of Cannella and Hambrick. They explained that when executives of the acquired firm leave, the acquirer has to dedicate more resources to the acquired firm. This contributed negatively to the target its performance. Explanations in both studies differ, but they share a common ground: They both support a resource based view that executives of target firms are valuable resources and that the decision to retain them is an important determinant on the success of the acquisition.

Studies that have been done on the performance of acquisitions use different ways to claim whether an acquisition is successful or not. One way is to measure shareholder returns before and after the acquisition (Coffee, Lowenstein, & Rose-Ackerman, 1988). Others have used the measure of divestitures; Is the target firm retained within a certain amount of years or has it been divested (Porter, 1987; Ravenscraft & Scherer, 1988)? Krishnan et al (1997) measure post-acquisition performance through the development of the Return on Assets in the three years after the acquisition. Though the measure of divestitures is often referred to as a very coarse measure, the explanation for the use of this measure is simply that it is hard to gain information about the performance of target firms once the firm is integrated.

Several explanations can be named for the high failure rate of acquisitions. However, studies regarding the relation between high executive turnover and the failure rate of acquisitions seem to be solid: High executive turnover rates lead to lower post-acquisition performance.

2.4 Top management replacement

Several studies have shown empirically that top management of acquired organizations depart at a higher rate than organizations that have not been acquired. In the first year after an acquisition, target companies see twenty-five per cent of their executives leave, where the departure rate of organizations that have not been subject to an acquisition is approximately eight per cent (Walsh, 1988). Studies that build on the research of Walsh found that in five years after the completion of the acquisition, nearly 60% of the top management left the acquired firm (Cannella & Hambrick, 1993; Furtado & Karan, 1990; Krishnan et al., 1997; Krug & Hegarty, 1997; Martin & McConnell, 1991; Walsh & Ellwood, 1991).

Research from the 1990's was mainly based on the agency theory. When firms do not perform the way they should, other organizations can acquire these firms to increase their performance. Replacing the management of the acquired firm is part of that process (Manne, 1965). For nearly three decades this perspective was well used but never empirically tested. That is what made executive turnover after an acquisition a desired outcome of the process. More recent studies however, suggest that high executive turnover can both be found in good and bad performing acquisition targets. Therefore, low performance of the target firm is not an explanation for high departure rates (Krug, 2014). The agency theory assumed that acquisitions are made when acquired firms underperform prior to the acquisition. However, empirical evidence shows the opposite; acquisitions are made because acquired firms own something (certain resources, distribution channels, a business model) that the acquirer wants. This does not relate to the success of the target firm (Krug, 2014).

An important determinant of the level of top management turnover appears to be whether the top management team of the acquirer and the target firm are complementary or not. It is argued that when the two top management teams are complementary to each other, they will not make each other redundant. When executives of the acquired firm possess certain knowhow that is not available in the acquiring firm, the acquiring firm will have greater interest in retaining these executives (Krishnan et al., 1997).

An explanation for the relation between high executive turnover and lower post-acquisition performance is that departing executives have gained unique insights within firms and created a culture in which employees feel comfortable in their job. When a firm is acquired, this brings uncertainty and tension among employees which might harm the performance of the firm. Executives also may have long term relations with customers and other stakeholders. These relations that have been built over time suddenly disappear when executives leave the firm, leaving the acquirers with a firm that is no longer the same as before the acquisition.

2.5 Family firms and non-family firms

Though most research on acquisitions is done in firms that are publicly traded, most of the acquired firms are family businesses. Studies show that there are differences between the way family owned businesses are run and the way non-family firms are run. Businesses that are owned by families are more often willing to invest in long-term growth by investments in capital expenditures and new product development, and create therefore capabilities that enable them to achieve higher financial results (Miller, Le Breton-Miller, Lester, & Cannella, 2007). Top executives that descend from the founding family are thought to be more altruistic which leads to higher profits (Anderson & Reeb, 2003; Minichilli, Corbetta, & MacMillan, 2010).

2.5.1. Performance of family firms

Several studies have looked into the results of family firms and non-family firms and which of the two performs best. Results of these studies are not conclusive and explanations for either outperformance or underperformance differ. Anderson and Reeb (2003) collected data of 403 large family firms and found that family firms outperform non-family firms, based on Return on Assets. Also they found that having a CEO that is a family member is better for the performance than having a CEO from outside. A different study shows that family firms have higher investment efficiencies, caused by a longer investment horizon (James, 1999). In a study that is performed in all firms that are listed on the Paris Stock Exchange, it is shown that family firms perform better than non-family firms. The results show that this holds for every type of family ownership. The main explanation for the better performance of family firms here is that family firms seem to be more efficient with capital. The wages that they pay are lower, making more use of cheap labor, but they also pay less interest through lower interest rates and seem to make efficient acquisitions through which they acquire higher profits than non-family firms (Sraer & Thesmar, 2007).

These findings differ from other studies that imply that ownership by a family is a less efficient and less profitable way of structuring ownership (Fama & Jensen, 2008; Morck, 2000; Ricardo-Campbell, 1983; Shleifer & Vishny, 2007). These studies show several explanations for the implication that non-family firms outperform family firms, such as missing out on maximum profits due to individual financial preferences, limiting executive management positions to family members which leads to missing out on attracting outside talent.

Whether family firms outperform non-family firms or not, evidence shows that family firms hold several advantages over non-family that can be derived from social capital. Within family firms, strong social relations are found that lead to a sense of shared social obligations, social norms and expectations towards each other. Also, the amount of information that is shared within a family firm is higher because of this social capital. This leads to lower costs and easier problem solving. These factors can ultimately result in superior performance of family firms over non-family firms.

Based on earlier studies it is difficult to judge if family firms outperform non-family firms. The result depends largely on which measures are used. What these studies have in common is that they all seem to agree that family firms possess advantages over non-family firms when it comes to their social abilities. These social abilities seem to be an decisive determinant in the success of family firms.

2.5.2. Post-acquisition performance of family firms

While many studies seem to show that family firms outperform non-family firms, the opposite seems to be true once the ownership of a family firm is transitioned to an external owner. Though research on this topic is very limited (Astrachan, 2010), there are results that implicate the following: when family firms are acquired by new outside owners, the performance of these former family firms seem to increase in the short term. This can be explained by the way new owners tend to put new energy and resources into the acquired firm which results in an increase in new business opportunities. On the contrary, family firms that have succession within the family perform better on the long run. This is explained through the long term oriented mind of family firms and their will to avoid risks (Folta, 2007).

2.5.3. Top management in family firms and non-family firms

Is there an optimum in the distribution of ownership and management regarding efficiency and performance of firms? Researchers have debated on this topic for decades now, and they do not agree on the findings. On one hand researchers argue that in publicly traded firms there is the risk of conflict between owners of a firm, the shareholders, and the management of a firm when the interest of both parties are not properly aligned. In that case a battle may arise over the control of organizational resources (Daily & Dollinger, 1992). The agency theory states that firms only benefit when the ownership and the management are aligned, as is the case with firms that are managed and owned by families. In all other cases costs are made because of the split between ownership and management and effort has to be made to align all interests.

It is paramount that there is a discrepancy between the management of family owned firms and non-family owned firms. Demsetz (1983) mentioned that managers in professional firms may seek to achieve a return that is minimally acceptable to shareholders. Profits beyond that level are often used for the better of the managers themselves, and not for the shareholders. For example, managers may use those profits to hire extra staff in order to relieve themselves of certain duties, they may increase their own salaries or give themselves additional benefits in order to raise their own wellbeing. Owner/ managers of family firms on the other hand are more conservative on these utility functions because they pursue maximization of firm value through which they are eventually benefitted. A study done by Villalonga & Amit (2006) shows that ownership by families only creates additional profits when the original founder of the firm still holds an active role in the firm as member of the management team. Anderson & Reeb (2003) found that outside executives can balance the board of a family firm. Board representation by family members only creates an advantage when their interests are checked through the objectivity of independent board members.

Researchers have not been able to reach consensus on which of the two firms performs better. What they do seem to agree on is that a split of ownership and management brings along certain costs for the firm. These costs are called “agency costs” (Jensen & Meckling, 1976). It is assumed that family firms do not have to cope with agency costs, due to the expectation that family members are altruistic towards each other (Chrisman, Chua, & Litz, 2004).

Miller & Le Breton-Miller (2006) show that family firms thrive when they use their potential for less agency costs and aim to stimulate stewardship towards employees among leaders and major owners. This is specifically the case for firms that are majority controlled by family, have a capable CEO who is a member of the family and who is accountable to several independent executives, when several key positions are practiced by members of the founding family and when it is the intention to keep the firm within the family for a long time. These characteristics are often found in well-established family firms that are still run by its founder.

Though study results are far from conclusive, it is paramount that top management plays an important role within both family firms and non-family firms when it comes to performance. Since there are many differences in the way family firms and non-family firms are lead, there is reason to believe that a change of management after an acquisition is an important determinant of the performance of the acquired firm, especially when a former family firm is being targeted by a non-family firm.

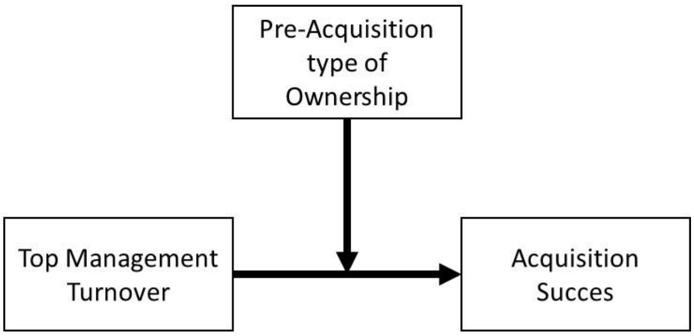
2.5.4. Organizational culture in family firms and non-family firms

Using the Resourced Based View, an important strategic resource is the organizational culture oof a firm. Through this strategic resource firms can achieve a competitive advantage (Barney, 1988). Especially the organizational cultures of family firms are likely to be difficult to copy for competitors because of their rich family dynamics and history (Dierikcx & Cool, 2016; Gersick, 1997). On the other hand, a tight organizational culture may also result in several forms of disadvantages; Organizational culture cannot be quickly changed or developed when needed. There are several aspects that makes organizational culture in family firms an important strategic resource. In non-family firms there are added agency costs for control and alignment of strategic goals, while in family firms CEO's are often owners, which mitigates the possible problems of strategic alignment (Daily & Dollinger, 1991). It is shown that family firms rely more on social control such as trust, instead of needing contractual controls and monitoring (Steier, 2001).

3. Hypotheses development

The main focus of this paper is the effect that top management turnover might have on performance of both family and non-family firms after an they are acquired. To be able to test this, a random selection of 99 publicly listed firms from Germany was drawn that were acquired between 2000 and 2014. This paper tests two different hypotheses. First I test whether the post-acquisition performance becomes worse when top management turnover increases. The second hypotheses tests whether family firms show a stronger negative relation to acquisition success than non-family firms. In figure 1 the conceptual model is presented in which the relation between the variables is explained.

Figure 1: Conceptual model of acquisition success



Overall there seems to be a premise that high executive turnover leads to lower post-acquisition performance. Several studies show that the rates of failed acquisitions are high, varying from anywhere between forty to as high as ninety per cent. The motive for replacing top executives of the acquired firm can on one hand be explained if an acquired firm was underperforming and therefore became an acquisition target: the acquiring firm simply replaces the top management team, often with people from within their own firm, with the aim to increase its performance. However, top management replacement seems to be high as well within firms that performed well at the time of the acquisition (Krug, 2014). From a resource based view the most prominent explanation for lower post-acquisition performance is that the management team of acquired firms are important assets because of their knowledge of the culture of a firm and their relations with both internal and external stakeholders. These are intangible assets and are often overlooked when acquirers are considering acquiring a firm. The review of the literature leads to the first hypothesis:

1. *The higher the top management turnover after an acquisition, the worse the performance of the acquisition*

Anderson & Reeb (2003) claimed that out of the two types firms, family firms outperform the other. Studies on this topic give a variety of explanations for the outperformance of family firms over non-family firms. One that stems out is the overall view that family firms have a longer investment horizon (James, 1999) which leads to higher investment efficiency. This also seems to suggest that, overall, non-family firms have a short term focus instead of longer term orientation.

Another essential asset of family firms is their organizational culture. Family firms often have a rich history which leads to an organizational culture that is hard to imitate for competitors or potential acquirers (Dierikcx & Cool, 2016; Gersick, 1997). This special organizational culture in family firms gives them an edge over non-family firms, particularly at the level of agency costs. Non-family firms often have to deal with higher agency costs for control and strategic alignment.

Given the above mentioned, it may be expected that when a family firm is acquired by an outsider, it hits the performance of the firm harder than when a non-family firm is acquired. For example, the special organizational culture that is an important asset can be dismantled when a firm is acquired and integrated. Though research on this topic is very limited, the opposite of this reasoning seems to be true. Folta (2007) shows that the post-acquisition performance of former family firms seem to be better than non-family firms. The explanation for this is that new owners put new energy and resources in the firm which enables them to thrive.

It seems to be a contradiction. Though not conclusive, a number of studies claim that family firms outperform non-family firms because of their special way of working and ownership, and when they get acquired they keep on outperforming non-family firms. Though results of prior studies are not conclusive, there is reason to believe that family firms perform better than non-family firms, due to their organizational culture and long-term investment decisions. Therefore, it can be assumed that when acquired family firms retain their executives, the effect on the post-acquisition performance is more significant than when executives in non-family firms are retained. Therefore, the second hypotheses is:

2. In the acquisition of family firms the negative relation between post-acquisition top management turnover and acquisition performance is stronger than in the acquisition of non-family firms

3. Methodology

This chapter will explain what methodology is used for the empirical research. It will explain the sample that is used, how the dependent and independent variables will be measured and what control variables will be used and why.

4.1 Data description

Current research on acquisitions and top management turnover has mainly been done in publicly traded U.S. firms. In order to collect a representable data sample, this research will focus on both family firms and non-family firms that are publicly listed in Germany. The choice for Germany is because it is well known for its even distribution of family firms against non-family firms. A random sample is drawn from 100 acquired German firms that were publicly listed when they were acquired out of the Zephyr database. The following selection criteria were used:

- Country of target: Germany
- Current deal status: Completed
- Listed/Unlisted/Delisted companies: listed target
- Time period: ≥ 01/01/2000 and ≤ 31/12/2014
- Deal type: Acquisition

This selection resulted in 207 firms that had been acquired in this timeframe. Out of these 207 firms, a random sample was drawn.

4.2 Variables

Dependent variables

Acquisition success. In order to measure if an acquisition has been successful, the measurement of Walsh (1988) is used. If an acquired firm is not divested within 3 years after the acquisition, the acquisition is called successful. If the acquired firm is divested within 3 years after the acquisition it is called unsuccessful. A downside of this measurement is that it is often being called coarse. Other measurements that are often used are profitability measurements. However, these firms are often very large, and by measuring the profitability development, it is very hard to link a change in profitability to a certain acquisition. Changes in profitability may as well stem from other acquisitions and changes in market and financial development. For this variable a dummy variable is used. When the acquired firm has not been divested within three years after the acquisition, the acquisition is a success and the variable is equal to “1”. When the target has been divested within three years after the acquisition, the acquisition has failed and the variable is equal to “0”.

Independent variables

Top Management Team Turnover. In order to establish what is measured as the Top Management Team, the approach of Michel and Hambrick (1992) is used. This means that a firm its Top Management Team consists of all executives above the level of Vice President. This includes the Chief Executive Officer (CEO), the president, the Chief Operating Officer (COO), the Chief Financial Officer (CFO) and all senior vice presidents. In order to measure the Top Management Team Turnover, the approach of Walsh (1988) is used. An analysis of the Top Management Team of the target is made for two time periods: one during the course of the acquisition and one at the point of one year after the acquisition. Walsh shows that within the first year after the acquisition as much as twenty five per cent of the top management has left the acquired firm, whereas this is only two per cent in firms that have not been acquired. While the difference in turnover of the Top Management Team in the first year is significant, after the first year the rate of increase is nearly equivalent. Therefore, this study measures which board members were present at the time of the acquisition and which board members were present one year after the acquisition. The turnover rate is stated as a percentage.

Family firms and non-family firms. In this research, the definition of a family firm is used following the definition of Anderson & Reeb (2003) A family firm is defined as such when the original founder of the firm or a member of his or her family is a director in the firm. Because there is also the possibility that family members do not have an active role within the firm, but may own a substantial part of the outstanding equity, a family firm is also defined as a firm in which at least one family member owns five per cent of the firm’s equity (Miller et al., 2007). A dummy variable is used wherein Family firms equal “1” and non-family firms equal “0”.

Control variables

Foreign or Domestic acquisition. In their study on top management turnover following acquisitions, Krug & Hegarty (1997) make a distinction in two groups between acquirers that are domestic and acquirers that are foreign in order to preclude any differences in acquisitions at the country level. A dummy variable is used wherein Foreign acquirers are equal to “1” and domestic acquirers are equal to “0”.

Type of acquisition. In their study on corporate acquisition strategies sand economic performance, Singh & Montgomery (1987) found that target firms in related industries reach better gains than firms that are acquired in unrelated industries. In order to control for the type of acquisition, an acquisition is related when both the acquirer and acquired firm operate in similar industries. An acquisition is unrelated when the acquired firms and the acquirer operate in dissimilar industries. The type of industry is measured through the SIC code. A dummy variable is used wherein related acquisitions are equal to “1” and unrelated acquisitions are equal to “0”.

Age of target. Barney (1988) showed that the organizational culture of a firm might be a strong competitive advantage. However, creating a strong organizational culture may take decades. That is why there can be great differences between organizations that exist for over a century and firms that have been around for nearly a decade. In order to control for these possible differences, the control variable *Age of target* is added. The variable is a number that is at least larger than 0.

Size of target. As concluded earlier, the way in which a target is integrated after an acquisition is an important determinant of acquisition success. It might be expected that the larger the target, the harder it is to integrate the organization. This, as well as you might expect that the bigger the target, the larger the Top Management Team, makes it important to control for target size. The target size is defined as the Total Assets of the target in the year prior to the acquisition. I choose to look at the prior year since the announcement of an acquisition might have an effect on the Total Assets of the firm.

4. Results

This chapter provides the data analysis results. First, the main descriptive statistics are shown, and second the regression analysis are presented.

5.1. Descriptive Statistics

This section show the descriptive statistics of the sample and is presented in table 1. The total sample comprises of 99 observed firms, of which 91 are valid. They are nearly distributed evenly over family firms (46) and non-family firms (45). As already shown in the literature review, researchers seem to agree on the high levels of acquisition failure. The descriptive analysis shows that within this sample, 30% of the acquisitions have failed. That seems to be in line with the previous reports of high failure rates. There seems to be little variety in the failure rate between family firms (29%) and non-family firms (32%). Of the 91 acquisitions, 35% of them are done by a foreign firm and 65% are domestic. Here, non-family firms seem to be acquired by foreign firms a little often than non-family firms. Walsh (1988) showed that, on average, twenty five per cent of top management leaves a firm within the first year after an acquisition, whereas this number is only eight per cent in firms that have not been subjected to an acquisition. The top management turnover in this sample seems to affirm the findings of Walsh, whereas thirty two per cent of top management has left the firms of this sample. Top management turnover is slightly higher in family firms (35%) than in non-family firms (29%). Finally, the total share of unrelated acquisitions is twenty two per cent, which is equally divided between family firms and non-family firms.

Table 1: Descriptive Statistics

Total Sample

Variable Name	*N*	*Min*	*Max*	*Mean*	*S.D.*
acq_foreign	99	0	1	35%	0,48
target_age	98	2,00	190	60	54,03
target_totalassets	92	1,77	226.609	6192	29483,93
tmt_turnover	98	0	1	32%	0,35
acq_successful	99	0	1	70%	0,46
fam_own	99	0	1	49%	0,50
related_acq	99	0	1	22%	0,42
Valid N (listwise)	91				

Family Firms

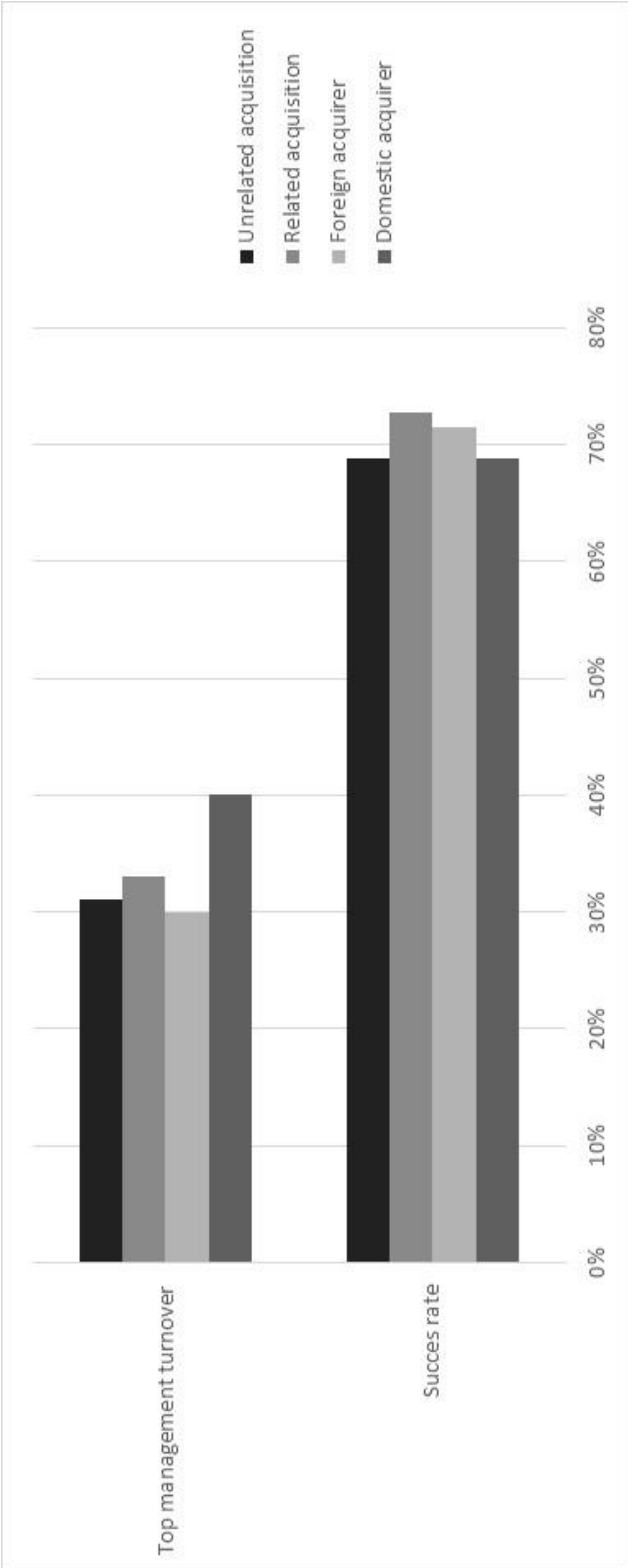
Variable Name	*N*	*Min*	*Max*	*Mean*	*S.D.*
acq_foreign	49	0	1	31%	0,47
target_age	49	2,00	177	61	50,19
target_totalassets	46	1,77	167.919	6674	25438,24
tmt_turnover	49	0	1	35%	0,37
acq_successful	49	0	1	71%	0,46
fam_own	49	1	1	100%	0,00
related_acq	49	0	1	22%	0,42
Valid N (listwise)	46				

Non Family Firms

Variable Name	*N*	*Min*	*Max*	*Mean*	*S.D.*
acq_foreign	50	0	1	40%	0,49
target_age	49	2,00	190	60	58,13
target_totalassets	46	3,11	226.609	5710	33321,81
tmt_turnover	49	0	1	29%	0,34
acq_successful	50	0	1	68%	0,47
fam_own	50	0	-	0%	0,00
related_acq	50	0	1	22%	0,42
Valid N (listwise)	45				

Chart 1 shows the various implications for the different characteristics of the acquirers. There does not seem to be a large difference in the acquisition success when it comes to whether the acquirer is foreign or domestic, or if the acquirer and the target operate in the same industry. However, the top management turnover seems to be higher in acquisitions made by domestic acquirers than by acquisitions that are made by foreign acquirers. The extent to which an acquisition is made in a related or unrelated industry seems to have a top management turnover of about thirty per cent.

Chart 1: Top management turnover and success rate



5.2. Regression Analysis

Table 2 shows that the only significance can be found in variable *Target Age.* A significance of 0.03 is shown. Table 3 contains the data from the Regression analysis. Since the dependent variable has two outcomes and the number of observations is rather low, both the coefficient for binary logistics and the marginal effects are shown. Model 1 contains the four variables that are controlled for. As table 2 shows, only target age shows significance. However, the results show that firms that are acquired by a foreign firm have a better chance at being successful than firms that are acquired by domestic firms ($\beta = 0.1507$). Also, acquisitions in related industries seem to perform better than acquisitions that are done in unrelated industries ($\beta = 0.1634$). This outcome agrees with the results of previous research from Singh & Montgomery (1987).

In the second model, the independent variable Top Management Turnover is added. With this model hypotheses 1 can be tested. As expected, we see a negative relation between top management turnover and acquisition success, and this seems to be a strong relation ($\beta = -0.8733$). This means that the higher the top management turnover, the worse the performance of the acquired firm. Model 3 adds the independent variable of ownership type. It shows that family firms have a greater chance of being successfully acquired than non-family firms ($\beta = 0.3407$).

The second hypothesis stated that In the acquisition of family firms the negative relation between post-acquisition top management turnover and acquisition performance is stronger than in the acquisition of non-family firms. Though the results are not significant, chart 2 shows that their seems to be support for this hypothesis. Whereas non family firms show a rather steady line at the probability for acquisition success when top management turnover increases, the opposite counts for family firms. The higher the top management turnover, the less likely that the acquisition is successful.

Table 2: Correlation Coefficient

Correlations

Variable	*acq_foreign*	*target_age*	*target_total assets*	*tmt_turnover*	*acq_successful*	*fam_own*	*related_acq*
acq_foreign	1,000						
target_age	0,030*	1,000					
target_totalassets	0,171	0,829	1,000				
tmt_turnover	0,668	0,268	0,820	1,000			
acq_successful	0,784	0,130	0,934	0,225	1,000		
fam_own	0,334	0,911	0,876	0,409	0,714	1,000	
related_acq	0,163	0,924	0,011	0,932	0,729	0,958	1,000

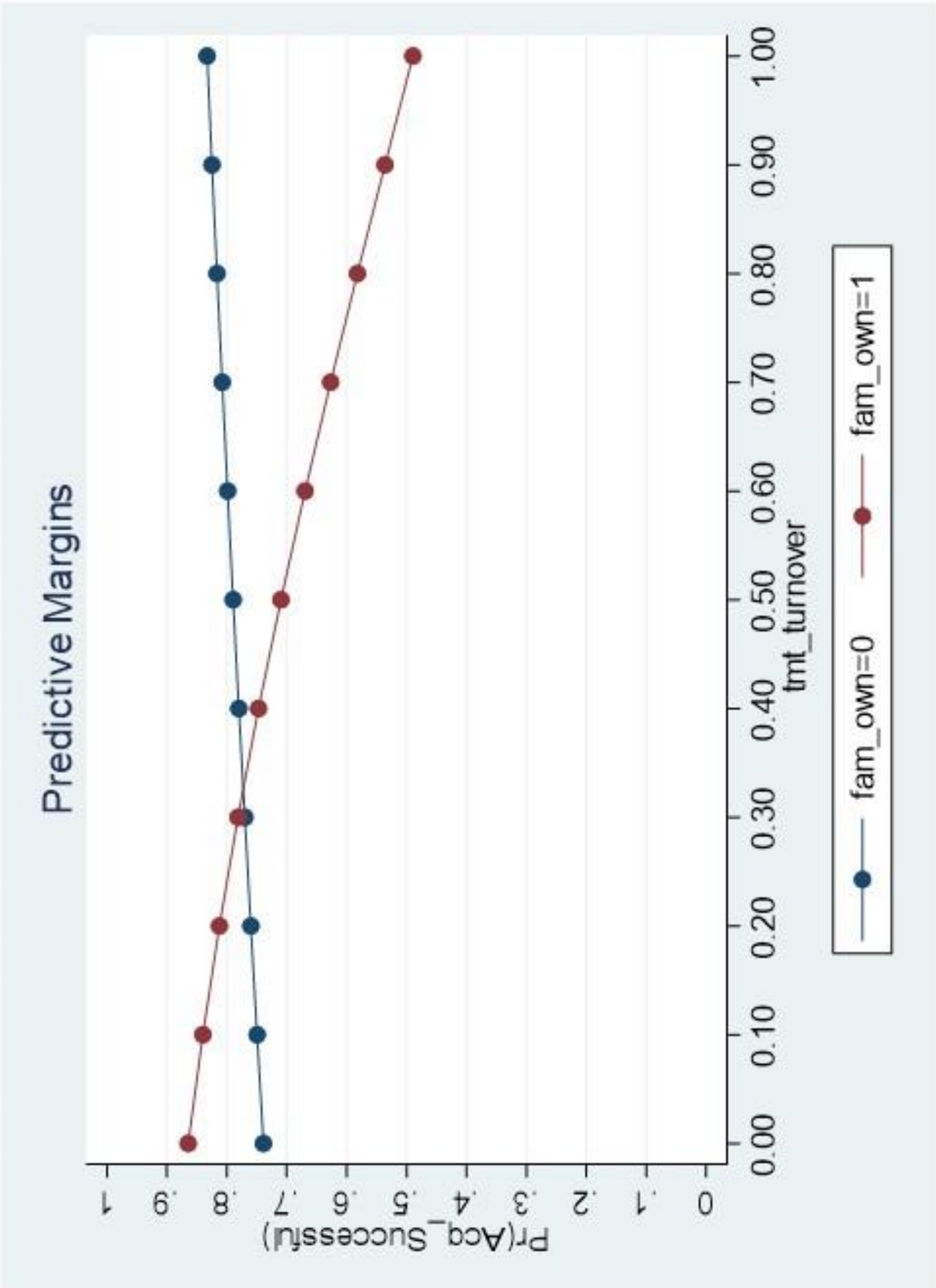
*. Correlation is significant at the 0.05 level (2-tailed).

Table 3: Regression analysis

	Model 1		Model 2		Model 3		Model 4	
	Coef.	mfx	Coef.	mfx	Coef.	mfx	Coef.	mfx
related_acq	0,1634	0,0328	0,0205	0,0406	0,2183	0,0429	0,2696	0,0517
acq_foreign	-0,1507	-0,0303	-0,2090	-0,0425	-0,1938	-0,0392	-0,1644	-0,0325
target_age	-0,0078	-0,0016	-0,0082	-0,0017	-0,0081	-0,0016	-0,0083	-0,0016
target_size	0,1045	0,0213	0,8435	0,0170	0,0850	0,0171	0,0402	0,0078
tmt_turnover			-0,8733	-0,1762	-0,9510	-0,1907	0,0746	-0,1663
fam_own					0,3407	0,0685	1,0232	0,0657
fam_own#tmt_turnover							-1,9709	
Number of observations	92	92	91	91	91	91	91	91
Pseudo R2	0,0290		0,0431		0,0476		0,0650	

*. Correlation is significant at the 0.05 level (2-tailed).

Chart 2: The relation between top management turnover and acquisition success



5. Discussion

These results provide several interesting insights. First, this study supports the statement that many acquisitions fail. Over the past years, many studies came to this conclusion through different failure rates. In the nineties, studies showed that failure rates varied from forty to sixty per cent (Bagchi & Rao, 1992; Bower, 2001) and other studies even reported failure rates of seventy to ninety per cent (C. M. Christensen et al., 2011). The results of this study show a failure rate of thirty per cent. That is lower than previous studies. However, knowing that in 2015 a record number of 50.000 acquisitions were made, this means that 15.000 of them have or will fail with a combined value of $ 750 billion.

Second, the findings of Walsh (1988) are supported. He claimed that in firms that are not subjected to an acquisition, the average annual top management turnover is approximately eight per cent. In firms that are acquired however, the top management turnover rises to twenty five per cent. The results of this study show a departure rate of even thirty two per cent on average. The departure rate varies between domestic acquirers (TMT = 40%) and foreign acquirers (TMT = 30%). This difference might be explained by results that were found by Prashant Kale, Singh, & Raman (2009). They show that foreign acquirers more often let their acquisitions operate independently and do not integrate them fully, so that they can learn from their acquisitions. This might be an explanation for the lower turnover rates in firms that are acquired by foreign firms.

When looking in to the top management turnover rates, one has to take into account that the way in which an acquisition is integrated might affect the top management turnover rate. If an acquired firm is fully integrated, for example because it was near bankruptcy, it makes sense that the top management turnover rate equals 100%, since the top management team of the target firm can be obsolete and there is no reason to have a double occupation within the top management team. However, if an acquirer has made an acquisition with the purpose to learn from it, because for example this firm operates in an entirely new industry, the acquirer might decide to let the acquired firm operate autonomously and top management turnover rate might be as low as 0.

Third, there seems to be evidence for the relation between top management turnover and acquisition success. Though the results are nog significant, there seems to be a relation between the rate of executives leaving a firm after the acquisition, and if the acquisition is a success. Finally, I expected that there would be a difference in the way that family firms and non-family firms respond to an acquisition. Though not significant, the regression analysis shows that, in family firms, higher rates of top management turnover result in a lower likelihood of acquisition success. For non-family firms the likelihood of acquisition success remains steady when top management turnover increases. This might be explained by the contribution that top management team members make to the strong cultural organization of family firms. When they are partially or fully removed from the firm, the foundation of that firm crumbles which might explain a lower chance on acquisition success.

6. Limitations and Suggestions for Future Research

When reading this thesis, a number limitations have to be taken into account. The most important one is the size of the sample. Since there is only a sample of 99 acquired firms, it is hard to make solid conclusions that last. One of the reasons for the small sample is the limited access to information. Publicly listed firms provide plenty of data through year reports. However, to broaden the sample, non-listed firms can be included for which it is far more challenging to gain proper access to data as top management turnover.

A second limitation is the way in which acquisition success is measured. This study uses the measure of divestment. In previous studies, this measure has been called coarse, and other studies have used the measure of ROA or ROE. In order to see whether the results hold for this sample or a larger sample, the profitability measures can be used. This limitation is also shown by the values of the Chi Square, which were rather high. This might raise questions about whether this model fits the variables.

A third limitation lies in the measure of top management turnover. In this study, it is assumed that every executive that left an acquired firm was because of the acquisition. However, executives may also leave a firm because of retirement or lack of performance.

7 Conclusion

Due to the still rising number of acquisitions each year, the question to what makes a successful acquisition will continue to be a popular research topic. This paper has tried to find out whether there is a relation between top management turnover and acquisitions success. In this it succeeded. The subject was to verify two hypotheses: 1) The higher the top management turnover after an acquisition, the worse the performance of the acquisition; 2) In the acquisition of family firms the negative relation between post-acquisition top management turnover and acquisition performance is stronger than in the acquisition of non-family firms.

This study reveals evidence that there is indeed a relation between top management turnover and acquisitions success: High levels of Top Management turnover result in lower chances of acquisition success. The acquisition failure rate in this study is thirty per cent, which is lower than previous studies that have showed percentages of forty to as high as eighty. Due to the differences between family firms and non-family firms, it was expected that the ownership type of an acquired firm would have a moderating role on the relation between top management turnover and acquisition success. I found that, though not significant, family firms show a stronger relation between top management turnover and acquisition failure than non-family firms.

This study also found that foreign and domestic acquirers show different outcomes in top management turnover. Domestic acquisitions show a 10 per cent higher top management turnover rate than foreign acquirers. Future research could look into the reasons for these differences.

References

Agrawal, A., & Jaffe, J. F. (2000). The post-merger performance puzzle. *Advances in Mergers and Acquisitions*, *1*(December 1999), 7–41. https://doi.org/10.1016/S1479-361X(00)01002-4

Agrawal, A., Jaffe, J. F., & Mandelker, G. N. (1992). The Post-Merger Performance of Acquiring Firms.pdf. *The Journal of Finance*. https://doi.org/10.1111/j.1540-6261.1992.tb04674.x

Ahuja, G., & Katila, R. (2001). Technological acquisitions and the innovation performance of acquiring firms: A longitudinal study. *Strategic Management Journal*, *22*(3), 197–220. https://doi.org/10.1002/smj.157

Anderson, R. C., & Reeb, D. M. (2003). Founding-Family Ownership and Firm Performance : Evidence from the S & P 500. *The Journal of Finance*, *58*(3), 1301–1328. https://doi.org/10.1111/1540-6261.00567

Anthony Buono, J. B. (1989). *The human side of mergers and acquisitions: Managing collisions between people, cultures and organizations*. San Francisci: Jossey-Bass.

Astrachan, J. H. (2010). Strategy in family business: Toward a multidimensional research agenda. *Journal of Family Business Strategy*, *1*(1), 6–14. https://doi.org/10.1016/j.jfbs.2010.02.001

Bagchi, P., & Rao, R. (1992). Decision making in mergers: an application of the analytic hierarchy process. *Managerial and Decision Economics*, *13*(2), 91–99.

Barkema, H. G., Bell, J. H. J., & Pennings, J. M. (2016). Foreign Entry , Cultural Barriers , and Learning, *17*(2), 151–166.

Barney, J. A. Y. B. (1988). Acquisitions : reconsidering THE, *9*, 71–78.

Bauer, F., & Matzler, K. (2014). Bauer, F., & Matzler, K. (2014). antecedents of m&a success: the role of strategic complementarity, cultural fit, and degree and speed of integration. Strategic Management Journal, 35, 260–291.s of m&a success: the role of strategic complementar. *Strategic Management Journal*, *35*, 260–291.

Bower, J. L. (2001). Not All M&As Are Alike - and That Matters. *Harvard Business Review*, *3*(March), 92–101.

Bruton, G. D. (2017). Performance of Acquisitions of Distressed Firms Author (s): Garry D . Bruton , Benjamin M . Oviatt and Margaret A . White Published by : Academy of Management Stable URL : http://www.jstor.org/stable/256607 University of Tulsa, *37*(4), 972–989.

Cannella, A. A., & Hambrick, D. C. (1993). Effects of executive departures on the performance of acquired firms. *Strategic Management Journal*, *14*(1 S), 137–152. https://doi.org/10.1002/smj.4250140911

Cartwright, S., & Schoenberg, R. (2006). Thirty years of mergers and acquisitions research: Recent advances and future opportunities. *British Journal of Management*, *17*(SUPPL. 1). https://doi.org/10.1111/j.1467-8551.2006.00475.x

Chatterjee, S. (1986). Chatterjee - 1986 - Types of synergy and economic value The impact of acquisitions on merging and rival firms.pdf, *7*(May 1983), 119–139.

Chrisman, J. J., Chua, J. H., & Litz, R. A. (2004). E T & P Firms : The Case of Diversification. *Entrepreneurship Theory and Practice*, *44*(480), 1007–1027. https://doi.org/10.1111/etap.12153

Christensen, C. M., Alton, R., Rising, C., & Waldeck, A. (2011). The new M&A Playbook. *Harvard Business Review*, *89*(3), 48–57.

Christensen, H. K., & Montgomery, C. a. (1981). Corporate Economic Performance: Diversification Strategy vs Market Structure. *Strategic Management Journal*, *2*(4), 327–343. https://doi.org/10.1002/smj.4250020402

Daily, C. M., & Dollinger, M. J. (1991). Family Firms Are Different. *Review of Business*, *13*(1,2), 3. Retrieved from http://proquest.umi.com/pqdweb?did=772437&Fmt=7&clientId=23354&RQT=309&VName=PQD

Daily, C. M., & Dollinger, M. J. (1992). An empirical examination of ownership structure in family and professionally-managed firms. *Family Business Review*, *5*(2), 117–136. https://doi.org/10.1111/j.1741-6248.1992.00117.x

Demsetz, H. (1983). The Structure of Ownership and the Theory of the Firm. *The Journal of Law & Economics*, *26*(2), 375–390.

Dierikcx, I., & Cool, K. (2016). Asset Stock Accumulation and Sustainability of Competitive Advantage, *35*(12), 1504–1511.

Fama, E. F., & Jensen, M. C. (2008). Separation of ownership and control. *The Value Creating Board: Corporate Governance and Organizational Behaviour*, *26*(2), 90–111. https://doi.org/10.4324/9780203888711

Finkelstein, S., & Haleblian, J. (2002). Understanding Acquisition Performance: The Role of Transfer Effects. *Organization Science*, *13*(1), 36–47. https://doi.org/10.1287/orsc.13.1.36.539

Folta, T. B. (2007). Uncertainty Rules the Day. *Strategic Entrepreneurship Journal*, *1*(1), 97–99. https://doi.org/10.1002/sej

Furtado, E. P. H., & Karan, V. (1990). Causes, Consequences, and Shareholder Wealth Effects of Management Turnover: A Review of the Empirical Evidence. *Financial Management*, *19*(2), 60. https://doi.org/10.2307/3665635

Gersick, K. (1997). *Generation to generation : life cycles of the family business*. (11, Ed.). Boston: Harvard Business School Press.

Graves, D. (1981). Individual reactions to a merger. *Journal of Management Studies*, *18*(1), 81–113.

Haleblian, J., & Finkelstein, S. (1999). The Influence of Organizational Acquisition Experience on Acquisition Performance: A Behavioral Learning Perspective. *Administrative Science Quarterly*, *44*(1), 29. https://doi.org/10.2307/2667030

Haspeslagh, P. C., & Jemison, D. B. (1991). Making Acquisitions Work, 1–31.

Hayward, M. L. A. (1997). Explaining the Premiums Paid for Large Acquisitions : Evidence of CEO Hubris Author (s): Mathew L . A . Hayward and Donald C . Hambrick Published by : Sage Publications , Inc . on behalf of the Johnson Graduate School of Management , Cornell University. *Administrative Science Quarterly*, *42*(1), 103–127.

Hennart, J.-F., & Reddy, S. (1997). the Choice Between Mergers/Acquisitions and Joint Ventures: the Case of Japanese Investors in the United States. *Strategic Management Journal*, *18*(April 1996), 1–12. https://doi.org/10.2307/3088192

Hitt, M. A., King, D., Krishnan, H., Makri, M., Mario, S., Schimizu, K., & Zhu, H. (2012). *Creating Value Through Mergers and Acquisitions: Challenges and Opportunities*. *The Handbook of Mergers and Acquisitions*.

James, H. S. (1999). Owner as Manager, Extended Horizons and the Family Firm. *International Journal of the Economics of Business*, *6*(1), 41–55. https://doi.org/10.1080/13571519984304

Jemison, D. B., Sitkin, S. B., The, S., Review, M., Jan, N., & Jemison, D. B. (2016). Corporate Acquisitions : A Process Perspective Published by : Academy of Management Stable URL : http://www.jstor.org/stable/258337 Linked references are available on JSTOR for this article : Corporate Acquisitions : A Process Perspective, *11*(1), 145–163.

Jensen, M., & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *The Economic Nature of the Firm: A Reader, Third Edition*, 283–303.

https://doi.org/10.1017/CBO9780511817410.023

Kale, P., & Singh, H. (2009). Managing strategic alliances: what do we know now, and where do we go from here? *The Academy of Management Perspectives*, *23*(3), 45–63. https://doi.org/10.5465/amp.2009.43479263

Kale, P., Singh, H., & Raman, A. P. (2009). Don't integrate your acquisitions, partner with them. *Harvard Business Review*, *87*(12), 109–115.

Krishnan, H. A., Miller, A., & Judge, W. Q. (1997). Diversification And Top Management Team Complementarity: Is Performance Improved Teams? *Strategic Management Journal*, *18*(May 1997), 361–374. https://doi.org/10.1002/(SICI)1097-0266(199705)18

Krug, J. A. (2014). TOP MANAGEMENT TURNOVER FOLLOWING MERGERS AND ACQUISITIONS : SOLID RESEARCH TO DATE BUT STILL MUCH TO BE LEARNED The University of Memphis, *28*(2), 147–163.

Krug, J. A., & Hegarty, W. H. (1997). Postacquisition turnover among U.S. top management teams: An analysis of the effects of foreign vs. domestic acquisitions of U.S. targets. *Strategic Management Journal*, *18*(8), 667–675. https://doi.org/10.1002/(SICI)1097-0266(199709)18:8<667::AID-SMJ918>3.0.CO;2-E

Kusewitt, J. B. (2007). An exploratory study of strategic acquisituon factors relating to performance. *Strategic Management Journal*, *6*(2), 151–169.

Lubatkin, M. (1987). Merger strategies and stockholder value. *Strategic Management Journal*, *8*(1), 39–53. https://doi.org/10.1002/smj.4250080105

Manne, H. G. (1965). Mergers and the Market for Corporate Control. *The Journal of Political Economy*, *73*(2), 110–120.

Marks, M. (1982). Merging human resources: A review of current research. *Mergers and Acquisitions*, *17*(2), 38–44.

Martin, K. J., & McConnell, J. J. (1991). Corporate Performance, Corporate Takeovers, and Management Turnover. *The Journal of Finance*, *46*(2), 671–687. https://doi.org/10.1111/j.1540-6261.1991.tb02679.x

Miller, D., & Le Breton-Miller, I. (2006). Family Governance and Firm Performance. *Familiy Business Review*, *19*(1), 73–87. https://doi.org/10.1111/j.1741-6248.2006.00063.x

Miller, D., Le Breton-Miller, I., Lester, R. H., & Cannella, A. A. (2007). Are family firms really superior performers? *Journal of Corporate Finance*, *13*(5), 829–858.

https://doi.org/10.1016/j.jcorpfin.2007.03.004

Minichilli, A., Corbetta, G., & MacMillan, I. C. (2010). Top management teams in family-controlled companies: “Familiness”, “faultlines”, and their impact on financial performance. *Journal of Management Studies*, *47*(2), 205–222. https://doi.org/10.1111/j.1467-6486.2009.00888.x

Morck, R. K. (2000). Introduction, (January), 1–16.

Puranam, P., Singh, H., & Chaudhuri, S. (2009). Integrating Acquired Capabilities: When Structural Integration Is (Un)necessary. *Organization Science*, *20*(2), 313–328. https://doi.org/10.1287/orsc.1090.0422

Puranam, P., & Srikanth, K. (2007). What they know vs. what they do: How acquirers leverage technology acquisitions. *Strategic Management Journal*, *28*(8), 805–825. https://doi.org/10.1002/smj.608

Reis, N. R., Carvalho, F., & Vasconcelos Ferreira, J. (2015). Um Panorama De Três Décadas De Pesquisas De Fusões E Aquisições. *An Overview of Three Decades of Mergers and Acquisitions Research.*, *14*(3), 51–71. https://doi.org/10.5585/riae.v14i2.2222

Ricardo-Campbell, R. (1983). Comments on the Structure of Ownership and the Theory of the Firm. *The Journal of Law and Economics*. https://doi.org/10.1086/467042

Roll, R. (1986). The Hubris Hypothesis of Corporate Takeovers Author (s): Richard Roll Source : The Journal of Business , Vol . 59 , No . 2 , Part 1 (Apr ., 1986), pp . 197-216 Published by : The University of Chicago Press Stable URL : http://www.jstor.org/stable/235. *Journal of Business*, *59*(2), 197–216. https://doi.org/10.1016/0022-4359(94)90010-8

Shleifer, A., & Vishny, R. W. (2007). A survey of corporate governance. *Corporate Governance and Corporate Finance: A European Perspective*, *LII*(2), 52–90. https://doi.org/10.4324/9780203940136

Singh, H., & Montgomery, C. A. (1987). Corporate acquisition strategies and economic-performance. *Strategic Management Journal*, *8*(4), 377–386. https://doi.org/10.1002/smj.4250080407

Sraer, D., & Thesmar, D. (2007). Performance and Behavior of Family Firms: Evidence from the French Stock Market. *Journal of the European Economic Association*, *5*(4), 709–751. https://doi.org/10.1162/JEEA.2007.5.4.709

Stahl, G. K., & Voigt, A. (2008). Do Cultural Differences Matter in Mergers and Acquisitions? A Tentative Model and Examination. *Organization Science*, *19*(1), 160–176. https://doi.org/10.1287/orsc.1070.0270

Steier, L. (2001). Family Firms, Plural Forms of Governance, and the Evolving Role of Trust. *Family Business Review*, *14*(4), 353–367. https://doi.org/10.1111/j.1741-6248.2001.00353.x

Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value? *Journal of Financial Economics*, *80*(2), 385–417. https://doi.org/10.1016/j.jfineco.2004.12.005

Walsh, J. P. (1988). Top Management Turnover Mergers and Acquisitions. *Strategic Management Journal*, *9*(2), 173. https://doi.org/10.1002/smj.4250090207

Walsh, J. P., & Ellwood, J. W. (1991). Mergers, Acquisitions, and the Pruning of Management Deadwood. *Strategic Management Journal*, *12*(August 1989), 201–217.

Zollo, M., & Meier, D. (2008). What Is M&A Performance? *Academy of Management Perspectives*, *22*(3), 55–77. https://doi.org/10.5465/AMP.2008.34587995

Zollo, M., & Reuer, J. J. (2011). Corporate Development Activities. *Financial Institutions Center*.

Zollo, M., & Singh, H. (2004). Deliberate learning in corporate acquisitions: Post-acquisition strategies and integration capability in U.S. bank mergers. *Strategic Management Journal*, *25*(13), 1233–1256. https://doi.org/10.1002/smj.426