Examining Acquisition Failure: Understanding Antecedents and Consequences of Acquisition Deal Failures

by

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Abstract

This dissertation takes a learning approach towards Mergers and Acquisitions in the context of deal failure and the role of CEO characteristics in the pre-completion phase of mergers and acquisitions. Six primary research questions are explored in detail, including 1) In what ways do CEO level acquisition experiences predict deal failure?; 2) In what ways do quality of such experiences as measured by experience diversity aid the firms in completing the acquisition?; 3) In what ways do the experiences of target firm CEOs interact with acquiring firm CEOs to predict deal failure?; 4) What do firms do after initial attempts to acquisition fail?; 5) In what ways do CEO characteristics interact with deal failure to predict future strategic choices?; 6) What are the boundary conditions of CEO's responses to deal failures?

The primary goal of this study is two-fold. One, to better understand how individual level experiences of both acquiring firm and target firm CEOs interact to effect the likelihood of deal failure. And second, to examine the role of CEO characteristics and personality to explain variance in strategic choices following a deal failure. Emanating from strategic management literature, the Upper Echelons perspective and Organizational Learning perspective serve as the two primary theoretical frameworks used in this study. In addition to the above mentioned frameworks, theories from social status and social psychology literatures are incorporated to gain a greater understanding of the modeled relationships as well as how they unfold in different context.

Dedication

I dedicate this project to my wife, Tina and my son, Ruhan. Tina, you have supported me in everything in all these years. Without you as my rock, I would not have reached the end of this journey that we started together. I thank you. Ruhan, you are my shining star. Whenever I have felt lost, your smile has given me a direction and a reason to keep going. Thank you to both of you for allowing me time and extending your patience. This is for all of us.

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List of Abbreviations

CEO	Chief Executive Officer
CFO	Chief Financial Officer
IPA	Initial Public Announcement
M&A	Mergers and Acquisitions
R&D	Research and Development
ROA	Return on Assets
ROE	Return on Equity
ROS	Return on Sales
TMT	Top Management Team
U.S.	United States
UE	Upper Echelons

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Chapter 1

Dissertation Overview

"With each tottering attempt to walk, our bodies learn from the falls what not to do next time. In time we walk without thinking and think without falling, but it is not so much that we have learned to walk as we have learned not to fall." – (Petroski, 1985: 13)

Section 1.1: Introduction

Mergers and acquisitions (M&As) are strategic phenomena when two firms join together to become one entity (Hu & Ngo, 2015; Sherman & Hart, 2006). M&As are popular strategic means for firms to enter new geographic markets, manage competition, achieve economies of scale and scope, and gain novel technologies (Vermeulen & Barkema, 2001). The two phenomena, however, differ in roles played by each firm in the transaction. Whereas mergers involve two firms performing roles of equal peers to form one combined firm, acquisitions on the other hand, involve one firm taking control of the other firm (Carayannopoulos & Auster, 2010; Dhar, 2013; Sherman & Hart, 2006)[1]. The importance of M&As for the organizations is clear as trillions of dollars are spent on M&As every year (Tennant, 2017), with acquisitions representing the majority of transactions out of the two phenomena (Hanson, Dowling, Hitt, Ireland, & Hoskinson, 2001). Even though there were less number of deals announced in 2015 as compared to 2014, the total value spent on acquisitions increased by 47% to $4.7 trillion (Lam, 2016).

In spite of large sums of money spent on acquisitions every year, decades of research on M&As suggests that acquisitions lead to mixed outcomes for the firms — with about 60%

[1] For the purpose of this dissertation, the terms mergers and acquisitions are used interchangeably henceforth.

failing to generate the intended value (Graebner, Heimeriks, Huy, & Vaara, 2016; Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; King, Dalton, Daily, & Covin, 2004; Lewis & McKone, 2016). Addressing the inconsistency of the prior research, scholars have called for focused research on uncovering the complexities involved in lengthy acquisition process (Chakrabarti & Mitchell, 2015; Graebner et al., 2016; Haleblian et al., 2009; King et al., 2004; Muehlfeld, Rao Sahib, & Van Witteloostuijn, 2012; Wong & O'Sullivan, 2001).

Researchers suggest that an acquisition process consists of three important phases as depicted in Figure 1.1. The process starts with private takeover phase, in which firms identify several potential targets, sign confidential agreements to obtain private information for due diligence, and assess both strategic and organizational fit (Boone & Mulherin, 2007; Muehlfeld et al., 2012). Most of the initial conversations are kept private until firms sign an initial contract and announce the intent to acquire target publicly. This initial public announcement (IPA) marks the beginning of public takeover phase as firms focus their attention to the selected target and obtain more information to negotiate a final deal (Meyer & Altenborg, 2008). After the parties agree on terms of the deal and acquire other necessary regulatory approvals, firms announce completion of the acquisition and can begin the post-acquisition integration process (Boone & Mulherin, 2007; Haspeslagh & Jemison, 1991; Marks & Mirvis, 2001; Muehlfeld et al., 2012).

INSERT FIGURE 1.1 ABOUT HERE

Several studies have uncovered various factors such as strategic complementarity (Bauer & Matzler, 2014), difficulty in assessing value of complex assets (Madhok, 1997), cultural and organizational differences (Basuil & Datta, 2015; Bauer & Matzler, 2014; Chatterjee, Lubatkin, Schweiger, & Weber, 1992; Stahl & Voigt, 2008; Zaheer, Castañer, & Souder, 2013), loss of key managers (Butler, Perryman, & Ranft, 2012; Cannella & Hambrick, 1993; Kiessling & Harvey, 2006; Walsh, 1988), geographical distance (Chakrabarti & Mitchell, 2015), speed of integration (Bauer & Matzler, 2014), and autonomy (Zaheer et al., 2013) that can hinder value appropriation from acquisitions and make them more complex. While ample research has examined the factors that can erode value at post-acquisition integration phase, the public takeover phase of the acquisition process is underexplored (Muehlfeld et al., 2012; Muehlfeld, Sahib, & van Witteloostuijn, 2007). So far only handful of studies have examined the impact of acquiring firm's acquisition experience on the likelihood of deal failure (Muehlfeld et al., 2012; Muehlfeld et al., 2007). Adding to the existing literature that investigates the role of organizational learning in public takeover phase, this dissertation examines the influence of both acquiring and target firm CEOs' learning on the likelihood of deal failure and acquiring firm CEO's characteristics on the firm's strategic choices following such failure.

Despite the scarcity of research on the public takeover phase, deals frequently fail and research suggests that often these failures cost firms a significant time and monetary resources (Graebner et al., 2016; Haleblian et al., 2009; King et al., 2004; Lewis & McKone, 2016; Mitchell, Mulherin, & Weston, 2004). Studies have found that about 14% of initiated acquisitions fail before completion (Butler & Sauska, 2014; Croci, 2006; Holl & Kyriaziz, 1996; Muehlfeld et al., 2007; O'Sullivan & Wong, 1998; Pickering, 1983). Given that substantial resources devoted to deal preparation are lost in case of failure, both the acquirer and target firms lose valuable time and monetary resources (Mitchell, Mulherin, & Weston, 2004). In addition to the loss of resources invested in deal preparation, firms often suffer decline in both market and accounting performance (Amihud, DeLong, & Golubov, 2013; Croci, 2006). In addition to monetary losses, studies have also shown that firms often face significant public scrutiny, reputational damage, stigmatization, and, in some cases, firing of the CEO after a deal failure (Agrawal & Walkling, 1994; Cannella & Hambrick, 1993; Croci, 2006; Luo, 2005; McCann & Ackrill, 2015; Muehlfeld et al., 2012; Officer, 2003; Semadeni, Cannella Jr, Fraser, & Lee, 2008). With the potential for such negative outcomes, deal failure is an expensive event for both firms and understanding factors that can help reduce the likelihood of deal failure is important.

Recently, scholars have theorized that not all deal failures are value reducing for acquiring firms (Alexandridis, Mavis, Terhaar, & Travlos, 2014; Jacobsen, 2014). Deal failures may alternatively be seen in positive light for both acquiring as well as the target firms for multiple reasons. First, when the acquirer withdraws from an acquisition citing concerns regarding deal pricing, target health, or probability of strategic fit, research has found that market often reacts positive to such withdrawal announcements (Jacobsen, 2014). As firms continue their due diligence process after the deal announcement, there is a probability that firms might discover some additional information that makes them reassess value of the acquisition (Muehlfeld et al., 2012). Investors consider such deal withdrawals as a sign of CEO quality and a due diligence process that helps the firms to prevent future sunk costs that are much higher than the due diligence costs (Alexandridis et al., 2014).

Second, studies have shown that firms learn more from their prior deal failures than from prior deal successes (Gong, Zhang, & Xia, 2017; Graebner, Eisenhardt, & Roundy, 2010; Madsen & Desai, 2010; Muehlfeld et al., 2012; Shimizu, 2016; Sitkin, 1992). Firms adapt their acquisition routines based on prior failure feedback as failure signals flaws in routines of the bidding firm in the pre-completion phase of acquisitions (Muehlfeld et al., 2012). Additionally, studies have found failures to contain richer cues to causality compared to successful outcomes as failures generate unexpected outcomes (Baum & Dahlin, 2007; Madsen & Desai, 2010).

Failures can help bidding firms to identify which routines to change, how to modify them, and to successfully implement those changes (Muehlfeld et al., 2012).

Third, if the target managers feel that their firm is undervalued, then a deal failure can lead them to accept higher offers from other bidding firms (Boone & Mulherin, 2007; Burch, 2001; Parkinson & Dobbins, 1993). Additionally, studies have found that following a deal failure, target firms often restructure their board and ownership structures to maintain future independence and thwart any other bidding firms (Bange & Mazzeo, 2004; Burch, 2001; Hirshleifer & Titman, 1990; McCann & Ackrill, 2015; Sudarsanam, 1995).

As the above paragraphs suggest, deal failure can have both positive and negative outcomes for both acquiring and target firms. Therefore, understanding relevant factors that can lead to or prevent a deal failure is important. Previous studies have examined various factors that lead to deal failure, such as deal characteristics (Muehlfeld et al., 2007), market reactions (Liu & McConnell, 2013), acquiring and target firm characteristics (Alexandridis, Hoepner, Huang, & Oikonomou, 2016; Bange & Mazzeo, 2004; Muehlfeld et al., 2012; Wang, 2009; Zollo & Reuer, 2010). However, this research stream has yet to explore these events via a learning perspective, specifically to examine the role of managerial level experience in deal failures. Accordingly, there are a few important issues that need to be addressed.

First, organizational learning theory suggests that when individuals perform repetitive tasks, they adapt their skills by learning from mistakes and perfecting what works (Haleblian & Finkelstein, 1999). They develop routines by performing similar tasks over time which then are codified into the firm level experience and shared throughout the firm (Argyris, 1993; Haleblian & Finkelstein, 1999; Haleblian, Kim, & Rajagopalan, 2006; Hayward, 2002; Kim, 1998; Nadler, Thompson, & Boven, 2003). Specifically, studies suggest that most of the learning takes place at individual level in case of mixed-motive dyadic relationships that involve negotiations, such as acquisitions (Cuypers, Cuypers, & Martin, 2017; Nadler et al., 2003; Thompson, 1990). However, as individuals move both within and across firms, their negotiation skills and strategies through prior experience move along with them (Bragaw & Misangyi, 2015; Karlsson & Neilson, 2009; Thompson, 1990). Studies have acknowledged the importance but have yet to explore effects of individual level learning on pre-completion deal outcomes (Cuypers et al., 2017; Muehlfeld et al., 2012). Moreover, operationalization of acquisition experience only at firm level and not at managerial-level undermines the reason why firms seek to hire experienced CEOs in the first place (Bragaw & Misangyi, 2015; Karlsson & Neilson, 2009) . CEO's prior acquisition experience, even from previous employers, cannot be discounted as the negotiation skills gained from prior acquisitions stay with the CEO (Thompson, 1990). Hence, despite the clear importance of such knowledge or skills, prior research has yet to fully examine how CEO-specific experience impacts deal completion.

Second, research on acquisition experience also suggests that not all experiences are the same and the value of learning from a particular experience depends on the degree to which it applies to a future event (March, 1991; Muehlfeld et al., 2012). For example, studies have found that a firm's acquisition experience transfer is limited by the context of the prior acquisitions' industry, country, and friendliness of the deal (Muehlfeld et al., 2012). Additionally, research on organizational learning suggests that acquisition experience transfer from one acquisition to another depends on the structural similarity of both the acquisitions (March, 1991; Muehlfeld et al., 2012). For example, Muehlfeld et al. (2012) found that firms with acquisition experience in inter-industry, cross-border, and hostile acquisitions aided them in completing the subsequent acquisitions within the same categories.

Furthermore, research has yet to dive into the black box of how specific CEO experience type impacts deal failure in subsequent acquisitions in other categories. Building on research from corporate governance literature examining board capital depth and breadth (Haynes & Hillman, 2010), this study suggests that prior acquisition experience can be further delineated into two separate dimensions — "depth" and "breadth". *"Depth of acquisition experience"* captures the number of deals in which the CEO was involved either as CEO or a TMT (Top Management Team) member in the past 5 years, whereas *"breadth of acquisition experience"* captures the diversity of deal types – cross border, hostile, and diversifying deals – in which the CEO was involved either as the CEO or TMT member in the past 5 years. This study theorizes that CEO experience depth only gives us limited information on the quantity of experience. However, when comparing two CEOs with same depth of experience, it is difficult to draw conclusions on quality of experience. This suggests that on addition to quantity of experience, quality of experience also matters. This dissertation suggests that CEOs with more depth and breadth of acquisition experience can overcome complex problems in multiple contexts that reduce the likelihood of a deal failure.

Third, negotiations are critical to the success of acquisition deals as the firms must decide on a host of important issues such as firm pricing/valuation, retention of the target's key managers, post-acquisition headquarters, and future restructuring plans (Cuypers et al., 2017; Walsh, 1989; Wulf, 2004). Most prior research has focused heavily on the acquirer's side of experience and has not examined the target's experience. Yet, because negotiation clearly involves two parties to settle on deal terms, it is important to examine attributes of both sides of the deal (Cuypers et al., 2017; Walsh, 1989). Therefore, this study suggests that when an experienced firm acquires an experienced target firm, it might result in confusion and role ambiguities that increase the likelihood of conflicts during the pre-completion process (Rizzo, House, & Lirtzman, 1970). Alternatively, when the target managers are inexperienced, they are more likely to follow the experienced acquirer due to their lack of knowledge or negotiating skills.

In addition to better understanding the CEO-level factors that influence deal completion, this study also examines the degree to which these factors influence strategic choices following deal failure. Firms make acquisitions to satisfy certain strategic needs such as to acquire novel technologies, increase market share, enter new markets, or diversify existing businesses (Graebner et al., 2016; Vermeulen & Barkema, 2001). Whatever the motivation may be, acquisitions are considered to be risky investment strategies (Pablo, Sitkin, & Jemison, 1996; Wan & Yiu, 2009) with high probability of deal failure. Studies have found that deals fail for a variety of external factors such as – abandonment arising from a change of mind in target firm, lack of market support, hostile economic conditions, regulatory reasons, effective defense of target firm, bidding problems, and competing offers (Pickering, 1983). A few studies acknowledge that some acquisition deals are withdrawn as a result of factors internal to the acquiring firm (Alexandridis et al.; Liu & McConnell, 2013; Pickering, 1983). For example, Liu and McConnell (2013) found that CEOs react to the negative tone of media attention in value reducing acquisitions by withdrawing from the deal in order to preserve their reputation capital and secure future employment.

Beyond the potential for severe financial consequences from such failures, the ramifications move beyond financial losses (McCann & Ackrill, 2015) as firms must regroup and decide how to fulfill their strategic needs following a failed acquisition attempt. Despite the importance of such a choice, little attention has been given to acquiring firms' strategic actions following a deal failure. Firms can either focus on satisfying their strategic needs through another alternative acquisition or through internal development. Despite the importance of this choice, there are only a handful of studies that acknowledge some firms change strategic direction following failed deals (Holl & Pickering, 1988; McCann & Ackrill, 2015; Pickering, 1983; Wong & O'Sullivan, 2001). These studies, however, do not focus on the specific strategic choices firms engage in following a failed acquisition.

Following a deal failure, firms can make an alternative acquisition, focus on internal development, or engage in strategic retrenchment. Given that prior research suggests that a firm's strategic choices are a reflection of its executive leadership's characteristics and the way in which such characteristics interact with different contexts (Cyert & March, 1963; Hambrick, 2007; Hambrick & Mason, 1984; Haspeslagh & Jemison, 1991; March & Simon, 1958; Picone, Dagnino, & Minà, 2014), this study suggests that the cause of failure as attributed by the CEO of the acquiring firm as controllable or uncontrollable will help us better understand the firm's strategic choices following a deal failure.

Literature from upper echelons theory suggests that CEO characteristics can take the form of personality traits or experience derived from prior conditioning of the CEO (Hambrick & Mason, 1984; Hayward & Hambrick, 1997). Furthermore, research on attribution theory suggests that individuals respond differently to failures and their responses to failure depend on individual characteristics (Madsen & Desai, 2010; Sagan, 1993). For example, Picone and colleagues (2014) suggest that over confident CEOs tend to attribute the cause of failures to external controllable factors and therefore, do not change their behavior following a failure. On the other hand, less confident CEOs tend to adjust their skills and routines and are more likely to change their behavior following a failure. Accordingly, this dissertation builds on this research to suggest that personal characteristics such as – prior acquisition experience, functional background, and managerial hubris can help to explain variance in strategic choices following a deal failure. Additionally, it suggests that the relationship between the CEO's personal characteristics and post-failure behavior may be influenced by the attribution choice of failure by the CEO as controllable or uncontrollable.

Second, research suggests that the reasons individuals attribute to failure and their failure outcomes are likely influenced by the deal failure magnitude (Madsen & Desai, 2010; Sagan, 1993; Sitkin, 1992). Studies have found that CEOs face less pressure of accountability in case of small failures and thus are more likely to continue in the same strategic direction following the small failure. However, when faced with large failures, CEOs face high pressure of accountability along with scrutiny from the stakeholders and are therefore more likely to change their strategic direction following a large failure (Madsen & Desai, 2010; Sagan, 1993). This suggests that the variance in strategic choices following a deal failure is a product of both CEO's characteristics, failure attribution, and deal failure magnitude.

In sum, to contribute to the acquisition literature this dissertation seeks to examine the role of CEO characteristics and experience in not only deal failure, but also in the strategic choices following deal failure.

Section 1.2: Research Questions

Five primary research questions drive this dissertation:

1. What is the influence of acquirer CEO's prior deal-making experience (breadth and depth) impact the likelihood of deal failure?

2. To what extent does target CEO's prior deal-making experience (breadth and depth) interact with acquirer CEO's prior deal-making experience (breadth and depth) to impact the likelihood of deal failure?
3. What is the influence of acquiring CEO's characteristics influence the firm's strategic choices following a deal failure?
4. To what extent does the failure attribution interact with CEO personal characteristics to impact a firm's strategic choices following a deal failure?
5. To what extent does the deal failure magnitude interact with CEOs personal characteristics to impact a firm's strategic choices following a deal failure?

Section 1.3: Research Model, Theories, and Constructs

Section 1.3.1: Research Models

INSERT FIGURE 1.2 & 1.3 ABOUT HERE

Section 1.3.2: Model Relationships

The theoretical models under investigation in this dissertation are displayed above (see Figure 1.2 & 1.3). A brief description of the relationships among constructs follows.

Section 1.3.2.1: Acquirer CEO's Experience (Depth and Breadth) → Deal Failure

Prior work suggests that individuals learn from their prior experience through repetition and modifying their existing skills and techniques (Cuypers et al., 2017; Mukherjee, Lapré, & Van Wassenhove, 1998; Nelson & Winter, 1982; Nelson & Sidney, 2005; Zollo & Reuer, 2010). As acquiring firm CEOs have to decide on a multitude of issues – price of target, future restructuring plans, top manager retention, and future headquarters of the combined firms – experience accumulated through prior deals help them in negotiating a better deal. Additionally, research suggests that learning experience can spillover from one context to a structurally similar context (Zollo & Reuer, 2010), and that people tend to learn more from complex tasks than simpler tasks (Seijts & Latham, 2001; Winters & Latham, 1996). Therefore, this study suggests that acquiring CEOs with more depth and breadth of experience (cross border, hostile, and diversifying deal experience) are less likely to fail in deal-making.

Section 1.3.2.2: The Moderating Role of Target CEO's Experience (Depth and Breadth)

As suggested above, negotiations are a two-sided affair and are critical to the success or failure of acquisition (Cuypers et al., 2017; Walsh, 1989; Wulf, 2004). Much of prior work has focused exclusively on acquirer's experience with little attention to target's role in negotiations (Cuypers et al., 2017). However, it is possible that the target's CEO is knowledgeable and has acquisition experience that might impact the different aspects of the acquisition transaction, formulating post-acquisition plans, and therefore impacting the likelihood of a deal failure. Therefore, it is important to take attributes of both sides as well as the transaction characteristics into account (Cuypers et al., 2017; Walsh, 1989). This study suggests that when both acquirer and target executives have developed better negotiation skills and knowledge from prior acquisition experience, the likelihood of deal failure will be higher.

Section 1.3.2.3: Acquirer CEO's Characteristics → Second Acquisition

Firms make acquisitions for a variety of reasons, such as need to diversify, acquire technology, increase market share, or enter new markets. Irrespective of the motivation behind the acquisition, firms are still faced with the same needs after deal failures. Some firms follow their existing path of pursuing acquisitions whereas others might decide to take less risky options such as internal investments in R&D or retrenchment. Prior research suggests that a firm's strategic actions are a reflection of its CEO's characteristics (Cyert & March, 1963; Hambrick, 2007; Hambrick & Mason, 1984; Haspeslagh & Jemison, 1991; March & Simon, 1958; Picone, Dagnino, & Minà, 2014) and that individuals react differently to failure outcomes (Madsen & Desai, 2010; Sagan, 1993). CEOs who are overconfident in their abilities tend to blame failures on external factors, are less likely to learn from failures, and therefore, are resilient in changing their strategic direction (Picone, Dagnino, & Minà, 2014), whereas CEOs with less confidence are more likely to try to understand their failure and learn from such understanding. Therefore, this study suggests that CEO characteristics, such as acquisition experience, functional background, and managerial hubris, impact CEO confidence and help to explain strategic choices (acquisition versus no acquisition) following a deal failure.

Section 1.3.2.4: The Moderating Effect of Failure Attribution

Attribution theory of achievement suggests that people categorize the reason of their success and failure on three dimensions of locus of causality, stability, and controllability (Weiner, 1985). The theory suggests that people who attribute the cause of failure to external uncontrollable factors are less likely to be motivated to act as compared to those who attribute failure to controllable factors (Weiner, 1985). Additionally, research suggests that individuals suffer from self-serving bias where they tend to attribute positive outcomes to themselves, and negative outcomes to external factors (Arkin, Appelman, & Burger, 1980; Baker, Ruback, & Wurgler, 2007; Harvey, Madison, Martinko, Crook, & Crook, 2014; Libby & Rennekamp, 2012; Martinko, 1995; Mezulis, Abramson, Hyde, & Hankin, 2004; Moore & Cain, 2007). Various studies have noted that CEOs often exhibit such self-serving biases and tend to engage in scapegoating by blaming failures to external factors (Barker III & Patterson Jr, 1996; Haleblian & Rajagopalan, 2006; Wagner III & Gooding, 1997).

Since CEOs have more information about the internal functioning of the firms than the shareholders, they can use this information uncertainty to their advantage. They are able to protect their reputation by presenting self-serving reasons for failure to outsiders with the help of failure release statements (Haleblian & Rajagopalan, 2006). Therefore, the study suggests that CEOs who attribute the failure to controllable factors and believe in their acquisition abilities are more likely to follow the same strategic direction than the CEOs who attribute the failure to uncontrollable factors. Additionally, it also suggests that CEOs who attribute failure to controllable factors but do not believe in their acquisition abilities will be less likely to continue on the same strategic direction following the deal failure.

Section 1.3.2.5: The Moderating Effect of Deal failure Magnitude

Prior work suggests that not all failures are same and individuals learn differently from failures (Madsen & Desai, 2010; Sagan, 1993). Studies suggest small failures do not invite scrutiny from stakeholders and allow for learning which increases CEO's confidence in future attempts (Madsen & Desai, 2010). Therefore, small failures might not induce enough pressures on CEOs to change their strategic direction. However, when the deal failure magnitude is large, CEOs are faced with accountability pressures from the shareholders and thus are reluctant to pursue the same path in the fear of further backlash. Hence, it can be theorized that that deal failure magnitude moderates the relationship between CEOs characteristics and firm's strategic choices following a deal failure.

Section 1.4: Dissertation Contributions

This study holds the potential of contributing to the acquisition literature in multiple ways. First, this study adds to the acquisition literature by suggesting that as deal-making involves negotiations between individuals, and that in addition to the firm level acquisition experience suggested in prior studies, individual experience in deal-making matters. Research suggests firms hire CEOs for the skills and knowledge that they gained from prior employment (Bragaw & Misangyi, 2015; Karlsson & Neilson, 2009). Therefore, their prior experience cannot be discounted even when they move from one job to another. Hence, this study suggests that CEOs with prior acquisition experience, irrespective of their newness in the firm, aids them in negotiating a better deal and reducing the likelihood of deal failure.

Second, building on research of role of CEO experience on acquisitions, the study theorizes that CEO acquisition experience is a two-dimensional construct and that simple count measures of the number of prior acquisitions does not convey information on different type of experience. Prior researchers have examined the role of experience in specific contexts (Zollo & Reuer, 2010), but has yet to examine the effect of experience spillovers from one context to another within the realm of acquisitions. This suggests that acquisition experience consists of both depth (number) and breadth (diversity), and CEOs with more diverse experience have more diverse set of knowledge and skills that they can leverage in subsequent deal negotiations. The depth of experience along with breadth of experience helps CEOs in negotiating a better deal and thus decreases the likelihood of a deal failure.

Third, this dissertation adds to the acquisition literature by suggesting that both parties contribute jointly to the success or failure of the negotiation outcomes (Cuypers et al., 2017; Walsh, 1989). Specifically, by examining the role of both acquirer and target CEO's experience in deal negotiation outcomes, this dissertation aims to increase our understanding of pre-completion phase of the acquisition process. The dissertation theorizes that acquisitions of firms with experienced target CEOs are more likely to fail because of the role ambiguities between the two CEOs as each CEO would want to influence the acquisition process as a leader and not follower. Additionally, it theorizes that target CEOs can also leverage the skills from their past negotiation experience to demand higher premiums that acquiring firm CEOs might not be willing to pay (Cuypers et al., 2017; Ho, Camerer, & Chong, 2001). Thus, the study contributes by examining how the target CEOs' prior acquisition experience (depth and breadth) interacts with the acquiring CEOs' prior acquisition experience (depth and breadth) to influence the likelihood of deal failure.

Fourth, the dissertation adds to the acquisition literature by exploring the strategic choices of firms following a deal failure. Prior research has broadly suggested that strategic change occurs following deal failure, but has not delved into the drivers behind strategic choices following deal failure. Little is known about 1) the strategic choices following deal failure and 2) the specific drivers of those strategic choices. Thus, the study contributes by extending the literature on deal failure using upper echelon theory. Specifically, it attempts to investigate the impact of CEO characteristics such as prior deal-making experience, functional background, and hubris influence the strategic choices following deal failure.

Fifth, this dissertation integrates upper echelon's theory with attribution theory to explain why CEOs respond differently to deal failures. It suggests that over-confident CEOs tend to attribute failures to external factors and are resistant to changing their strategic direction. By examining specific CEO characteristics, such as prior acquisition experience, and managerial hubris, this research provides greater insight into the way that CEOs' characteristics influence strategic choices following failures.

Lastly, this research highlights an important boundary condition for CEOs' responses to deal failures. Prior research on failure suggests that not all failures are the same and people respond differently to different failures (Madsen & Desai, 2010; Sagan, 1993). Small failures promote learning whereas learning takes a back seat in case of large failures as focus shifts toward finding other people accountable (Madsen & Desai, 2010). This study contributes by suggesting that CEOs will shape their responses to deal failure based on the deal failure magnitude.

Section 1.5: Dissertation Outline

The remainder of this dissertation is structured as following: Chapter 2 offers the conceptual development for this dissertation that begins with review of the current literature on acquisition deal failure. By reviewing the literature, this study attempts to highlight the important research gaps in our understanding of why acquisition deals fail and how firms respond to such failures. Additionally, it highlights the scarcity of research in initial public announcement phase and post failure phase of acquisition deals.

Chapter 3 formulates a series of empirically testable hypotheses. Specifically, it examines the role of acquirer CEO experience (depth and breadth) in reducing the likelihood deal failure. Additionally, it explores to what extent does target CEO experience (depth and breadth) conflicts with acquiring CEOs in the negotiation process and thus increase the likelihood of deal failure. Further, it explores firms' strategic choices following a deal failure, and suggest that these strategic choices are reflection of their CEOs' personal characteristics. Continuing, the study explores in what extent does CEOs' characteristics interact with the CEOs' failure attribution to impact the firms' post-failure strategic outcomes. Lastly, the study suggests that deal failure magnitude moderates the relationship between the CEO's characteristics and the firm's post failure strategic outcomes.

Chapter 4 outlines and describes the methodology employed for testing the dissertation models. Additionally, it discuss the methodological issues, detail statistical methods, measures, and criteria used to test hypotheses developed. Chapter 5 reports the results of the statistical analyses and Chapter 6 concludes with a discussion of research findings, their implications for practice and research, and avenues for future research.

Chapter 2

Theoretical Overview

This Chapter provides an introduction of research on acquisitions and how research from different schools of thought have explored the phenomena. Then, it explains recent research on acquisitions involving the process view and explains the different phases involved in the acquisition process. It specifically describes the public takeover phase in detail as it is the focus of this dissertation and explains how firms can encounter failure even before deal completion. Further, this chapter reviews the state of current literature on acquisition deal failure (see Table 1.1) and highlights important gaps that need to be examined to increase our understanding of the pre-completion acquisition phase and its outcomes. The first half of the literature review is devoted to reviewing the antecedents of acquisition deal failure and the second half examines the firm's post-failure strategic outcomes. After identifying the gaps, this study develops hypotheses in Chapter 3 to explore the relationships between model constructs.

Section 2.1: Acquisitions

Acquisitions have been a highly popular form of corporate development since the early 1950s (Wood, 1971). The overall money spent on acquisitions in the first quarter of 2017 (when compared to the first quarter of 2016) has gone up by 9% to a total of $678.5 billion (Acton, 2017). This amount exceeds the GDP of several developed economies (Acton, 2017). Considering their importance in the practical world, researchers continue to conduct research to increase our understanding of acquisitions. Studies highlight that acquisitions appear to yield a mixed bag of results for the firms and their shareholders (Cartwright & Schoenberg, 2006; Datta, Pinches, & Narayanan, 1992; Haleblian et al., 2009; King et al., 2004). This suggests that much research is needed to reconcile the opposing views on the benefits of acquisitions.

Firms make acquisitions for multiple reasons (Schweizer, 2005; Trichterborn, Knyphausen-Aufseß, & Schweizer, 2015) including entering new geographic markets, managing firm growth, collaborating or competing with competitors, achieving economies of scale and scope, and acquiring new technologies (Graebner et al., 2016; Vermeulen & Barkema, 2001). Irrespective of the reasons, acquisitions are known to be important events in a firm's history that impact firms, employees, and industries. Various studies have examined the impact of acquisitions on both acquiring firm and target firm employees and found that acquisitions tend to have negative effects on employees' career trajectories and emotional well-being (Cartwright & Cooper, 1993; Nemanich & Keller, 2007; Schweiger, Ivancevich, & Power, 1987; Seo & Hill, 2005; Walsh, 1989). Additionally, researchers suggest that acquisitions have far reaching implications for firm level indicators such as innovation, reputation, market share and market and accounting performance measures (Croci, 2006; Cuypers et al., 2017; Das & Kapil, 2012; Datta et al., 1992; Graebner et al., 2010; King et al., 2004). Measuring the impact of acquisitions on industries, studies have found that technology acquisitions not only have positive implications for firm innovation, but also benefit the industry as a whole (Al-Sharkas, Hassan, & Lawrence, 2008; Pisano & Teece, 2007).

Section 2.1.1: Different Schools of Thought

With an increasing body of research, our knowledge on acquisitions stem from research in four well established schools of thought (Haspeslagh & Jemison, 1991). First, spearheading the acquisitions research since 1970s, scholars in economics and finance have focused their research primarily on the issue of wealth creation or destruction through acquisitions (Cartwright

& Schoenberg, 2006; Mirc, Rouzies, & Teerikangas, 2017). In event studies, scholars find that although acquisitions provide short term returns for target's shareholders, long term returns to acquiring firms' shareholders are often negative (Agrawal & Jaffe, 2000; Jensen & Ruback, 1983). Conn (2001) in his study of UK firms engaging in cross border acquisitions found that only 35-45% of acquirers achieved positive returns in the two to three-year period following an acquisition.

Other studies in finance examined the deal characteristics and the impact they have on bidder returns. For example, Sudarsanam and Mahate (2006) found that relative bid friendliness (friendly or hostile) had a positive effect on bidder returns. They examined shareholder returns over a three-year period of 500 UK takeovers and found that friendly deals delivered higher returns than hostile deals. Although most of the early studies in finance have examined the cause of variance in stock performance of acquiring and target firms, studies in early 2000s started examining the impact of firm's governance on acquisition outcomes. Bange and Mazzeo (2004) was one of the first to include firm specific variables related to corporate governance structures, variables that usually fall in the domain of M&A research in strategic management literature. Bange and Mazzeo (2004) examined the impact of target board characteristics on takeover offer types and acquisition premiums. They found that firms with CEO duality were more likely to receive bypass offers that resulted in higher target shareholder returns.

Second, research in strategic management was more focused in identifying strategic and process factors that may explain the performance variance between individual acquisitions (Birkinshaw, Bresman, & Håkanson, 2000). For example, scholars in 'strategic fit' literature examined the performance implications of strategic relatedness between acquirer and the target firm. Studies examined the effect of pre-acquisition relatedness, perceived similarity, or complementarity between the two firms on post-acquisition performance (Cartwright & Schoenberg, 2006; Finkelstein, 2009; Haspeslagh & Jemison, 1991; Larsson & Finkelstein, 1999; Shelton, 1988; Singh & Montgomery, 1987). These studies contend that related businesses have similar management styles, cultures and administrative processes that enable the firms to leverage each other's existing resources and capabilities to benefit the combined firm (Palich, Cardinal, & Miller, 2000; Robins & Wiersema, 1995). However, not all studies have found positive results of relatedness on post-acquisition performance. Some studies found mixed or negative support for the relatedness arguments (Anand & Singh, 1997; Seth, 1990; Walker, 2000). Recent extensions to the studies have provided detailed insights into how firms create value by sharing related knowledge and resources not only from target to acquirer but also from acquirer to target firms (Ahuja & Katila, 2001; Capron & Pistre, 2002; Finkelstein, 2009).

Third, studies from a behavioral perspective have examined the effects of acquisitions on firms, culture, and individuals (Birkinshaw et al., 2000; Haspeslagh & Jemison, 1991) as well as the effect of firm level variables such as acquisition experience on post-acquisition performance (Haleblian & Finkelstein, 1999; Haleblian et al., 2006; Hayward, 2002; Kim, Haleblian, & Finkelstein, 2011; Laamanen & Keil, 2008; Meschi & Métais, 2013). One approach within this school of thought examines the issues caused by cultural differences between target and acquiring firms on the integration process and the effect of problems caused by differences on individual employee and firm outcomes. Research suggests that acquisitions affect employee willingness and ability to participate in the integration process (Sales & Mirvis, 1984; Teerikangas, 2012) and therefore, much emphasis needs to be given to communication between employees to ensure a smooth transition into the combined firm (Schweiger & Denisi, 1991). Other approaches within the behavioral school have focused on the role of prior acquisition experience on subsequent firm acquisition performance. Drawing from behavioral learning theory in psychology, Haleblian and Finkelstein (1999) suggested that depending on the nature of antecedent conditions (i.e. similarity between firms), the effects of prior acquisition experience can be either positive or negative.

Fourth, the acquisition literature in recent years has seen convergence of strategic management research and organizational behavior research in studies where researchers have focused on the process view of acquisitions (Jemison & Sitkin, 1986). In their seminal study, Jemison and Sitkin (1986) suggested that in addition to having a strategic and organizational fit between the two firms, aspects such as process of negotiation, post-acquisition decision-making, and M&A integration can lead to inferior acquisition outcomes. With such far reaching effects of acquisitions, studies acknowledge that the acquisition process is very complex and can sometimes take years to complete (Barkema & Schijven, 2008b; Larsson & Finkelstein, 1999). Therefore, to understand the complexities in the process, numerous studies have called for more detailed and differentiated analysis of different activities involved in acquisitions (Haleblian et al., 2009).

Section 2.1.2: Process View of Acquisitions – Different Phases

As highlighted in the above paragraph, a process view of acquisitions suggests that acquisitions are inherently complex and lengthy undertakings that require significant resources and attention on each step of the acquisition process (Jemison & Sitkin, 1986). Research on the process view of acquisition suggests that the acquisition activities can be grouped into three phases (Bauer & Matzler, 2014; Jemison & Sitkin, 1986; Muehlfeld et al., 2012): *private takeover phase* (target selection, initial due diligence), *public takeover phase*[2] (extensive due

[2] Pre-completion phase and public takeover phase are used interchangebally in this dissertation (Muehlfeld et al., 2012).

diligence, deal negotiations, deal completion) and *post-acquisition integration phase* (Figure 1.1). During the *private takeover process*, acquirers choose from several potential targets. Both firms involved in the acquisition process sign confidentiality agreements through which they obtain more information about each other's businesses for due diligence and assessing strategic and organizational fit (Muehlfeld et al., 2012). Based on the outcomes of the due diligence process, the acquirer and the selected target sign a preliminary contract and enter the negotiation process (Meyer & Altenborg, 2008; Muehlfeld et al., 2012). By announcing the initial agreement, the firms enter the *public takeover phase* of acquisition process. In case of hostile acquisitions, acquiring firms often skip the private takeover phase without seeking support or without fully engaging the target firm's managers (Ghosh & Ruland, 1998; Holl & Kyriazis, 1997; Muehlfeld et al., 2007; Ryngaert, 1988; Sudarsanam, 1995; Weston, Siu, & Johnson, 2001).

During the public takeover phase, firms engage in activities related to compliance with regulatory requirements, final negotiations regarding the terms of the deal, firm leadership composition, and strategic direction (Clougherty, 2005; Haspeslagh & Jemison, 1991; Meyer & Altenborg, 2008; Muehlfeld et al., 2012). Additionally, firms gain more private information about each other's finances, resources, and products/services pipeline. As the new information flows during the final negotiations, the need to reassess the deal might arise because of multiple reasons. The deal might face hurdles in getting clearance of antitrust regulatory authorities, or the target's stockholders might consider the acquirer's offer as too low and demand a higher premium for their firm (Muehlfeld et al., 2012). Often, these challenges lead to some deals never reaching completion.

Studies have shown that most deal failures cost a substantial amount of money, time, and resources to both acquiring and target firms. However, recently scholars have identified that not all deal failures are value reducing. Jacobsen (2014) and Alexandridis et al. (2014) found some CEOs withdraw voluntarily from the announced acquisitions, citing concerns with the targets that were found in the final stages of due diligence process. The authors found that such deal withdrawal decisions were welcomed by the shareholders as the firm would have lost a significant amount of capital if the deal went through. Even though the acquiring shareholder response to deal withdrawal announcements might be positive in some cases, overall, both firms do lose a significant amount of money in the form of sunk costs and termination fees agreements. Accordingly, prior research has often emphasized the importance of pre-merger issues on acquisition success (Barkema & Schijven, 2008b; Stahl & Voigt, 2008).

If the firms successfully agree to the conditions of the negotiated deal, they enter the *post-acquisition integration* phase of acquisition process. Research defines post-acquisition integration as "the making of changes in the functional activity arrangements, organizational structures and systems, and cultures of combining organizations to facilitate their own consolidation into a functioning whole" (Pablo, 1994: 806). In simpler terms, Cording, Christmann, and King (2008) define the process as "the managerial actions taken to combine two previously separate firms." More recently, authors view post-acquisition integration process as multi-dimensional process consisting of two important tasks of "human integration" and "strategic control" (Birkinshaw et al., 2000; Reus, Lamont, & Ellis, 2015). Irrespective of how research has defined post-acquisition integration phase, there is consensus among the researchers that it is a complex process and greater focus is required to understand the event that unfold during the last phase of acquisition process (Haleblian et al., 2009; Steigenberger, 2016).

Thus far, most M&A process strategic management research has focused on the post-acquisition integration phase (Graebner et al., 2016). While the research on post-acquisition integration is clearly important, research also suggests that examining a single phase disregards the interdependencies of the acquisition process (Bauer & Matzler, 2014; Cartwright & Schoenberg, 2006; Larsson & Finkelstein, 1999; Stahl & Voigt, 2008). Years of research has shown that acquisition outcomes are a product of both pre-acquisition and post-acquisition issues (Barkema & Schijven, 2008b; Cartwright & Schoenberg, 2006; Stahl & Voigt, 2008). Therefore, additional research is necessary to fully understand the pre-acquisition phase.

Additionally, much of acquisition literature in strategic management has focused on firm profitability (both immediate and long-term) rather than organizational behavior directed at goal variables such as deal completion (Greve, 2008). Firms invest substantial time and financial resources in due diligence of multiple targets, legal costs, regulatory costs, and termination fees commitments (Hotchkiss, Qian, & Song, 2005; Mitchell et al., 2004). Given the 14-25% failure rate of acquisitions before completion, it stands out that both acquiring firms and target firms lose valuable financial and time resources if a deal fails (Croci, 2006; Holl & Kyriaziz, 1996; Mitchell et al., 2004; O'Sullivan & Wong, 1998).

With far reaching negative outcomes of deal failure in public takeover phase, understanding the factors that can help reduce the likelihood of deal failure is important. Accordingly, this study focuses on the public takeover phase (pre-completion) of the acquisition process. The following section reviews the acquisition deal failure literature to highlight the state of research and identifies the existing gaps that this study intends to fill.

Section 2.2: Acquisition Deal Failure

Early work on deal failure began in the 1970s, where a handful of studies in the finance literature examined the financial performance of abandoned takeovers (Dodd & Ruback, 1977; Kummer & Hoffmeister, 1978; Pickering, 1978). Pickering (1978) was one of the first to highlight the fact that "quite a high proportion of all proposed acquisitions do not take place." In the study of acquisitions from 1965 to 1975, he found that most unsuccessful acquisitions were larger than successful ones and involved only one bid from one potential acquirer. His study highlighted the numerical importance of deal failures and called for more research to investigate the economic impact of such failures (Pickering, 1978). Following up on his initial study, Pickering (1983) qualitatively analyzed 20 failed acquisitions from 1965 to 1975 to identify the reasons behind deal failure and possible outcomes of the failure. He found acquisitions can fail for many reasons including change of mind, lack of market support, competition policies, or bidding war with rivals (Pickering, 1983). Additionally, he found firms react to such failures in different ways. For example, some firms took failure as a traumatic experience while other groups of firms considered failure as a positive sign of unseen problems that might have come to play if the acquisition had gone through and hence took corrective actions by making internal changes or senior management changes (Pickering, 1983).

Research on acquisition deal failure has devoted equal attention to both antecedents and outcomes of deal failure for both acquiring and target firms. Research from finance and economics schools of thought mostly focused on deal and firm characteristics as antecedents on financial and individual outcomes (Agrawal & Walkling, 1994; Bange & Mazzeo, 2004; D'Aveni & Kesner, 1993; Holl & Kyriaziz, 1996; Holl & Pickering, 1988; Lehn & Zhao, 2006; McCann & Ackrill, 2015; Pickering, 1978, 1983). Studies in strategic management literature on the other hand examined the role of 'fit' between the two firms on the likelihood of deal completion (Alexandridis, Hoepner, Huang, & Oikonomou; Bauer & Matzler, 2014; Chakrabarti & Mitchell, 2015; Shen, Tang, & Chen, 2014). Additionally, studies have examined the role of learning and prior acquisition experience on issues related to pre-integration phase of acquisitions (Beckman & Haunschild, 2002; Haunschild, 1994; Muehlfeld et al., 2012). More recently, researchers in strategic management have focused on examining the role of individuals in the decision-making process of deal completion (Aktas, de Bodt, Bollaert, & Roll, 2016; Angwin, Paroutis, & Connell, 2015; Liu & McConnell, 2013).

The combination of studies in economics, finance, and strategic management has provided researchers with some understanding of the issues involved in the pre-completion stage of acquisition process. Despite these advances several gaps in our understanding exist. Following sections review research on antecedents and outcomes of the deal failure in detail and highlight the existing gaps that need to be examined to increase our understanding of the important yet underexplored phase of the acquisition process.

Section 2.2.1: Antecedents of Deal Failure

Prior research suggests that the likelihood of deal completion depends on environmental conditions, deal characteristics, and characteristics of both parties involved in the deal negotiation process. Therefore, this study categorizes the review of antecedents of deal failure in four categories – *Deal Characteristics, External Environment Characteristics, Acquirer and Target Characteristics,* and *Strategic Fit.* Table 2.1 provides a summary of studies providing empirical evidence on the antecedents of deal failure.

Deal Characteristics

Research on deal characteristics illustrates several important insights, however much of this literature provides mixed results. Deal premium, defined as the overpayment beyond the target's market value, is one of the most studied in strategic management research (Laamanen, 2007). For example, Hirshleifer and Titman, 1990 found that higher acquisition premiums lead to deal completion (Hirshleifer & Titman, 1990; Wong & O'Sullivan, 2001), but Walkling (1985) found that size of premium only affects the likelihood of deal completion in case of contested bids and not in uncontested bids. Holl and Kyriaziz (1996), on the other hand, found that bid premium is positively related to the likelihood of deal completion in all takeovers, but found inconclusive results for hostile takeovers. To reconcile the mixed results, Franks and Mayer (1996), in the study of UK takeovers from 1985 to 1986, found that acquisition bid premiums were related to the attitude of target's management. Additional research supported their claim that larger bid premiums decreased the likelihood of a deal failure when met with hostile target management (Cotter & Zenner, 1994; Franks & Mayer, 1996; Holl & Kyriaziz, 1996). Studies theorized that because of disagreement about post-acquisition restructuring plans of the acquirer, target managers demand higher premiums to complete[3] the deal (Franks & Mayer, 1996).

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As the research on acquisition premiums suggest, acquirer deal attitude (hostile or friendly) plays an important role in determining the outcome of the deal negotiation phase. Friendly deals involve management of both acquirer and target firms deciding and negotiating on several issues to meet necessary legal and technical requirements (Holl & Kyriazis, 1997; Muehlfeld et al., 2007). On the other hand, if the initial offer is not negotiated and involves unsolicited target shareholders, is initially rejected, or is contested by the target management, the

[3] Higher likelihood of deal completion is same as lower likelihood of deal failure or abandonment

offer is termed as hostile (Ghosh & Ruland, 1998; Holl & Kyriazis, 1997; Muehlfeld et al., 2007; Ryngaert, 1988; Sudarsanam, 1995; Weston et al., 2001).

To resist takeover attempts, target firms often use various defensive mechanisms such as poison pills or white knights to make their firm less attractive to the acquiring firm (Holl & Kyriazis, 1997; Muehlfeld et al., 2007; Ryngaert, 1988; Sudarsanam, 1995). Poison pills involve various financial maneuvers put in place by the target's board of directors that result in assumption of unwanted financial obligations by an acquirer, dilution of acquirer's equity holdings, or loss of acquirer's voting rights if the firm becomes a takeover target (Mallette & Fowler, 1992). On the other hand, white knights involves a target firm acquiring another firm in order to prevent a hostile takeover by making its value more than what acquirer can afford (Shleifer & Vishny, 1986). Hence, several studies suggest that managerial opposition by the target firm is an important deterrent to successful deal completion (Hoffmeister & Dyl, 1981; Holl & Kyriazis, 1997; Muehlfeld et al., 2007; Ryngaert, 1988; Sudarsanam, 1995; Walkling, 1985).

Research suggests that the likelihood of deal completion also depends on the method of payment. Hansen (1987: 75) theorized that, "when a target firm knows its value better than a potential acquirer, the acquirer will prefer to offer stock, which has desirable contingent pricing characteristics rather than cash." This suggests that the acquirer's method of payment often reflects the confidence in the target's value to the firm. If there is higher uncertainty about the target's current and future products and performance, the acquirer will choose to pay in terms of equity because the value of equity will be dependent on the performance of target post-acquisition (Draper & Paudyal, 1999; Myers & Majluf, 1984). Additionally, if the acquirer has enough information about the target's resources and can get more value from the target's resources post-combination, then it will choose to pay by cash (Draper & Paudyal, 1999; Myers & Majluf, 1984; Wong & O'Sullivan, 2001). Supporting the above arguments, research has found that bidding on a firm using cash offers decreases the likelihood of deal failure (Muehlfeld et al., 2007; Sudarsanam, 1995; Wong & O'Sullivan, 2001).

Depending on the needs, acquiring firms aspire to acquire a certain percentage of ownership of target firm. The percentage of ownership sought by the acquirer depends on whether the acquisition is being pursued for strategic or financial reasons (Muehlfeld et al., 2007). If acquiring for strategic reasons, the acquirer would want to impact the target's resources and decision-making processes and hence, would seek higher percentage of ownership. On the other hand, if acquiring for financial reasons, even a toe-hold ownership stake would be sufficient. Strategic acquisitions require more effort in planning and negotiation with the target's management, and therefore probability of successful completion would be less than acquisitions motivated by purely financial reasons. Supporting this argument, research suggests acquisitions that sought toe-hold ownership of target had higher likelihood of deal completion than acquisitions that seeking significant ownership of target (Muehlfeld et al., 2007; Walkling, 1985).

Lastly, acquisitions involve significant money and effort from both acquiring and target firms. There is always a possibility of target firm managers to act opportunistically and accept a competing offer from another firm. To protect against such opportunistic behavior, acquiring firms consider adding protection clauses such as termination fees, lockup options, and no-shop provisions to the deal agreement (Boone & Mulherin, 2007; Burch, 2001; Coates IV & Subramanian, 2000). Out of these protection mechanisms, termination fees and no-shop provisions are of most common occurrence (Hotchkiss et al., 2005; Jeon & Ligon, 2011). Studies argue that deal protection provisions prevent target managers from acting opportunistically and accepting competing offers by requiring targets to pay huge penalty fees to break the acquisition agreement (Coates IV & Subramanian, 2000; Officer, 2003). Additionally, since the acquirer must share its own private confidential information with the target managers during due diligence, such clauses prevent target managers from sharing the acquirer's information with other competing bidders (if any). Studies have found that inclusion of deal protection measures in the original acquisition contract increases the likelihood of deal completion (Coates IV & Subramanian, 2000; Jeon & Ligon, 2011; Officer, 2003; Walkling, 1985).

External Environment Characteristics

Industry-specific factors such as economic conditions, regulatory environment, and media coverage can also impact the likelihood of deal completion. Regulatory hurdles related to anti-competitive and anti-trust issues impact the likelihood of deal completion in both US and UK markets (Aguilera, Dencker, & Escandell, 2007; Bergman, Jakobsson, & Razo, 2005; McCann, 2013). Liu and McConnell (2013) examined the effect of negative media coverage in a value reducing acquisition (when acquisition announcement returns are negative) on the likelihood of deal completion. They suggested that if CEOs' personal gains are lower than the expected tangible and reputational capital losses, then the CEOs withdraw from such value reducing deals (Liu & McConnell, 2013). Additionally, Aguilera and Dencker (2008) found that industry growth rate impacted the likelihood of deal completion. They noted that in related deals, there are increased chances of friction in the negotiation process if the industry is consolidating and growing (Aguilera & Dencker, 2008). Lastly, Pickering (1983) found that some firms abandon their acquisition plans because of external economic conditions. For example, firms look for lucrative undervalued targets in bad economy and on the other hand, studies have found that firms pay higher premium for acquisitions to expand their growth and business boundaries (Caves, 1988; Pickering, 1983).

In sum, there is evidence that CEOs of the firms pay attention to external factors, in addition to deal and firm characteristics, while making deal abandonment or completion decisions.

Acquirer and Target Characteristics

Research has also uncovered several acquirer and target characteristics that influence deal completion. Studies suggests that publicly owned firms reap higher profits than privately owned firms (Lacy & Blanchard, 2003) as higher profits put public firms in a better financial position to complete an acquisition. Additionally, research suggests that acquirers with poor pre-bid performance are less likely to complete a deal than acquirers with better pre-bid performance (Wong & O'Sullivan, 2001). Holl and Pickering (1988) found acquiring firms that were larger, more liquid, and faster growing were more likely to complete an acquisition. However, countering the above studies, Limmack (1991) found both successful and unsuccessful acquirers had positive returns prior to attempting the acquisition. In order to resolve the above argument, studies have theorized that the relative performance between acquirer and the target is a better measure to predict the likelihood of deal success or failure (Holl & Pickering, 1988; Taffler & Holl, 1991). As a result, Taffler and Holl (1991) found that acquiring firms financially weaker than target firms were less likely to complete an acquisition (Taffler & Holl, 1991). On the other hand, they found no conclusive evidence on the likelihood of deal completion when acquiring firms were financially stronger than target firms (Taffler & Holl, 1991).

Other studies have examined the effect of target characteristics such as target's relative size, firm ownership composition, and board composition on the likelihood of deal completion

(Wang, 2009). Examining the effect of target size, Hoffmeister and Dyl (1981) were first to suggest that the likelihood of deal completion is lower in the case of acquiring large targets by cash offer. However, Cotter, Shivdasani, and Zenner (1997) did not find any significant relationship between target's size and the likelihood of deal completion – a finding later replicated by Schwert (2000). Commenting on the inconclusive results, Branch and Yang (2003) suggested it is not the absolute but relative size of target in comparison to the acquirer that influences the likelihood of deal completion.

Research exploring the impact of target's governance structures on the likelihood of deal completion is limited. Studies examining the target's ownership structures found that firms with large managerial ownership and less pressure sensitive investors (investors that are less sensitive to firm's earnings) had higher likelihood of deal success (Duggal & Millar, 1994; O'Sullivan & Wong, 1999; O'Sullivan & Wong, 1998; Song & Walking, 1993). CEOs with larger ownership were motivated to act in shareholders' favor and were less likely to resist the takeover. Studies examining target's board composition found no effect of board independence on the likelihood of deal completion (Cotter et al., 1997). However, Bange and Mazzeo (2004) found that firms were more likely to complete the deal when the target's CEO served as the board chair.

Studies examining acquirer's role in acquisitions suggest that past acquisition experience of the acquiring firm affects their post-acquisition performance (Haleblian & Finkelstein, 1999). Using an organizational learning framework, several studies theorized that firms develop routines (by learning from mistakes and perfecting what works), and such routines help the firm achieve better subsequent acquisition performance (Haleblian & Finkelstein, 1999; Haleblian et al., 2006; Hayward, 2002). Extending this research to the pre-completion phase of acquisition, recent studies have explored the role of acquiring firm's prior acquisition experience (both deal failure and deal completion experience) on the likelihood of deal completion. In their study of firms in newspaper industry from 1981-2008, Muehlfeld et al. (2012) found that executives learned less from their prior acquisition successes as they suffered from "don't fix what's not broken syndrome." As a result, the firms engaged in minimal problem solution search as during future acquisition attempts. On the other hand, they found that executives tend to behave differently when faced with failures. They reported that following a failure, firms engaged in detailed evaluative studies and that the search efforts increased as the number of failures increased. In other words, they found the relationship between firm's prior success experience and failure experience impacted the likelihood of deal completion (Muehlfeld et al., 2012).

Strategic Fit

Prior research has found that relatedness between acquirer and target leads to better post-acquisition performance (Harrison, Hitt, Hoskisson, & Ireland, 1991). When the acquirer and target have similar business-level operations and products, acquirer's managerial knowledge and experience is more applicable (Ellis, Reus, Lamont, & Ranft, 2011; Zollo & Singh, 2004). Additionally, similarity in operations and resources between the two firms increased the synergies that can be achieved from integrating the firms (Harrison et al., 1991). Using similar arguments, studies have found that the relatedness between the firms increased the likelihood of deal completion (Muehlfeld et al., 2007). When acquirer and target firms are related, both the acquiring and target firm managers are familiar with each other business processes and products, which helps in reducing information asymmetry (Muehlfeld et al., 2012; Thompson, 1990). Availability of more information decreases the uncertainty between the two firms, increasing the likelihood of deal completion.

Studies have also focused their attention to cultural and geographical distances between acquiring and target firms. In their study of domestic and cross-border international deals announced between 2004 and 2012, Alexandridis et al. (2016) found that higher corporate cultural distance between the firms reduced the likelihood of deal completion. Acquirers and targets with large cultural differences are more likely to have divergent business practices and decision-making processes that can result in disagreements during the negotiation process. Such disagreements increased deal failure. Exploring similar issues, Chakrabarti and Mitchell (2015) examined the role of geographical distance between acquirer and target on the likelihood of deal completion. They theorized that acquirer and target firms need both ‘hard’ and ‘soft’ information (financial and cultural) about each other to assess possible fit. If the target is distant from the acquirer, it is difficult for the due diligence team to assess ‘soft’ information about the target. Deals that involve longer geographical distance between acquirer and target were less likely to be completed than deals involving targets that were closer (Chakrabarti & Mitchell, 2015).

In the research highlighted above, studies have focused on examining the likelihood of deal completion primarily from acquirer’s role in decision making. However, in a recent shift, studies have started exploring the target’s role in pre-completion phase of the acquisition process. Shen et al. (2014) examined the impact of both acquirer and target status on the acquisition negotiation process outcomes. Using role theory, they argue that when the status difference between the firms align with their role in negotiation process of buyer and seller, the likelihood of deal completion increases. And when the status difference goes against the roles in the negotiation process, conflicts arise that impede the completion of the acquisition negotiation process. When there is a large difference in status of both firms, the firm with higher status assumes the role of buyer and the other firm of the seller. This role assignment fits in the expectations of each party and it increases the likelihood of deal completion (Biddle, 1986; Gould, 2003; Merton, 1957; Podolny, 1993; Shen et al., 2014). On the other hand, when acquirer and target have similar status, there is ambiguity on role expectations of each party as each party tries to behave like a buyer. This leads to confusion, frustration, and potential conflict that reduces the likelihood of deal completion (Shen et al., 2014).

Upper echelons theory suggests strategic choices of a firm are reflection of their top executives' characteristics (Hambrick, 2007; Hambrick & Mason, 1984). As the pre-completion stage of acquisition involves negotiations between individuals from both acquirer and target firms, it is important to take individual characteristics into consideration to understand the negotiation outcomes. Many studies have examined the impact of individual CEOs' personality on propensity to acquire, and subsequent market reactions to the acquisition announcements (Aktas, De Bodt, & Roll, 2009; Chatterjee & Hambrick, 2007; Gamache, McNamara, Mannor, & Johnson, 2015; Hayward & Hambrick, 1997; John, Liu, & Taffler, 2011; Li & Tang, 2010; Malmendier & Tate, 2008; Seth, Song, & Pettit, 2000). However, very few studies have examined the impact of CEO's characteristics and personality in the pre-completion phase of the acquisition process (Aktas et al., 2016; Angwin et al., 2015; Liu & McConnell, 2013). Aktas et al. (2016) is one of the rare studies that investigated the role CEO's narcissism plays in the deal negotiation phase of acquisition process and found that the effects of CEO narcissism were context dependent. They found that when only acquirer's CEO was narcissistic, the likelihood of deal completion was higher. However, when both acquirer and target CEOs were narcissistic, the personalities clashed that resulted in lower likelihood of deal completion.

As the above review suggests that there are many factors that can impact the outcome of deal negotiations and both acquirer and target sides play an important role in the process. It not only suggests considering both acquirer and target firm level characteristics, but also the role individuals play in the entire process. Despite these advances, there are a number of notable gaps and issues in our understanding of role of learning in the pre-completion stage of the acquisition process that are highlighted below.

First, recent studies examining the role of learning in the acquisition process argue CEOs learn to become better negotiators with experience that aids them in reducing the likelihood of deal failure (Muehlfeld et al., 2012; Muehlfeld et al., 2007). However, studies have operationalized firm level experience as a proxy for CEO's learning (Cuypers et al., 2017; Muehlfeld et al., 2012), discounting the CEO's individual learning from acquisition experience with his or her previous employer. Firms hire experienced CEOs to leverage their prior experience (Bragaw & Misangyi, 2015; Karlsson & Neilson, 2009) and research suggests that knowledge stays with the CEOs even if they move from one job to another (Thompson, 1990). Therefore, prior learning and experience of CEOs cannot be discounted as they play an important role in deciding the outcome of deal negotiation process.

Second, recent studies suggest deal likelihood depends on both acquiring firm CEO and target firm CEO characteristics (Aktas et al., 2016; Shen et al., 2014). However, most research has focused on only the acquiring CEO's experience (Muehlfeld et al., 2012). As deal negotiation involves two parties to decide and settle on variety of issues, it is important to include both acquiring and target CEO experience in predicting the deal outcomes. For example, when both acquirer and target firm CEOs have prior deal negotiating experience, it stands to reason that as both parties would want a better deal for their shareholders, it would be difficult for them to agree to process issues that might come in the acquisition process. Yet, we do not know how these experience interact to influence deal completion likelihood.

Third, research on role of acquisition experience on post-acquisition integration performance suggests not all experience apply equally, and its value depends on degree to which it is applicable to future events (March, 1991; Muehlfeld et al., 2012). But, there is evidence of experience transfer in situations where there are similarities in the underlying processes involved (Zollo & Reuer, 2010). For example, Zollo and Reuer (2010) found that since there are lot of similar activities involved in the integration phase of alliances and acquisitions, managers could apply learning from an alliance context to acquisitions. Studies have yet to examine the existence of such transfer effects in pre-completion phase of acquisition.

Since activities in pre-completion phase require due diligence and negotiations between the two firms, experience from one type of acquisition might aid the acquiring firm and target firm CEOs in completing another type of acquisition. For example, because cross-border acquisitions, hostile acquisitions, and inter-industry acquisitions are faced with more information asymmetries and complexities than related acquisitions, CEOs who have experience in undertaking such complex deals may be better in managing uncertainty, acquiring information, and complex negotiation process than CEOs with only related acquisition experience. Therefore, having depth of experience in one deal type doesn't provide complete information on quality of learning than having different deal type experience as it doesn't account for experience transfers across different types. Yet, prior research has not addressed how acquisition learning from different types of prior acquisitions influences future deal completion.

In sum, despite a multitude of advances on the antecedents to deal failure, gaps remain with respect to understanding 1) what is the effect of prior learning and experience of the CEO influence on deal completion, 2) what is the effect of acquirer and target CEOs' experience interaction on deal completion, and 3) what is the effect of acquisition learning from different deal types influences on deal completion. Following sections provide a similar literature review of the outcomes of deal failure.

Section 2.2.2: Outcomes of Deal Failure

As a significant number of acquisition deals fail to complete, a comprehensive review of the outcomes of such failure events is warranted. Existing literature evaluates the effects of failed deals from two perspectives – *Target Firm Outcomes* (both firm and individual level) and *Acquiring Firm Outcomes* (both firm and individual level). Table 2.1 highlights the findings of prior empirical research on outcomes of deal failure on both acquiring and target firms.

Target Firm Outcomes

Most of research on outcomes of deal failure has focused on assessing the impact it has on financial performance of target firms. The central argument in the literature is that target managers use defense mechanisms to enhance and safeguard the wealth of their shareholders while strengthening their bargaining power (Linn & McConnell, 1983). Multiple studies have examined the market reaction to a target firm's stock price following deal failure announcement (Wong & O'Sullivan, 2001). Additionally, studies have found that the impact of deal failure on target's returns is contingent on the context of the failure event. For example, using a sample of UK firms, researchers found target shareholders' returns were mostly positive during initial deal announcement and negative during deal termination announcement, but the net returns for the target were negative for two years following the termination announcement (Limmack, 1991; Parkinson & Dobbins, 1993). However, studies using a US sample found target shareholders' returns at termination announcement were positive when target terminated the deal and negative when acquirer terminated the deal (Dodd, 1980; Holl & Pickering, 1988). Overall, several studies provide evidence of significant losses to target's shareholders following a deal failure (Croci, 2006; Ryngaert, 1988; Wong & O'Sullivan, 2001).

INSERT TABLE 2.2 ABOUT HERE

Another set of studies examined the effect of deal failures on the target's valuation. Malmendier, Opp, and Saidi (2016) examined the valuation of targets following deal failures and found that if the deal involved cash as a payment type, target firms experienced a 15% increase in market valuation as the cash-offer signaled the quality of target to its shareholders. However, if the deal involved stock as a payment type, target firms did not experience any change in valuation from pre-deal levels (Malmendier et al., 2016). Irrespective of the payment type, they found targets of failed deals were more likely to be acquired later with same valuation as compared to matched control firms.

The outcomes described above focus externally on the market's reaction to deal failure. However, target firms also respond to the deal failure by taking certain actions. Such actions include protecting themselves from future takeover attempts, disciplining the CEO for making wrong decisions, or by changing their future strategic direction. For example, some target firms with independent boards view takeover attempts as threat for survival and as a result, they either change their strategies (Chatterjee, Harrison, & Bergh, 2003) or increase their leverage (Safieddine & Titman, 1999) in order to protect their independence. Denis (1990) in his study of US firms from 1980 to 1987 found that following a deal failure, target firms undergo major capital structure, voting rights and strategic changes. Due to such drastic changes throughout the organization, target firms witness high rates of top management turnover (Denis, 1990; Denis & Serrano, 1996; Franks & Mayer, 1996).

Acquiring Firm Outcomes

Although most of the studies on post-deal failure outcomes have focused on examining the impact of the deal failure on target firms, a few studies have focused on the impact on acquiring firms. Studies have investigated the impact of deal failure on acquiring firm's stock performance over multiple years and have found mixed results. Two studies found negative returns to acquiring firm shareholders at the termination announcement (Bradley, 1980; Dodd, 1980) and one study found negative returns one year after the termination announcement (Asquith, 1983). In contrast, several studies found that deal failure doesn't affect acquiring firm shareholders' wealth, both in short term and long term (Asquith, 1983; Davidson, Dutia, & Cheng, 1989; Dodd & Ruback, 1977; Franks & Harris, 1986; Parkinson & Dobbins, 1993; Taffler & Holl, 1991). Despite the mixed results on the acquiring firm's stock returns, most research acknowledges that acquiring firms lose quite significant amount of time and resources in form of money spent on planning, legal, regulatory, and termination costs.

Most studies are focused on examining financial impact of deal failure on acquiring firms and very few studies have looked at other firm and individual level outcomes. Examining the failed deals in high technology industry, Zhao (2009) found that less innovative firms feel pressured to acquire other firms in order to supplement the lack of internal innovation. She theorized more innovative firms feel confident in their existing innovation capabilities and lack the motivation to complete a deal with other firms resulting in more deal failures. Interestingly, she also found failed bidders underperformed successful bidders three years following the deal failure and less innovative firms benefit more than more innovative firms from acquisitions (Zhao, 2009). This suggests that firms can innovate faster using acquisitions than using only internal research and development efforts.

Examining acquiring firms' strategic actions following a deal failure, Pickering (1983) examined twenty cases of deal failure and found that firms either chose to make an alternative acquisition, undergo internal changes such as CEO and TMT succession, board restructuring, organizational restructuring, or pursue internal growth opportunities. Only one other study that examined acquiring firm's actions following a deal failure examined the strategic choices of a firm (McCann & Ackrill, 2015). Research on agency theory proposed that to prevent CEOs from making opportunistic acquisitions, acquiring firms keep independent boards to ensure the CEO take decisions that maximize shareholder value. In case of a deal failure, firms with independent boards would not require any disciplinary actions. Accordingly, McCann and Ackrill (2015) found more independent boards were less likely to engage in disciplinary actions such as firing of CEO or changing their strategic direction. They further found that, in the case of less independent boards, the likelihood of future disciplinary action increased with the magnitude of negative reactions to deal failure.

As the above highlighted research suggests, many studies have focused on financial outcomes of deal failure and very few studies have examined what firms do following such an event. Indeed, there are many unanswered questions that research needs to explore surrounding the strategic choices following deal failure. Given that firms choose to acquire to fulfil strategic needs, it is important to understand what happens when they fail in their acquisition attempts. Do firms acquire another firm after failing in their first attempt? If yes, why do some firms chose not to acquire? How do these firms fulfil their strategic needs if they chose not to acquire again?

To answer the above questions, the following sections explore firms' post failure strategic choices by examining how CEOs react to deal failure. As upper echelon theory suggests that CEO's strategic decisions are a reflection of his or her prior conditioning, this study suggests that CEO’s prior experience and specific personality traits can explain the variance in their responses to acquisition deal failure. Prior research suggests that an individual’s confidence determines his or her reaction to a failure (Picone et al., 2014). Therefore, the study examines CEO characteristics that impact their confidence levels. Prior research has found that CEOs with higher confidence are more inclined to make acquisitions than other CEOs. This study theorizes that CEO’s prior acquisition experience, functional background, and personality characteristics such as managerial hubris can explain the CEOs strategic choices following a deal failure.

Additionally, research on attribution theory suggests that individuals respond differently to failures, and their responses to failure depend on their personal characteristics and on the attribution choice of failure (Weiner, 1985). This study suggests that the relationship between CEO’s personal characteristics and post-failure behavior is influenced by the attribution choice of failure by the CEO as something that is controllable and is bound to change. CEOs that believe that the reason for failure can be controllable and is able to change over time will be more likely to pursue the same strategic direction as compared to CEOs that believe that the reason for failure is not controllable and is unlikely to change over time.

Lastly, research suggests that CEOs take cues from their environment to make decisions regarding deal completion (Liu & McConnell, 2013). For example, it has been found that CEOs abandon value reducing acquisitions with the fear of media backlash to prevent their reputation and future job prospects (Liu & McConnell, 2013) and that CEOs react differently based on the deal failure magnitude (Madsen & Desai, 2010; Sagan, 1993). Therefore, this research suggests CEOs who face deal failures associated with large negative market reactions are less likely to pursue the same risky strategies as compared to deal failures associated with less negative market reactions.

Thus, the purpose of this dissertation is to make a number of contributions to both the antecedents and outcomes of deal failure literatures. First, it suggests that CEO's prior experience matters in predicting the likelihood of deal failures. Second, it builds on organizational learning research by suggesting that CEO acquisition experience is a bi-dimensional construct consisting of both experience depth and breadth that captures both the quantity and quality of the prior experience. Third, prior studies have recently acknowledged that both acquiring firm and target firm characteristics interact with each other to impact acquisition outcomes. Accordingly, this research adds to the existing literature by suggesting that both acquirer and target CEO's prior acquisition experience interact with each other to influence the likelihood of deal failure.

Fourth, it extends upper echelon's theory to acquisition failures by exploring a firm's strategic choices following a deal failure. Fifth, it integrates upper echelon theory with attribution theory to examine how CEO characteristics impact CEOs' attribution of failure to external or internal factors. This study examines CEO characteristics that contribute in increasing CEO confidence levels and theorizes that these characteristics can explain the variance in strategic choices following a deal failure. Lastly, this dissertation examines important boundary conditions to CEOs' responses to deal failures. It suggest that CEOs take cues from the external environment and shape their responses to the deal failure based on the deal failure magnitude.

Chapter 3

Dissertation Hypotheses

This Chapter develops the primary hypotheses of interest for this dissertation. The first four hypotheses build on the gaps identified in the antecedents of deal failure literature. Specifically, the first two hypotheses focus on the relationship between acquiring CEOs' prior acquisition experience (depth and breadth) and the likelihood of deal failure. The next two hypotheses focus on the moderating role of target CEOs' prior acquisition experience (depth and breadth) on relationship between acquiring CEO's prior acquisition experience and the likelihood of deal failure. The next five hypotheses build on the gaps identified in the outcomes of deal failure literature. Specifically, the first three of these five hypotheses explore the relationship between CEO characteristics (hubris, prior acquisition experience, and functional background) and future strategic choices following deal failure (second acquisition or no acquisition). The remaining hypotheses explore the moderating role of the failure attribution and deal failure magnitude on the relationship between CEOs' characteristics and firms' future strategic choices.

Section 3.1: Dissertation Hypotheses

Study I – Organization Learning in Pre-Completion Phase

A subset of acquisition studies have investigated the role of organizational learning in the ways firms leverage their organizational experience by transferring knowledge from one event to another event (Barkema & Schijven, 2008a). Using the traditional learning curve perspective, studies have theorized that repeating the same task over time improves the outcomes at both individual (Epple, Argote, & Devadas, 1991; Loewenstein & Thompson, 2006; Muehlfeld et al.,

2012) and firm level (Barkema & Schijven, 2008a; Hayward, 2002; Lieberman, 1987). Firms use their stock of experience to continually improve their input-output ratios through repetition (Argote, 1999; Arrow, 1962; Muehlfeld et al., 2012). Despite the clarity of this logic, empirical studies have been inconclusive (Hébert, Very, & Beamish, 2005; Li, 1995; Markides & Ittner, 1994). Explaining these mixed results researchers' have found that the benefits of learning depend on not only prior acquisition experience, but also on the ability of firms to codify the knowledge (Zollo & Winter, 2002) and on the applicability of the knowledge in implementation of future acquisitions (Barkema, Bell, & Pennings, 1996).

A majority of the prior research on organizational learning and acquisitions has investigated the role of learning from prior acquisitions in the post-completion phase. Significantly less emphasis has been given to the role of learning in the pre-completion phase. Indeed, only a handful of studies have focused attention on the role of learning from prior acquisition experience in the pre-completion phase (Beckman & Haunschild, 2002; Capron & Shen, 2007; Cuypers et al., 2017; Haunschild, 1993, 1994; Haunschild & Beckman, 1998; Malhotra, Zhu, & Reus, 2015; Muehlfeld et al., 2012). Thus far, this research suggests that firms learn and anchor their decisions related to target value and acquisition premiums from the firm's own prior acquisition experience and from other firms when they lack such experience (Haunschild, 1993, 1994; Haunschild & Beckman, 1998; Haunschild & Miner, 1997; Malhotra et al., 2015).

More recently, studies have begun to study the role of acquisition experience in achieving important goal variables such as deal completion (Muehlfeld et al., 2012; Muehlfeld et al., 2007). Muehlfeld et al. (2012) investigated the role of firm's prior acquisition experience on the likelihood of completion of future acquisitions. Much like prior work on organizational learning in acquisitions, they found the usefulness of experience is restricted within specific contextual dimensions (diversification, cross border, and hostility). Additionally, they found that firms learn differently from prior experience depending on whether the acquisitions were a success or failure.

Researchers have also begun investigating the role of experienced target firms on the acquisition negotiation outcomes. Cuypers et al. (2017) found that both acquiring and target firms CEOs learn to negotiate effectively by accumulating acquisition experience to extract more value for its shareholders. Firms with more acquisition experience have developed negotiation skills and strategies that enable them in getting a better bargain for their shareholders (Capron & Shen, 2007; Cuypers et al., 2017). Acquisition experience also provides them with the skills to sort through negotiation issues that can help decrease possible conflicts (Loewenstein & Thompson, 2006; Neale & Bazerman, 1983; Thompson, 1990).

Important advancements have been made in understanding the role of firm level experience and target negotiation experience on deal completion. Despite these advancements, our understanding of organizational learning in the pre-completion phase is still in its nascent phase. Prior research has yet to investigate prior acquisition experience at the individual level, as well as how prior target experience interacts with prior acquirer experience to impact the pre-completion phase. Accordingly, the following sections develop theory on how CEO prior acquisition experience for both targets and acquirers influence the deal completion.

Section 3.1.1: Acquiring Firm CEO's Experience Depth and Likelihood of Deal Failure

Studies examining the role of prior acquisition experience on a firm's acquisition performance suggest firms develop efficient routines by rejecting strategies that did not give the desired results and accepting the ones that yield the desired results (Barkema & Schijven, 2008a;

Hayward, 2002; Lieberman, 1987; Muehlfeld et al., 2012). For example, Muehlfeld et al. (2012) in their study of acquisitions in pre-completion phase, found that firms with prior acquisition experience, which this study terms *acquisition experience depth*, were more likely to succeed in subsequent acquisitions. Prior acquisition experience can be conceptualized as "*acquisition experience depth*" because it represents the total acquisition experience of the acquiring firm and thus provides an indication of the amount of readily applicable acquisition experience.

Even though studies have acknowledged the role of firm's prior acquisition experience on various pre-completion variables, many questions still remain. For example, prior studies have focused on acquisition experience at the firm level and in doing so, suggest that learning largely happens only at the firm level (Cuypers et al., 2017; Muehlfeld et al., 2012). However, research from management and negotiation literature suggests organizational learning occurs across several different levels (Argyris, 1993; Kim, 1998; Nadler et al., 2003), and in case of mixed-motive dyadic relationships involving negotiations, most learning takes place at an individual level (Nadler et al., 2003). Accordingly, this study suggests that individual level deal-making experience is likely to influence deal failure for four reasons.

First, the negotiation literature suggests negotiation skills and strategies are developed from prior experience (Cuypers et al., 2017; Nadler et al., 2003), and that individuals hone their negotiations skills and strategies through their own experience or by learning from others in dyadic relationships (Nadler et al., 2003). Additionally, studies have found that negotiation knowledge and skills are tacit in nature, and therefore are difficult to articulate (Nadler et al., 2003). Accordingly, this suggests that individual level acquisition experience in the pre-completion phase may provide additional insight into the role of prior acquisition experience on future acquisition success.

Second, research from game theory suggests that players with more experience are able to adapt their strategies and capture more value in negotiations (Cooper, Garvin, & Kagel, 1997). Players learn what has and has not worked with their past strategies and adapt them based on prior experiences (Camerer, 2003; Camerer & Hua Ho, 1999). Studies also suggest experienced players anticipate opponent's future expectations of price based on opponent's past reactions and adjust their behavior based on the feedback (Fudenberg & Levine, 1998). This suggests that acquiring firm CEOs with more acquisition experience will adapt their negotiation strategies based on the target firm CEOs reactions and are less likely to fail than less experienced CEOs.

Third, the operationalization of prior acquisition experience at the firm level is incongruent with why firms like to hire experienced CEOs (Bragaw & Misangyi, 2015; Karlsson & Neilson, 2009). Studies suggest that firms typically prefer to hire CEOs with prior job-specific experience (Bragaw & Misangyi, 2015). Not only do firms consider experience a positive factor in hiring decisions, but also investors in the broader market consider hiring an experienced CEOs as a positive signal (Bragaw & Misangyi, 2015; Elsaid, Wang, & Davidson III, 2011). Indeed, CEO acquisition experience cannot be discounted as the tacit knowledge and negotiation skills gained from prior acquisitions, even from previous employers, stay with the CEO (Thompson, 1990).

Finally, acquiring CEOs with prior acquisition experience are better equipped to handle acquisition negotiations. CEOs with prior acquisition experience are likely more aware of the complexities and pitfalls that might come into play in the negotiation process. Because acquisitions are risky strategies with high information asymmetry between the acquiring and target firms, experienced acquirer CEOs will be better equipped to gather additional information on target firm's resource value and future prospects and hence, make more informed decisions under high uncertainty (Reuer & Ragozzino, 2008; Reuer, Tong, & Wu, 2012). Moreover, experienced CEOs are likely able to accurately judge target firm CEO's priorities and perspectives that help in completing the acquisition.

Combining the arguments from the negotiation and game theory literatures, this study suggests that acquiring firm CEOs with more acquisition experience (*CEO acquisition experience depth)* will be more adept at negotiation and strategy formulation, have better decision making under uncertainty, and better anticipatory skills to adapt to target CEO behavior. Therefore, experienced acquiring firm CEOs will be less likely to make mistakes and more likely to complete the subsequent acquisition. Hence, this study hypothesizes:

> *Hypothesis 1: Acquirer CEO's prior deal-making experience depth is negatively related to likelihood of deal failure.*

Section 3.1.2: Acquiring Firm CEO's Experience Breadth and Likelihood of Deal Failure

The pre-completion phase of the acquisition process consists of tasks such as target identification, due diligence, assessment of fit (strategic and cultural), and deal negotiation (Boone & Mulherin, 2007; Muehlfeld et al., 2012). Prior studies have found that acquisitions can be categorized into three categories of cross-border or domestic, friendly or hostile, and inter-industry or intra-industry (Muehlfeld et al., 2012). It is possible that a firm's acquisition experience can span across a number of above categories. Accordingly, firms can have not only differing levels experience *depth*, but also have differing types of experience, which this study terms *breadth*. Accordingly, *"acquiring CEO's acquisition experience breadth"* represents the diversity of acquisition experience of a CEO that spans across multiple categories such as cross-border, hostile, and inter-industry acquisitions.

Prior CEO acquisition experience breadth, consisting of cross-border acquisitions, hostile acquisitions, and inter-industry acquisitions, is likely to influence deal completion for multiple reasons. Firstly, assessment of strategic and cultural fit in a cross-border acquisition might be more difficult than domestic acquisitions (Alexandridis et al., 2016). High information asymmetry exists in cross-border acquisitions because of large geographical and cultural distances involved (Alexandridis et al., 2016; Chakrabarti & Mitchell, 2015). Therefore, acquiring firm CEOs will have to make decisions under high uncertainty because of high information asymmetry.

Secondly, hostile acquisitions tend to be more complex than friendly ones because they involve multiple bottlenecks such as lengthy hostile negotiations with target's shareholders, dealing with the target firm's defense mechanisms (white knight and poison pills), and justifying the acquirer's shareholders of the increased premium to be paid (Duggal & Millar, 1994; Hirshleifer & Titman, 1990; Schwert, 2000; Sudarsanam, 1995). Lastly, as inter-industry acquisitions involve targets from different industries than the acquirer, information asymmetries are extremely high as the acquiring firms lack target's industry knowledge and have difficulties in assessing it's resources value and prospective synergies (Zahavi & Lavie, 2013). Hence, because cross-border, hostile and inter-industry acquisitions tend to be more complex than domestic, friendly and intra-industry acquisitions, CEOs with experience in such complex acquisitions are likely better able to handle complexities in the pre-completion acquisition phase.

Research on goal setting and task complexity suggests that difficult and complex tasks can serve as a stimulus for strategy development (Campbell, 1988; Locke, Shaw, Saari, & Latham, 1981). Additionally, performing complex and difficult tasks can lead to improved performance due to effects of both motivational and cognitive processes (Campbell, 1988; Earley & Perry, 1987; Earley, Wojnaroski, & Prest, 1987). Therefore, acquiring CEOs with prior cross-border experience will be better equipped and feel more confident and comfortable in making decisions in subsequent cross-border or domestic acquisitions than acquiring firm CEOs with no such experience. Similarly, acquiring firm CEOs with prior hostile acquisition experience should have developed better negotiation skills than acquiring firm CEOs with no hostile acquisition experience. As hostile acquisitions can involve bypassing the target firm's management and negotiating with the target's shareholders, acquiring CEOs with prior hostile acquisition experience are more likely to complete a subsequent hostile acquisition and even friendly acquisitions due to fewer complexities involved in a friendly acquisition process. Lastly, acquiring firm CEOs with prior inter-industry acquisition experience bring better skills to deal with high uncertainties, knowledge about different industries, and fresh perspectives to approach a focal acquisition that can help reduce the likelihood of deal failure.

Research on organizational learning also suggests that acquisition experience transfer from one acquisition to another depends on the structural similarity of the acquisitions (March, 1991; Muehlfeld et al., 2012). Studies show that acquisitions from different categories do not share structural similarities in their post-acquisition activities. That is, post-acquisition experience from one category doesn't transfer or apply in other categories (Cormier & Hagman, 1987; Finkelstein & Haleblian, 2002; Muehlfeld et al., 2012). However, some pre-completion activities of acquisitions from different categories do share structural similarities. For example, every acquisition involves target selection, due diligence, and negotiation activities in the pre-completion phase (Bauer & Matzler, 2014; Jemison & Sitkin, 1986; Muehlfeld et al., 2012). Firms might be able to apply knowledge gained from pre-completion activities from one acquisition category to pre-completion activities of acquisition in a different category as they are structurally similar (Zollo & Reuer, 2010).

Combining the above arguments, acquiring firm CEOs with experience of making complex acquisitions are likely more adept negotiators than CEOs with less complex acquisition experience. Additionally, due to the structural similarities between pre-completion activities across different contexts, acquiring firm CEOs with acquisition experience in more than one context will have better developed skills and diverse strategies to draw from and thus are less likely to fail in completing the acquisition. In other words, acquiring firm CEO's with more breadth of acquisition experience – cross border, hostile, and diversified deals – can overcome complex problems in multiple contexts that reduces the likelihood of a deal failure. Thus, this study hypothesizes:

Hypothesis 2: Acquirer CEO's prior deal-making experience breadth is negatively related to likelihood of deal failure.

Section 3.1.3: Moderating Role of Target Firm CEO's Experience Depth

As stated above, negotiations are critical to acquisition deal-making given that firms must decide on a host of important issues involving the terms of the deal and the combined firm's post-integration plans (Cuypers et al., 2017; Walsh, 1989; Wulf, 2004). Much of the existing research has investigated the pre-completion acquisition process from the acquirer's point of view, but has rarely taken into consideration the role of target firms in this process. Yet, because negotiation is dyadic and involves two parties to settle on deal terms, it is important to examine attributes of both parties (Cuypers et al., 2017; Walsh, 1989). Accordingly, to increase our understanding of the pre-completion phase, prior research suggests the need to consider the roles of both acquiring and target CEO's bargaining skills during negotiations (Cuypers et al., 2017; Walsh, 1989). Accordingly, not only is acquirer CEO acquisition experience depth important, but this research suggests that *"target CEO's acquisition experience depth"* — the number of acquisitions made by the target firm's CEO — is equally important.

Thus far only one study has investigated the role of both acquirer and target firm prior experience on deal outcomes. Cuypers et al. (2017) examined the impact of relative firm level experience between acquirers and targets on shareholders' value. They found that the party with greater acquisition experience was more likely to have developed negotiation skills and strategies that enabled them in bargaining a better value for its shareholders (Capron & Shen, 2007; Nadler et al., 2003). Yet, this provides little insight into the way that acquirer and target experience might interact to influence deal completion.

Literature from role theory suggests that a firm's position in status hierarchy defines the role it is expected to perform (Gould, 2003; Podolny, 1993; Sarbin & Allen, 1968), and that firms must try to meet the expectations of their context-specific role in a transaction (Biddle, 1986; Shen et al., 2014). A clear status hierarchy ensures that one firm performs a dominating role while the other firm performs a submissive role such that their roles match to their expectations (He & Huang, 2011). In context of firm's strategic actions, acquisitions are transactions that involve expectations of acquiring firm to perform a buyer's role and the target firm to perform a seller's role (Shen et al., 2014). And when the realities do not match with the expectations, conflicts arise (Shen et al., 2014). Supporting this argument, Shen et al. (2014) found that acquisitions involving similar status firms were less likely to complete the deal as status similarity led to confusion, ambiguity in roles, and conflicts in the deal negotiation process.

Acquisitions are complex organizational phenomena and firms are required to make a number of decisions under high uncertainty (Pablo et al., 1996; Wan & Yiu, 2009). For example, acquiring firms have to negotiate with target firm executives not only about the premium to be paid to the target's shareholders, but also the future roles of target CEO and top management team members, and jobs and facilities to be maintained (Hartzell, Ofek, & Yermack, 2004). To foster knowledge sharing and cooperation during the acquisition process, high levels of employee involvement and strong relational ties are important (Shrivastava, 1986). Organizational synergies can only be realized if the negotiating parties are committed to the changes resulting from the acquisition (Ellis, Reus, & Lamont, 2009; Haspeslagh & Jemison, 1991; Meyer, 2001).

Acquisition studies have shown that procedural justice plays an important role in determining the outcomes in an acquisition process (Ellis et al., 2009; Meyer, 2001). Procedural justice refers to the extent to which acquiring firm managers ensure fairness in procedures and processes by including target firm managers in the decision making process (Ellis et al., 2009; Meyer, 2001; Thibaut & Walker, 1975). For processes involving collaborative problem solving, such as acquisitions, the extent to which target members can influence the processes determine their identification, satisfaction, and commitment to the combined firm post acquisition completion (Colquitt, Conlon, Wesson, Porter, & Ng, 2001; Kim & Mauborgne, 1998; Korsgaard, Schweiger, & Sapienza, 1995; Li, Bingham, & Umphress, 2007). Therefore, it is important for target managers to have some process control and voice in the pre-completion phase of acquisitions (Ellis et al., 2009).

As both acquirer and target firm CEOs want to bargain a better deal for themselves and their respective shareholders, there is always a possibility of interactional friction in such scenarios that has to be handled by the acquiring firm to complete the acquisition (Hartzell et al., 2004). Therefore, it is important for each party to ensure procedural justice in the negotiations. Acquiring firm CEOs must balance between the fairness and friction as they negotiate the possible terms of the acquisition in the pre-completion phase. Research has found that acquiring firm CEOs learn from their prior acquisition experience on handling complex acquisitions and making better acquisition decisions that benefit the post-acquisition firm and its primary shareholders (Cuypers et al., 2017; Nadler et al., 2003). However, the effect of target firm's CEO experience on likelihood of deal completion remains uninvestigated.

The four possible scenarios of acquirer and target firm CEO's interaction of experience can be summarized in Quadrant I to IV in Figure 3.1. When both acquiring and target firm CEOs are inexperienced (Quadrant I), it is more likely that the firms will behave according to their roles dictated by the transaction (Shen et al., 2014). As target CEO has less acquisition experience, he or she is more likely to follow the acquirer's lead. This might reduce the chances of occurrence of conflicts and friction in the negotiation process (Ellis et al., 2009; Kim & Mauborgne, 1998; Li et al., 2007; Meyer, 2001). Therefore, the study expects the likelihood of deal failure to be low. However, when acquiring firm CEO is experienced and the target firm CEO is inexperienced, the likelihood of deal failure will be lowest. This is because, the acquiring

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INSERT FIGURE 3.1 ABOUT HERE
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firm's CEO is more likely to have developed skills and strategies to navigate through the pre-completion acquisition process (Cuypers et al., 2017; Ellis et al., 2011; Haleblian & Finkelstein, 1999; Haleblian et al., 2006; Hayward, 2002). Experienced acquiring firm CEOs can ensure fairness in the negotiation process by including the target firm CEO, who is more likely to follow, in acquisition decision making process (Ellis et al., 2009; Kim & Mauborgne, 1998; Li et al., 2007; Meyer, 2001; Shen et al., 2014). Additionally, acquiring firm CEOs are more likely to be efficient in due diligence process and are more likely to choose a healthier target (Cuypers et al., 2017; Hayward, 2002). Therefore, this research expects the likelihood of deal failure to be lowest.

While previously, this study examined the influence of acquirer's acquisition experience on the likelihood of deal completion, it suggests that target experience may actually have unfavorable implications because of multiple reasons (Quadrant III & IV). First, during their prior acquisitions, target CEOs' had lead a leadership role rather than a follower role. Therefore, target CEOs' with prior acquisition experience often have experience on "how to lead an acquisition", but not how it feels as the target firm (follower). Because of the prior experience gained, experienced target firm CEOs are more likely to expect a leading role and not a passive or follower role in the acquisition. As a result, acquiring an experienced target firm might result in role confusion and role ambiguities between the firms that might increase the likelihood of conflicts during the pre-completion process (Rizzo et al., 1970). Acquiring firm CEOs' might face increased difficulties in balancing the fairness and friction in the acquisition of experienced target firms.

Additionally, such role conflicts might create power struggles among the CEOs as each CEO might think that the acquisition should be implemented in their own way when they have a greater depth of acquisition experience. Because of the role conflicts, target firm CEOs might perceive the negotiation process to be less fair to them as their valuable inputs are not solicited. Target CEOs might feel less satisfied and less committed in sharing information and making additional efforts to aid the acquiring firm CEOs. Conflicts in the pre-completion process also increases the likelihood that the acquisition might become hostile and therefore, is less likely to be completed (Hoffmeister & Dyl, 1981; Holl & Kyriazis, 1997; Muehlfeld et al., 2007; Ryngaert, 1988; Sudarsanam, 1995; Walkling, 1985).

Second, target firm CEOs with prior acquisition experience will also have developed acquisition routines that can help guide them in completing an acquisition. Studies have found that better negotiation skills and strategies enable experienced CEOs to maximize shareholder value (Cuypers et al., 2017; Muehlfeld et al., 2012). An acquisition involving both experienced acquirer and target CEOs will have both working in opposite directions to obtain maximum value for their shareholders, which can ultimately lead to higher premiums — which could result in an acquirer backing out of the deal. Combining the above arguments, this study suggests that acquisitions involving more experienced target firm CEOs are more likely to lead to increased interactional friction, role ambiguities, conflicts about premiums and acquisition implementation, and possible power struggles. Ultimately, these factors are likely to increase the likelihood of deal failure. Therefore, this study hypothesizes:

> *Hypothesis 3: Target CEO's prior deal-making experience depth moderates the relationship between acquirer CEO's prior deal-making experience depth and likelihood of deal failure such that the likelihood of deal failure is higher when target CEO's prior experience depth is higher as compared to likelihood of deal failure when target CEO's prior experience depth is lower.*

Section 3.1.4: Moderating Role of Target Firm CEO's Experience Breadth

So far, this study hypothesized that when the target firm CEOs have high depth of acquisition experience, the likelihood of deal failure is increased. However, not all acquisitions are equally complex which suggests that acquisitions experience can also vary in their complexity. It is possible that target firm CEOs will have acquisition experience that spans across a number of acquisition categories defined above. This research defines diversity of acquisition experience of a target firm that spans across multiple categories such as cross-border, and inter-industry acquisitions as *"target firm CEO's acquisition experience breadth"*.

Because of the complexities involved in pre-completion activities of cross-border and inter-industry acquisitions[4], target CEOs with more acquisition experience breadth will feel more confident in their acquisition abilities as they will attribute their prior acquisition success internally on their abilities (Madsen & Desai, 2010; Sagan, 1993). Target CEOs with cross-border acquisition experience will be better equipped in dealing with complexities and uncertainties that arise because of geographical and cultural distances than CEOs with no cross-border experience (Alexandridis et al., 2016; Chakrabarti & Mitchell, 2015). Additionally, target firm CEOs with prior inter-industry acquisition experience will have better knowledge about different industries and skills to make decisions in high uncertainty (Zahavi & Lavie, 2013).

Target firm CEOs with more breadth of acquisition experience will have developed diverse acquisition routines and better negotiation strategies that can help guide them in completing an acquisition in different contexts as an acquirer and also maximize the value obtained by their stockholders (Cuypers et al., 2017; Muehlfeld et al., 2012). As target firms with more breadth of experience will be more confident of their capabilities to complete the acquisition, this might lead to role ambiguities, conflicts between the two CEOs as each would want to lead (Shen et al., 2014) and have an upper hand in the acquisition process (Rizzo et al., 1970). As stated above, conflicts in the pre-completion process increase the likelihood of hostile acquisitions, which further reduces the likelihood of completion (Hoffmeister & Dyl, 1981; Holl & Kyriazis, 1997; Muehlfeld et al., 2007; Ryngaert, 1988; Sudarsanam, 1995; Walkling, 1985). Therefore, this study hypothesizes:

> *Hypothesis 4: Target CEO's prior deal-making experience breadth moderates the relationship between acquirer CEO's prior deal-making experience breadth and likelihood of deal failure such that the likelihood of deal failure is higher when target CEO's prior experience breadth is higher as compared to likelihood of deal failure when target CEO's prior experience breadth is lower.*

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[4] In case of hostile acquisitions, acquiring firms often skip the private takeover phase without seeking support or fully engaging the target firm's managers.

Study II – Post-Failure Strategic Choices

Firms make acquisitions to address various needs, such as to achieve more market power, operational and financial synergies, R&D synergies, or for legal and tax benefits (Haleblian et al., 2009; Haspeslagh & Jemison, 1991; Hitt, King, Krishnan, Makri, Schijven, Shimizu et al., 2012). Despite their benefits, of all the strategic actions to choose from, acquisitions are one of the riskiest and most resource expensive (Pablo et al., 1996; Wan & Yiu, 2009). Firms spend a good amount of time and resources in preparing for an acquisition, yet they do not always achieve their intended outcome (Croci, 2006; Holl & Kyriaziz, 1996; Muehlfeld et al., 2007; O'Sullivan & Wong, 1998; Pickering, 1983).

Studies have found a variety of market reactions to failed deals depending on the context (Bradley, 1980; Dodd, 1980). For example, Liu and McConnell (2013) found that for potentially value-reducing acquisitions that are met with negative shareholder response at the time of deal announcement, deal failure results in positive reactions as a signal of low market confidence in the attempted deal. However, for expected value-increasing acquisitions that were met with positive market reactions on announcement of the deal, deal failure results in negative market reactions as a signal for disappointment (Croci, 2006; Ryngaert, 1988; Wong & O'Sullivan, 2001). Similarly, studies on target firm's outcomes suggest that following a deal failure, target firms experience negative (positive) shareholders' reactions if the deal was terminated by acquirer (target) or when paid by stock (cash) (Dodd, 1980; Holl & Pickering, 1988).

Regardless of the market reactions, however, the strategic impetus for the acquiring firm is not met through the acquisition as it was not completed. Thus, acquiring firms must make strategic decisions following deal failure to try to accomplish their initial goals. Unfortunately, little is known on how acquiring firms fulfil their strategic needs after failed acquisitions.

Following failure, firms can either continue pursuing another acquisition or pursue less risky internal strategies – such as increasing R&D spending or strategic retrenchment (McCann & Ackrill, 2015; Pickering, 1983). For example, "why do some firms continue pursuing the same strategy after deal failure and others do not?" Accordingly, Study 2 offers hypotheses concerning the role of CEO characteristics on firm's strategic outcomes following a deal failure.

Section 3.1.5: Acquiring Firm CEO Characteristics and Strategic Choice Following Deal Failure

Research from the upper echelon literature suggests that a firms' strategic actions are reflection of the CEOs' characteristics and their prior conditioning and experience (Hambrick, 2007; Hambrick & Mason, 1984). As a result, multiple studies have found CEOs' personality characteristics and prior experience to impact the firm's acquisition decisions and performance (Aktas et al., 2009; Chatterjee & Hambrick, 2007; Gamache et al., 2015; Hayward & Hambrick, 1997; John et al., 2011; Li & Tang, 2010; Malmendier & Tate, 2008; Seth et al., 2000). Additionally, research also suggests that CEOs pay attention to external signals, such as media coverage and shareholder reactions, while making acquisition decisions (Aguilera et al., 2007; Bergman et al., 2005; Liu & McConnell, 2013; McCann, 2013). This study suggests that upper echelons theory is likely to be a useful perspective to help explain why some firms choose to engage in additional acquisitions following deal failure, whereas others explore alternative strategies. According, it suggest that firms' strategic choices following deal failure are, in part, are driven by CEOs' personal characteristics.

Section 3.1.5.1: Acquiring Firm CEO's Acquisition Experience and Strategic Choice Following Deal Failure

Research from the upper echelon perspective has found that acquiring CEOs' characteristics, such as age, gender, functional background, and prior task experience can impact a firm's strategic outcomes (Hambrick, 2007; Hambrick & Mason, 1984; Jensen & Zajac, 2004). The organization learning literature suggests that individuals develop routines by repeating the same tasks (Barkema & Schijven, 2008a; Epple et al., 1991; Hayward, 2002; Loewenstein & Thompson, 2006; Muehlfeld et al., 2012) and adjust their task performance according to what worked and did not work in the past (Argote, 1999; Muehlfeld et al., 2012). Supporting this, studies have found that task performance increases with prior task experience (Barkema & Schijven, 2008a; Muehlfeld et al., 2012).

Management researchers have used organizational learning perspectives to explain effects of prior accumulated acquisition experience on firm's acquisition performance (Barkema & Schijven, 2008a; Haleblian & Finkelstein, 1999; Lieberman, 1987; Meschi & Métais, 2013; Muehlfeld et al., 2012). Studies have found that acquisition experience promotes refinement of routines used in prior acquisitions (Cyert & March, 1963; Haleblian & Finkelstein, 1999). Once successful, firms engage in less rigorous search for new ideas and are satisfied with what has worked in the past. However, studies have yet to explore how firms prior acquisition experience influences firms' responses to failure.

Attribution theory is concerned with how individuals interpret events and how this relates to their thinking and behavior (Harvey & Weary, 1985; Heider, 1958; Weiner, 1985). Attribution theory suggests that people categorize the reason of their success and failure on three dimensions of locus of causality, stability, and controllability (Harvey et al., 2014; Weiner, 1985). The process of attribution included explaining the cause of failure as either one's self to blame or others to blame (locus of causality), whether something is likely to change over time (stability), and whether something that can be controlled or not (controllability). People who attribute the cause of failure to external factors that are unlikely to change and are out of their control are less likely to be motivated to act as compared to those who attribute failure to factors within their control that they are able to change over time (Harvey et al., 2014; Weiner, 1985).

Additionally, research suggests that individuals tend to be self-serving when they attribute success internally and failures externally (Arkin et al., 1980; Baker et al., 2007; Libby & Rennekamp, 2012; Mezulis et al., 2004; Moore & Cain, 2007). Studies have found that self-serving biases are more common in CEOs who take credit for the firm's successes and engage in scapegoating for failures (Barker III & Patterson Jr, 1996; Haleblian & Rajagopalan, 2006; Wagner III & Gooding, 1997). As shareholders do not have complete information about the firm's internal functioning, CEOs use this circumstance to their advantage to scapegoat for the reason for failure and protect their reputation (Haleblian & Rajagopalan, 2006).

Firms react to failure events in one of the two ways. Either they correct their routines to prevent future failures, or hold someone accountable for the failure (Sagan, 1993; Sitkin, 1992). When acquiring CEOs have prior acquisition success experience, it is less likely that they will face external pressures for accountability given that they can blame the failure on external conditions and not on their abilities. This provides them with a choice to try other acquisitions (Gong et al., 2017; Hayward, 2002). As their routines and strategies have worked in the past, acquiring CEOs with deal completion experience are more likely to put the blame of failure on external controllable factors and are less likely to doubt their abilities (Harvey et al., 2014). CEOs with prior successes are more likely to view a single failure as an exception to the norm rather than as the norm. Hence, it is likely that those CEOs with numerous acquisition successes are more likely to pursue another acquisition to fulfill their strategic needs following deal failure, relative to CEOs with less experience.

Conversely, when acquiring CEOs have fewer prior acquisition successes, they are more likely to feel external pressure to take accountability for the failure and are less likely to attribute failure to external factors (Gong et al., 2017; Harvey et al., 2014; Hayward, 2002). As such, CEOs with less success acquisition experience are more likely to question their acquisition abilities or accuracy of their routines following a deal failure. Therefore, CEOs with less acquisition experience are more likely to view a second acquisition attempt as highly risky and may lack the confidence to engage in another acquisition. Given that the strategic impetus behind the acquisition likely still exists (e.g., the need for additional technologies), these CEOs must find other ways to accomplish their strategic goals. Given that another acquisition attempt is likely to be viewed as excessively risky, CEOs with less acquisition experience may view internal development in the form of research and development (R&D) or any other strategic choice as a more favorable option. Therefore, this study hypothesizes:

Hypothesis 5: Following acquisition failure, CEOs with more deal completion acquisition experience are more likely to make second acquisition.

Section 3.1.5.2: Acquiring Firm CEO's Functional Background and Strategic Choice Following Deal Failure

CEO's functional background is one of the most studied personal characteristics in upper echelon literature (Jensen & Zajac, 2004). Studies suggest that when executives are faced with complex business situations, they tend to gravitate to situations that are similar to their functional background (Dearborn & Simon, 1958). Executives' prior functional experience often narrows their attention towards familiar situations (Hambrick & Mason, 1984). CEOs are conditioned by a dominant mode of thinking and often act within the cognitive confines of the functional area they are most familiar with as well as their prior knowledge and understandings tend towards their functional spheres (Finkelstein & Hambrick, 1996).

Supporting this theory, a number of studies have found executives' functional background significantly impacts firm diversification and acquisition activities (Finkelstein, 1992; Michel & Hambrick, 1992). The main argument in these studies is that executives with finance, accounting, and law backgrounds look at firms as a collection of revenue generating assets that can be expanded into other lines of business. By operating in multiple business, firms can achieve higher financial synergies and therefore, are more likely to diversify. Thus, researchers found that firms with CEOs from financial backgrounds were more likely to diversify through acquisitions than CEOs from other functional backgrounds (Haunschild, Henderson, & Davis-Blake, 1999; Palmer & Barber, 2001; Song, 1982).

Exploring the outcomes of firms with CEOs from production background, researchers have theorized that CEOs with a production-based backgrounds tend to prefer organic internal means of growth rather than growing through acquisitions (Song, 1982). Supporting this, Michel and Hambrick (1992) also found that CEOs with functional backgrounds in production were less likely to diversify through acquisitions. The CEOs with production background were more comfortable with expansion through internal means as they are familiar and more confident with R&D and internal means of developing products or services.

Given that acquisitions involve complex business situations, it is likely that acquiring firm CEOs will similarly fall back to situations that are most familiar to their functional backgrounds following a deal failure (Dearborn & Simon, 1958). That is, they make strategic choices in which they feel more confident as influenced by their functional backgrounds. CEOs with throughput backgrounds, such as finance, accounting, or law, will more likely to expand through external means than CEOs with output backgrounds (Michel & Hambrick, 1992). Alternatively, prior research suggests that CEOs with throughput backgrounds, such as production and operations, are more likely to revert to internal-based strategies rather through acquisition. Accordingly, this study suggests that CEOs with throughput background (finance, accounting, and law) are more likely to continue following an external strategy and thereby pursue a second acquisition following deal failure. Alternatively, CEOs with output background (marketing, production and operations) are more likely to lean on their functional background[5] and thus follow internally oriented strategies following a deal failure.

> *Hypothesis 6: Following acquisition failure, CEOs with throughput functional backgrounds are more likely to make second acquisition.*

Section 3.1.5.3: Acquiring Firm CEO's Hubris and Strategic Choice Following Deal Failure

Acquisition research has uncovered many CEO personal characteristics that tend to impact acquisition decisions. The one that has been explored most often in acquisition studies is CEO hubris. The initial references to managerial hubris came from studies in the finance literature in 1980s. The term 'hubris' was coined by Roll (1986) as a way to describe overconfident CEOs who overestimate the prospective synergies of an acquisition. Hubris is usually referred to as a cognitive bias associated with arrogance and overconfidence of one's own abilities and talents (Picone et al., 2014). Studies have shown hubris to cause inflated self-confidence and a myopia of overestimating human limits that tend to impact executive choices (Kahneman, Slovic, & Tversky, 1982). Such overconfident CEOs end up elevating hopes and expectations of themselves and their investors, often leading to catastrophic performance

[5] Finkelstein and Hambrick (1996) found that CEOs can have more than one functional backgrounds. However, they theorized that functional biases may still exist from areas where they have spent a considerable period of time (Barker III & Mueller, 2002; Finkelstein & Hambrick, 1996).

results (Hiller & Hambrick, 2005).

The strategic management research on hubris was spearheaded by Hayward and Hambrick (1997). Hayward and Hambrick (1997) found that CEOs with high managerial hubris acquired large firms and paid more for acquisitions. However, the high acquisition premiums were associated with significant shareholder losses. Consistent with agency theory's arguments, they found that acquiring firm board of directors face considerable challenge in monitoring acquisition proposals by CEOs with hubris, as such acquisitions increase the firm size and result in higher CEO compensation (Hayward & Hambrick, 1997). In other words, it is difficult to judge to motives behind the acquisitions as they can be either because of overconfidence, greed or both (Hayward & Hambrick, 1997).

Research examining managers promotion to CEOs found that overconfident managers were most likely to reach upper echelons in an organization and CEOs were more likely to suffer from hubris bias (Goel & Thakor, 2008; Hiller & Hambrick, 2005). Goel and Thakor (2008) found that moderate degrees of CEO overconfidence actually benefitted the firm's shareholders. However, they found CEOs with excessive overconfidence were more likely to overinvest that lead to reduction in firm value and thus were more likely to be fired (Goel & Thakor, 2008). Therefore, according to the hubris paradox, overconfident managers (low to medium hubris) are more likely to be hired as firm CEOs and are value enhancing for the firms to a certain extent. However, when they become highly overconfident (high hubris), they are detrimental to firm performance and are more likely to be fired (Goel & Thakor, 2008). Additionally, studies have found that hubris bias is a more common occurrence in highly educated CEOs than in less educated CEOs. Similarly, this bias is more prevalent in male CEOs than female CEOs (Bhandari & Deaves, 2006; Dahlbom, Jakobsson, Jakobsson, & Kotsadam, 2011).

CEOs with high hubris relative to other CEOs exhibit high self-esteem and are highly optimistic individuals who typically paint themselves as experts with a vault of knowledge repositories (Picone et al., 2014). These individuals typically have a high self-serving bias where they tend to believe that all success is a result of their extreme talents and efforts, and all failure is a result of external factors (Hastorf, Schneider, & Polefka, 1970). With a rosy picture of their inflated abilities, these CEOs tend to overestimate the probabilities of success and at the same time neglect the possibility of failure (Armor & Taylor, 2002). They believe they are able to control external events that require significant commitment from them and therefore are more likely to attribute failure to external controllable events (Harvey et al., 2014; Picone et al., 2014; Weinstein, 1982).

In examining the outcomes of CEO hubris, researchers have found that CEOs with high hubris make quick decisions, do not waste time in considering all other strategic choices, and negotiate deals faster than other decision makers (Aktas et al., 2016; Hiller & Hambrick, 2005; Picone et al., 2014). High hubris CEOs tend to have narrow perspectives, neglect possible threats, and fail to prepare for multiple scenarios that might emerge during an acquisition (Picone et al., 2014). In other words, CEOs with high hubris are prone to incomplete strategic analysis before making decisions (Picone et al., 2014). For example, high hubris can lead to overestimation of possibilities from R&D ventures that leads to over commitment in such risky strategies (Hirshleifer, Low, & Teoh, 2012). Also, in high technology industries, Galasso and Simcoe (2011) found that CEOs with high hubris were more likely to pursue innovation.

In accordance with the above logic, this study theorizes that acquiring firm CEOs with high hubris will attribute the deal failure on external factors. It is likely that overconfident CEOs will think they have more than necessary abilities to complete acquisitions. Thus, they will perceive that the deal failure was caused by external factors that can be controlled in their next acquisition attempt. Since CEOs with high hubris may not consider all possible strategic choices and are prone to incomplete strategic analysis (Picone et al., 2014), studies have found that their overconfidence may make them committed to their chosen strategic choice (Doukas & Petmezas, 2007).

Additionally, studies have shown that overconfident people have an illusion of control of future life outcomes that makes them over committed (Weinstein, 1980; Weinstein & Klein, 2002). An overconfident CEO will have unrealistic expectations from acquisition outcomes and is more likely to downplay the potential problems that might exist in such riskier strategies (Picone et al., 2014). Therefore, this research suggests that CEOs with high managerial hubris will remain focused on their riskier external strategy even after their first attempt at acquisition failed.

Conversely, CEOs with lower hubris are more likely to fully assess the reason behind the acquisition failure — including assessing that they themselves might be to blame for the failure. Such analysis is likely to lead to a more thoughtful decision process as well as debate surrounding strategic alternatives. Thus, CEOs with less overconfidence are less likely to rush into a second acquisition and are more likely to pursue alternative less risky means of fulfilling their strategic objectives. Accordingly, the study suggests that CEOs with low levels of hubris are more likely to attribute acquisition failures to internal factors as well as consider safer internal means to achieve their goals. Thus, it hypothesizes:

Hypothesis 7: Following acquisition failure, CEOs with high hubris are more likely to make second acquisition.

Section 3.1.6: Moderating Role of Failure Attribution

Research suggests individuals' response to failure is dependent on the reason to which they attribute the failure (Harvey et al., 2014; Weiner, 1985). Weiner (1985) suggested that individuals characterize the reasons for success or failure on three dimensions of locus of causality, stability, and controllability. First dimension of locus of causality refers to whether individuals perceive outcome as internal or external. Individuals attribute the reasons as internal when they lack the effort or ability to perform a specific task. On the other hand, external attribution tends to put the blame on others and situations out of one's control and not on individual's abilities (Weiner, 1985). Individuals suffer from self-serving bias as they attribute success to themselves and failures to external factors (Arkin et al., 1980; Baker et al., 2007; Libby & Rennekamp, 2012; Mezulis et al., 2004; Moore & Cain, 2007).

Studies found that CEOs were more likely to engage in self-serving behaviors in taking credit for the firm's successes, but on the other hand, engaging in scapegoating for firm's failures (Barker III & Patterson Jr, 1996; Haleblian & Rajagopalan, 2006; Wagner III & Gooding, 1997). CEOs were more likely to use information asymmetries to their advantage to protect their reputation (Haleblian & Rajagopalan, 2006). When CEOs have proven track record of success in the form of prior acquisition success experience or high hubris because of prior positive performance, shareholders are less likely to question the CEO's choice of failure attribution. Therefore, CEOs with prior acquisition success experience or high hubris are more likely to continue on the same strategic direction even after the deal failure.

However, when CEOs do not have proven track record in form of prior success acquisition experience or have low hubris, they are less likely to engage in scapegoating. As research suggests that deal failure has severe potential negative outcomes for the CEOs' career (Lehn & Zhao, 2006; Wong & O'Sullivan, 2001), it is unlikely that CEOs will attribute the reason choice for deal failure as internal. Irrespective of the attribution choice of failure as internal or external, CEOs are less likely to pursue the same strategy as another failure might lead to a strong negative reaction from the shareholders and even, lead to their dismissal (Lehn & Zhao, 2006; Wong & O'Sullivan, 2001).

Weiner (1985) suggested that the second important dimension of attribution is stability, i.e. how permanent the reason for failure is perceived to be by the individual. Research suggests that this dimension deals with lack of ability (internal and stable cause) and lack of effort (internal and unstable cause) (Harvey et al., 2014). CEOs with high acquisition experience and high hubris are less likely to question their abilities if a deal falls through but are more likely to increase their effort in due diligence in the subsequent deals. Therefore, this study expects the CEOs with high acquisition success experience and high hubris to continue on the same strategic direction as compared to CEOs with low acquisition success experience and low hubris.

Lastly, the third dimension of attribution refers to the controllability of the reason of failure (Harvey et al., 2014; Weiner, 1985). Controllability refers to the extent to which an individual perceives the cause of an outcome under his or her control (Weiner, 1985). For example, effort can be considered as controllable whereas task difficulty and environmental conditions can be considered as uncontrollable (Harvey et al., 2014). Therefore, this research expects CEOs with high acquisition success experience and high hubris to continue on the same strategic direction if they attribute failure to some controllable factor. On the other hand, when the reason for deal failure is uncontrollable such as regulatory approval or economic conditions, this research expects CEOs to change their strategic direction following the failure.

In sum, this study argues that the attribution choice of failure by the CEOs will interact with their prior success acquisition experience and hubris to effect the post-failure strategic outcomes. If CEOs perceive reason for failure as uncontrollable, they are more likely to change their strategic direction following the failure. However, if they perceive the reason for failure as controllable and within their abilities, they are more likely to continue following the same strategic direction. Thus, this study hypothesizes:

> *Hypothesis 8: Following acquisition failure, the failure attribution moderates the relationships between a) CEOs with more deal completion acquisition experience, and b) CEO hubris, and pursuit of a second acquisition such that CEOs who attribute deal failure to uncontrollable reason are less likely make a second acquisition.*

Section 3.1.7: Moderating Role of Deal Failure Magnitude

Research suggests managers do not learn from all previous events, but rather that they learn from the most salient ones (March & Olsen, 1976; March, Sproull, & Tamuz, 1991). Owing to limited managerial attention and capacities, managers chose to be selective in reacting to those stimuli that are salient in nature and can impact them or the firm significantly (Ocasio, 1997; Penrose, 1959). Studies suggest managers learn from those experiences that are more visible and attract more public attention (Haunschild & Miner, 1997). In case of value-enhancing acquisitions, studies have shown that shareholders often react negatively to deal failures (Amihud et al., 2013; Croci, 2006). However, more recent research suggests that not all failures are percieved negatively by the shareholder. Some failures might result in positive stockholder reactions because the acquisitions were value-reducing in the beginning (Alexandridis et al., 2014; Jacobsen, 2014). This research suggests that the magnitude of shareholder reactions defined as “deal failure magnitude” plays an important role in determining how CEOs respond to deal failures.

In accordance with paying attention to salient events, the degree of learning from the event depends on the severity of the event (Deakins & Freel, 1998; Kim, Kim, & Miner, 2009). Executives are more likely to learn from critical or significant events resulting in either huge gains or losses than they are from events resulting in average gains or losses (Gong et al., 2017; Kim et al., 2009). In other words, executives are likely to take performance feedback more seriously and learn more in cases where the magnitude of deviation is large. In support of the above arguments, Gong et al. (2017) found that CEOs paid more attention to magnitude of prior failed acquisitions in deciding the premium to be paid for subsequent acquisitions.

When faced by failure, firms often face accountability pressures (Sagan, 1993; Sitkin, 1992). Following a small negative failure, CEOs are faced with less accountability pressure and therefore are more likely to attribute failure to an external controllable event that can be corrected in the next attempt (Gong et al., 2017; Hayward, 2002). However, following a large negative failure, attention shifts towards determining accountability for failure (Gong et al., 2017; Hayward, 2002). Under pressure from the initial failure, CEOs are less likely feel it is promising to pursue a second acquisition.

Additionally, because CEOs can receive backlash from both shareholders and media following a failed value-enhancing deal, they are more likely to become defensive about future acquisition attempts (Denrell & March, 2001). Large negative failure might also cause power shifts within the firm towards the coalition opposed to the current acquisition strategy of the firm. Therefore, it is possible for CEOs to pursue a less risky strategy in the future to save their own reptuation and to protect from political shifts within the firm. Accordingly, this study suggests that the positive relationships between acquisition experience, functional background, and CEO hubris and the pursuit of a second acquisition following deal failure will be reduced following a deal failure of larger negative magnitude[6] (i.e., large stockholder reactions). This study hypothesizes:

[6] Important to note that failures that result in positive market reactions act as a sign of CEO quality. Therefore, CEOs in such cases are more likely to follow same strategic direction following the deal failure.

Hypothesis 9: Following acquisition failure, the deal failure magnitude moderates the relationships between a) CEOs with more deal completion acquisition experience, b) output backgrounds, and c) CEO hubris, and pursuit of a second acquisition, such that CEOs who had a larger-scale deal failure are less likely make a second acquisition.

INSERT TABLE 3.1 ABOUT HERE

INSERT FIGURE 3.2 & 3.3 ABOUT HERE

Chapter 4

Research Design and Methodology

This chapter focuses on explaining the research design, measurement of constructs, and analytical methodologies that I employ to examine the study's hypothesized relationships. In Section 4.1, I discuss the study and research design and the criteria for sample inclusion. Next, Section 4.2 describes how I operationalized each key dissertation construct. Table 4.1 summarizes the dissertation variables and the data sources. Finally, Section 4.3 gives an overview of the analytical techniques that I used to test the hypotheses.

Section 4.1: Study Design and Research Strategy.

The primary purpose of this research is to examine the effect of CEOs' prior acquisition experience on the likelihood of deal failure and on the post-strategic outcomes following such events. Studies have suggested that about 14-25 % of acquisitions are not completed (Croci, 2006; Holl & Kyriaziz, 1996; Muehlfeld et al., 2007; O'Sullivan & Wong, 1998; Pickering, 1983). Given that these events occur infrequently for a single firm, a multi-year cross-sectional research design is most appropriate.

I identified initial sample of failed acquisitions through the Mergers and Acquisitions Database of the Securities Data Corporation (SDC). I included all transactions made by US firms between 2000 and 2015 to ensure that the period captured a sizeable number of deal failures with representation of pre-great recession (2000-2006), great recession (2007-2009), and post-great recession effects (2010-2015). I limited the data to include only deals that were not fully completed and where the acquirer attempted to purchase at least 50 percent equity stake in the target company. Next, I filtered deals using the following criteria to ensure the availability of firm, CEO, and control data. First, I included transactions for publicly-traded companies listed in the Compustat database. Second, I included information on CEOs' prior acquisitions using their employment history from Execucomp and SDC Platinum databases. When necessary, I supplemented CEO employment data from multiple sources such as RelSci, Dun & Bradstreet, LinkedIn, and Bloomberg executive profile databases.

Next, I followed a number of steps to accurately identify failed acquisition transactions. Prior studies have identified failed deals as deals in SDC database with status of "Incomplete". However, in early examination of SDC data, I found that 70-80 percent of the deals marked as "incomplete" were in fact "completed" and the data was not updated. This finding suggested that much of "incomplete", "withdrawn" and "failed" deals were inaccurately marked in the database and needed verification with a manual search. Thus, to ensure the accuracy of the final data set of failed deals, I verified the status of the transaction using LexisNexis and Google searches. This search resulted in a total of 347 failed deals.

To increase the power of the design, I created a matched-pair sample, where each failed acquisition was matched with a similar completed acquisition. Matched-pair research designs are very helpful while testing effect of a treatment on observational data. Due to the nature of observational data, selecting a random sample is very difficult as the events have occurred in past. To control for possible confounding variables, matched-pair design helps in removing bias by comparing two groups that have equal propensity to be assigned in the treatment group (Wang & Liu, 2013). For example, in this dissertation's context, matched-pair design can help control for other possible unknown confounding factors that might influence the likelihood of a deal failure. The matched-pair sample allowed me to accurately capture the way that CEO characteristics influence deal failure, while controlling across multiple other aspects of the firms, industry, and the transaction. To create the matched-pair sample, I used propensity score matching technique and match the firms based on acquisition year, acquirer size, acquirer's industry, transaction value, target's industry and acquirer's prior financial performance. The matched-pair descriptive statistics can be found in Table 4.2. The sample included 694 matched-pair acquisitions, but due to missing control data for a number of acquiring firm and target firm CEOs, the final sample was 532 matched-pairs.

INSERT TABLE 4.1 & 4.2 ABOUT HERE

Section 4.2: Dissertation Variables and Measures

Study I Variables

Section 4.2.1: CEO Experience

Prior research has commonly operationalized CEO experience using the number of acquisitions made by the firm in the 5 years prior to the focal year (Muehlfeld et al., 2012). This dissertation is interested in measuring individual level prior experience that captures the prior number of acquisitions undertaken by the CEO including his/her experience prior to employment at the focal firm. *Acquiring CEO's depth of experience* was measured the number of acquisitions made by the CEO 5 years prior to the focal acquisition. Similarly, *target CEO's depth of experience* was measured as number of acquisitions undertaken by the target firm's CEO in the 5 years prior to the focal acquisition. In addition to individual level experience, firm level *depth of acquisition experience* was also measured. If the CEO tenure at the firm was more than 5 years, then the firm level depth of acquisition experience equals the CEO-level depth of acquisition experience. However, for CEOs with a tenure less than 5 years and no prior acquisition experience depth, acquiring firm level depth of acquisition experience was used as research suggests that CEOs can learn from firm's prior acquisition experience (Muehlfeld et al., 2012). *Acquiring firm's depth of acquisition experience* & *target firm's depth of acquisition experience* was measured by counting the number of acquisitions completed by acquiring firm and target firms 5 years prior to the focal acquisition respectively.

Prior studies have characterized a firm's prior acquisition in the following 3 categories that represent the complexity of the acquisitions: cross-border, diversifying, and hostile (Muehlfeld et al., 2012). Similarly, a*cquiring CEO's breadth of experience* was measured as the diversity of acquiring firm CEO's acquisition experience in the above categories in the 5 years prior to the focal acquisition. Similarly, *target CEO's breadth of experience* was measured as the diversity of acquiring firm CEO's acquisition experience in the above categories in the 5 years prior to the focal acquisition. Based on prior research, this study used Blau's heterogeneity index as a measure of breadth of CEO's prior acquisition experience (Blau, 1977; Haynes & Hillman, 2010). In addition to calculating CEO-level breadth of experience, this study measured *acquirer firm breadth of experience* and *target firm breadth of experience* as the diversity of acquiring and target firm's acquisition experience in the above categories in the 5 years prior to the focal acquisition respectively. For a special case scenario where CEO's tenure was less than 5 years, firm's experience depth and breadth was measured to represent CEO's experience depth and breadth as prior research suggests that CEOs learn from firm's prior acquisition experience (Muehlfeld et al., 2012).

Acquisition experience breadth was measured as$(1 - \Sigma\rho_i^2)$, where ρ_i is the proportion of number of acquisitions in each Category$i$. The range of the index depends on the number of categories (3 in this case) and varies from 1 to$(i - 1)/i$. In the current sample, acquisition experience breadth will vary from 0 when the firm has experience in only 1 category to 0.67 when the firm has equal experience in all 3 categories.

Section 4.2.2 Deal Failure

Prior research has identified failed deals using the status indicator in SDC database. However, based on the preliminary data analysis, I found that the field was inaccurate and did not reflect the correct status of the acquisition. Accordingly, this study used LexisNexis and Google searches of transaction announcements to verify the status of each acquisition. If the transaction was incomplete, the transaction was coded as a failure and if transaction was completed, it was coded as complete. Finally, transactions where no information on completion was found were dropped from the sample. Specifically, *Deal Failure* was coded as 1 if the transaction failed, and coded as 0 if the transaction was completed.

Study II Variables

Section 4.2.3: CEO deal completion experience

Based on prior research, CEO’s deal completion experience was operationalized as number of acquisitions made by the firm in the 5 years prior to the focal year (Muehlfeld et al., 2012). For CEOs with tenure less than 5 years and no prior acquisition experience, firm level acquisition experience was used to substitute CEO’s deal completion experience, which was measured by counting the number of acquisitions completed by acquiring firm 5 years prior to the focal year.

Section 4.2.4: CEO Functional Background

I obtained information about *CEO’s functional background* from online searches, including Relationship Science database (RelSci), Bloomberg Executive Profiles, LinkedIn, the Bloomberg Database, and official firm websites. Following prior research, for executives with throughput background (e.g., manufacturing, finance, accounting, administration, and law), *CEO's functional background* was coded as 1. Whereas for executives with output background (e.g., marketing, sales,, and engineering), *CEO's functional background* was coded as 0 (Jensen & Zajac, 2004). In cases where CEOs had experience in both output and throughput backgrounds, functional background that included more experience was considered. In cases when no data about functional background was found, CEO's executive tenure was used and the functional background was coded as 1.

Section 4.2.5 CEO Hubris

Measuring psychological orientation of CEOs has always been one of the biggest hurdles faced by researchers because executives at large public corporations tend to be unwilling to respond to survey questionnaires about personality traits such as hubris (Cycyota & Harrison, 2006; Tourangeau & Yan, 2007). Moreover, such responses if received may suffer from social biases (Arnold & Feldman, 1981). To find a way around non-responses, researchers have devised a practical and alternative approaches using unobtrusive indicators of underlying psychological traits (Chatterjee & Hambrick, 2007; Hayward & Hambrick, 1997; Webb & Weick, 1979).

Studies have found various factors can help predict the presence of CEO hubris without measuring their personality traits including: a) firm's recent success, b) firm's recent praise, c) CEO self-importance, and d) CEO power and tenure (Fast, Sivanathan, Mayer, & Galinsky, 2012; Hayward & Hambrick, 1997; Owen & Davidson, 2009; Picone et al., 2014). Recent success can give executives a sense of overachievement and validation of their abilities, which is further amplified by the media praise they get for their firm's achievements (which they regard as their own accomplishment) (Hayward & Hambrick, 1997). Similarly, when CEOs are paid much more than the other executives of the firm or they garner awards and recognition, a sense of pride can emerge or increase (Hayward & Hambrick, 1997). Likewise, the longer they serve in the firm, the more likely they are to have greater power over the firm's resources (Owen & Davidson, 2009).

Based on the original measurement of CEO hubris proposed by Hayward and Hambrick (1997), numerous studies rely on measuring CEO media's praise to operationalize CEO hubris (Ahmed & Duellman, 2013; Hirshleifer et al., 2012; Malmendier & Tate, 2005; Tang, Qian, Chen, & Shen, 2015). Supporting this, studies from attribution theory have found that leaders have a strong tendency to attribute success to themselves, even when possible alternative explanations exist for success, and that such attributions increase when success is more pronounced (Meindl, Ehrlich, & Dukerich, 1985). Additional studies have found that CEOs tend to romanticize their media praises because the media attributes successes to the CEO's abilities (Meindl et al., 1985). Even in cases of poor performance, the media tends to remain faithful to the prior heroic images of a CEO and discounts current poor performance (Meindl et al., 1985). Portrayals of CEOs as "heroes" or "stars" tends to solidify CEO's confidence in his or her abilities and boosts their self-image (Salancik & Meindl, 1984). Accordingly, I follow prior research and use – a) media praise, and b) firm's recent success – as a measure of *CEO hubris*.

To capture media praise, I sought all news articles that mentioned each sample CEO in major publications such as *The New York Times, Business Week, The Financial Times, The Economist,* and *The Wall Street Journal* between the year the CEO was hired and year prior to the focal acquisition (Hirshleifer et al., 2012; Malmendier & Tate, 2005; Tang et al., 2015).Following prior research, I counted the number of times the press used the terms that suggest confidence to describe the CEOs. Words such as 'confident', 'confidence', 'optimistic', or 'optimism' suggest confidence whereas words such as 'reliable', 'cautious', 'conservative', ‘practical’, ‘frugal’, ‘steady’, ‘not confident’, or ‘not optimistic’ suggest conservatism (Tang et al., 2015). To make sure that I included only those words that are associated with the CEO, I counted the word only if it was used within 10 words of CEO’s name. Hence, *CEO Hubris* was calculated as the difference between the count of ‘confident’ words and the count of ‘conservatism’ words divided by sum of both count numbers (Tang et al., 2015). To confirm this measure, I also counted the number of hits in Google search for the firm name and CEO with above keywords and found similar results.

To capture firm’s recent success, firm’s performance one year prior to the focal failed acquisition was used. Prior performance was measured by calculating firm’s return on assets that is measured by dividing net income on total assets and lag the variable by 1 year.

Section 4.2.6: Failure Attribution

To obtain information on *failure attribution*, which provides an indication of whether the deal failure was attributable to internal or external factors, the acquiring and target firms’ public release statements following the deal failure were examined. The reasons specified by the firms were coded into one of the following two categories of “controllable” as 1, and “uncontrollable” as 0. The coding metric used to code failure attribution is listed in Table 4.3. The coding was verified by an independent researcher. Inter-rater reliability was calculated according to Holsti (1969). Specifically, the formula: ($R = 2A/ N_A + N_B$) was used, where R is the proportion agreement observed, A is the number of agreements between the two raters, and N_A and N_B are the number of categories coded by the two raters to assess reliability. The initial inter-rater reliability was found to be 0.83 which, according to (Krippendorff, 1980) is indicative of high reliability (>0.80). To give an example of an uncontrollable event, consider a firm A which attempted to acquire another firm B. During due diligence, firm A suffered huge financial losses due to a market crash and therefore had to withdraw from the acquisition. Since firm A has no controllability over the market behavior, this would be pursued as an uncontrollable event for firm A and therefore it is less likely to pursue another acquisition.

Section 4.2.7: Deal Failure Magnitude

To examine the “size” or magnitude of the deal failure, which captures extent of satisfaction or dissatisfaction by the investors, I used stock market reactions to the deal failure. I used CARs 3 days prior to deal failure announcement date and 3 days following the deal failure. The accuracy of measuring stock market reactions to the failure announcements is dependent upon the accuracy of the date of the event occurrence. I used google news search to identify the correct failure date for the failed acquisitions. Prior research has found that influential sources such as Wall Street Journal has one or two days delay in its announcements of given events (Darby, Liu, & Zucker, 2004; Liu, 2006). Additionally, researchers have found that positive or negative reactions to important announcement events partially result from buying or selling pressures on the event date (Barber & Loeffler, 1993; Liu, 2006). Because of the above mentioned reasons, I used 3 day, 5 day, and 10 day CARs to verify the results.

Section 4.2.8: Post-Failure Strategic Outcomes

As suggested in Chapter 3, following a deal failure firms can either make another acquisition or they can fulfill their strategic needs through other strategic outcomes. Therefore, when the firm attempts another acquisition within the next 2 years of focal failed acquisition, *acquisition* was coded as 1, otherwise *acquisition* was coded as 0.

Section 4.2.9: Study I & II Control Variables

Because I examine the effect of CEO’s decisions on deal failure, I controlled for a number of individual, firm, and transaction-level variables. Prior studies have found a number of

CEO characteristics can impact a firm's acquisition outcomes. For example, Walters, Kroll, and Wright (2007) found that CEO tenure decreases the number of acquisitions but increases the success rate of acquisition. Other studies have found similar effects of CEO age on acquisition intensity and outcomes (Yim, 2013). Additionally, studies have found that educated CEOs tend to perform better in acquisitions than less educated CEOs (Malmendier & Tate, 2008). Therefore, I controlled for individual CEO characteristics such as *CEO age*, *CEO tenure*, and *CEO education*. *CEO age* was calculated by subtracting CEO's birth year from focal acquisition year. *CEO tenure* was measured by subtracting the year CEO joined the focal firm from focal acquisition year. *CEO education* was measured as a 0/1 indicator where it was coded as 1 if the CEO had any formal management education and 0 otherwise.

Prior studies suggest that the likelihood of deal completion also depends on a number of deal characteristics such as *deal friendliness, deal value, the premium paid, ownership sought, and payment type* (Draper & Paudyal, 1999; Hirshleifer & Titman, 1990; Holl & Kyriazis, 1997; Muehlfeld et al., 2007; Myers & Majluf, 1984). *Deal friendliness* was measured as 0/1 indicator where 0 indicates the deal was friendly and 1 indicates the deal was hostile. *Deal value* was measured by using transaction value for the focal transaction. *Ownership sought* was measured as the percentage of target ownership sought by the acquiring firm. *Payment type* was measured as percentage of payment made by cash.

Finally, I controlled for a number of firm level characteristics for both acquirer and target such as *firm age, firm size*, *prior R&D spending, firm industry*, and *firm acquisition experience* which have been found to impact the acquisition activities of the firm (Muehlfeld et al., 2012; Wong & O'Sullivan, 2001). Firm age was measured by subtracting the focal acquisition year from the year it was incorporated (Li & Tang, 2010). Firm size was measured as log of total assets of the firm (Li & Tang, 2010). Firm's prior R&D spending was measured as R&D spending in the year t-1, where 't' is the focal acquisition year. And lastly, firm's industry was measured as 1 digit SIC code (Carter, Simkins, & Simpson, 2003; Miller & del Carmen Triana, 2009). I obtained information on firm's prior acquisition experience from SDC platinum by counting the number of acquisitions made by the firm five years prior to the focal failed deal. In addition to individual level, transaction-level, and firm level characteristics, I controlled for year, matched-pair, and industry effects using dummy variables in each case[6].

Section 4.3: Analysis Techniques

I use a dichotomous dependent variable to test hypotheses related to both antecedents of deal failure and post-strategic outcomes following a deal failure. This suggests that a logistic regression model is most appropriate to analyze effects of acquiring and target firm CEO's prior acquisition experience on the likelihood of deal failure (Chakrabarti & Mitchell, 2015; Muehlfeld et al., 2012; Shen et al., 2014). To aid the interpretability of the results that included moderators, I centered the independent variables prior to creating the interaction terms. To determine whether multi-collinearity was a concern, I assessed correlations as well as variance inflation factors (VIFs) using simple linear regression techniques. The correlations were less than 0.5, and the variance inflation factors were less than 3, which is well below the commonly accepted value of 10. To account for any firms that undertook a failed acquisition more than once and occurred in the sample twice, I included robust standard errors clustered by acquiring firm.

INSERT TABLE 4.3 ABOUT HERE
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[6]Due to the nature of secrecy involving private target firms, I was unable to capture certain control variables for the target firm. For example, many target firms involved in the failed acquisitions were privately-held companies and thus did not report information to the Securities Exchange Commission (SEC). Therefore, information on target age, target R&D spending, target size, and premium offered was unavailable from both primary and secondary sources.

Chapter 5

Dissertation Results

Chapter 4 described the methods (research design, methodology, data collection, measurement of dissertation variables, and statistical methodologies) of this dissertation. This chapter discusses the statistical models and results.

Section 5.1: Descriptive Statistics

Tables 5.1 and 5.2 reports the means, standard deviations, and correlations for the variables used in both Studies I and II. The correlation between variables are in line with prior research findings. For example, there is a significant positive correlation between deal value (0.15), deal friendliness (0.18), ownership sought, and the likelihood of deal failure. This is in line with prior research that suggests that larger deals, hostile deals, and deals involving larger ownership are more likely to fail than smaller deals.

Section 5.2 Hypotheses Testing

I present the results of the logistic regressions for Study I in Table 5.3, and for Study II in Tables 5.4, 5.5 and 5.6. Table 5.3, Model 1 presents the Study I control variables. Table 5.3, Models 2-5 present the independent variables of interest and examine their effects on the likelihood of deal failure. Table 5.4, Model 1 presents the Study II control variables. Table 5.4, Models 2-5 presents the Study II independent variables of interest and examines their effects on likelihood of a second acquisition following a deal failure. Table 5.5 and 5.6 present models testing the moderating effects of deal failure attribution and deal failure magnitude. All the tables report coefficients and standard errors.

Hypothesis 1 predicts that acquirer CEO's prior deal-making experience depth is negatively related to the likelihood of deal failure. Supporting this hypothesis, as shown in Table 5.3, Model 2, I found a negative relationship between acquirer CEO's prior deal-making experience depth and likelihood of deal failure (*b* = -0.033, *p* = 0.033). In other words, acquiring firm CEOs with prior deal-making experience depth are better equipped to handle the acquisition negotiation process and therefore are more likely to succeed in completing an acquisition than acquiring firm CEOs with less prior deal-making experience depth.

INSERT TABLE 5.1, 5.2, & 5.3 ABOUT HERE

Hypothesis 2 predicts that acquirer CEO's prior deal-making experience breadth is negatively related to the likelihood of deal failure. I did not find support for this hypothesis (*b* = -0.680, *p* = 0.403). Next, I examined whether target CEO's prior deal-making experience reduced the negative relationship between the acquirer CEO's prior deal-making experience and likelihood of deal failure (*b* = 0.007, *p* = 0.022), thereby providing support for Hypothesis 3. To aid in interpretation of the results, the interaction plot of acquirer CEO's prior experience depth and target CEO's prior experience depth is depicted in Figure 5.1. This suggest that, as predicted, acquisition negotiations with experienced target CEOs are more complex than negotiations involving less experienced targets CEOs and are therefore more likely to fail.

INSERT FIGURE 5.1 ABOUT HERE

Next, I examined the moderation effect of target CEO's prior deal-making experience breadth on the relationship between acquirer CEO's prior deal-making experience breadth and likelihood of deal failure in Hypothesis 4. However, I did not find support for this hypothesis (*b*

= 7.800, p = 0.166). In sum, I found support for two out of four hypotheses for study. Of note, I did not find support for any of the hypotheses related to acquirer or target CEO acquisition experience breadth. I discuss the implications of these findings in Chapter 6. Next, I present the findings for Study II that examines strategic outcomes following deal failure.

I present the results for Study II in Table 5.4, 5.5, and 5.6. The first three hypotheses of this study examine the impact of CEO characteristics (deal completion experience, functional background, and hubris) on strategic choices following a deal failure. Hypothesis 5 predicts that CEOs with more deal completion acquisition experience are more likely to make another acquisition following a deal failure. Supporting this Hypothesis, as shown in Table 5.4, Model 2, I found a positive relationship between CEOs' deal completion experience and the likelihood of making another acquisition following a deal failure (b = 0.121, p = 0.006). This suggests that CEOs with prior deal completion experience are more likely to consider the deal failure as an exception and hence more likely to continue on the same strategic path by making another acquisition following the failure.

INSERT TABLES 5.4, 5.5, & 5.6 ABOUT HERE

Hypothesis 6 predicts that CEOs with throughput background (i.e. CEOs with finance, accounting, and law backgrounds) are more likely to pursue another acquisition following a deal failure. I did not find support for relationship between CEO's throughput background and likelihood of making another acquisition (b = -0.426, p = 0.281). Therefore Hypothesis 6 was not supported. I discuss the implications of this non finding in the discussion section. Next, in Hypothesis 7, I examined whether CEOs with hubris are more likely to pursue another acquisition following deal failure. Again, I did not find support for this Hypothesis using the media measure of hubris (*b* = -0.127, *p* = 0.723). However, I found that Hypothesis was supported[7] when hubris was operationalized using firm's prior success (*b* = 1.144, *p* = 0.077). Hence, I found support for two out of the three hypotheses dealing with CEO characteristics (i.e. I found that only CEO's deal completion acquisition experience and CEO hubris positively influences the likelihood of deal failure).

The next set of hypotheses examine the moderating effect of failure attributions and failure magnitude on relationship between CEO characteristics and the likelihood of a second acquisition. Hypotheses 8a-b examine whether failure attributions influenced the relationship between CEO characteristics and likelihood of second acquisition. As shown in Table 5.5, Model 2-4, the coefficients for the interaction between CEO deal completion experience (*b* = 0.073, *p* = 0.312) and CEO hubris (media measure) (*b* = -0.607, *p* = 0.472) were insignificant. Additionally, I found that hypothesis was not supported when hubris was operationalized using firm's prior success (*b* = 0.454, *p* = 0.589). Thus, I did not find support for any of the moderation sub-hypotheses for Hypothesis 8. Failure attributions do not seem to impact post-failure strategic choices.

Next, I examined the moderating role of deal failure magnitude on the relationship between CEO characteristics (deal completion experience, functional background, and hubris) and likelihood of making a second acquisition. As shown in Table 5.6, Models 2-5, I found that the coefficients for the interaction between deal failure magnitude and CEO's deal completion experience (*b* = 0.035, *p* = 0.386) and CEO functional background (*b* = 0.315, *p* = 0.333) were insignificant. Additionally, results show that coefficients for interaction between deal failure magnitude and CEO hubris were dependent on the measure of CEO hubris.

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[7]Important strategy journals such as Strategic Management Journal and Journal of Management consider a hypothesis at 10% level significant (Kuusela, Keil, & Maula, 2017).

When CEO hubris was operationalized using CEO's media praise, I found the results to be insignificant (*b* = 0.059, *p* = 0.855). However, when I operationalized CEO hubris using firm's prior success, the results were significant (*b* = -2.689, *p* = 0.036). Therefore, I only found support for one of the three sub-hypotheses of Hypothesis 9. To aid in interpretation of the results, the interaction plot of deal failure magnitude and CEO hubris is depicted in Figure 5.2, and Figure 5.3.

INSERT FIGURE 5.2 ABOUT HERE

In sum, supporting the primary predictions, I found that negotiation outcomes are dependent upon both acquiring firm and target firm CEO's experiences. Additionally, I found that target firm CEO's prior deal-making experience depth poses additional complications to already complex acquisition process and increases the likelihood of deal failure. Conversely, I did not find support for theorizing that having a larger breadth of experience influences the likelihood of deal failure. I discuss the implications of Study I findings for research and practitioners in Chapter 6.

In Study II, I found that acquiring firm's post-failure strategic choices (making a second acquisition) are a function of acquiring firm CEO's prior deal completion experience and CEO hubris. Additionally, I did not find support for the influence of CEO's failure attributions on any of the relationships between CEO characteristics and the likelihood of making a second acquisition. Lastly, I found support for moderating influence of deal failure magnitude on relationship between CEO hubris and the likelihood of making a second acquisition. The findings for Study I and II are summarized in Table 5.7. I discuss the implications of the findings of Study II in Chapter 6.

Chapter 6

Discussion and Conclusions

This dissertation proposed two separate models examining the antecedents and outcomes of a deal failure. The first model indicates that negotiation outcomes of the pre-completion acquisition phase are a function of both acquirer and target CEOs' prior acquisition experience. Additionally, it suggests that CEO acquisition experience is a bi-dimensional construct consisting of depth and breadth dimensions that influence the likelihood of deal failure. Results partially show significant relationships between the relationships proposed in Model I. The results highlight the positive influence of the acquiring CEO's acquisition experience in preventing a deal failure. Additionally, they suggest negative influence of target firm CEO experience on the relationship between acquiring CEO experience and likelihood of deal failure. However, results fail to show the influence of experience breadth of any CEO on the likelihood of deal failure.

The second model of this dissertation explores variance in a firm's post-failure strategic outcomes. It indicates that firm's post-failure strategic outcomes are a function of CEO's characteristics and failure context. The results show partial support for the relationship between CEO characteristics and firm's likelihood of making a second acquisition following a deal failure. Specifically, results show that CEOs with prior deal completion experience and hubris are more likely to make another acquisition following a deal failure. However, the results fail to show support for moderating influence of failure attribution on the relationship between CEO characteristics and firm's likelihood of making a second acquisition following a deal failure. Additionally, this study found partial support for moderating influence of deal failure magnitude on the relationship between CEO characteristics and firm's likelihood of making a second acquisition following a deal failure. The following paragraphs discuss the findings of each hypothesis in detail. Table 5.7 provides a summary of these results.

Section 6.1: Discussion

There were five primary research questions that drove this dissertation:

1. What is the influence of acquirer CEO's prior deal-making experience (breadth and depth) impact the likelihood of deal failure?
2. In what capacity does target CEO's prior deal-making experience (breadth and depth) interact with acquirer CEO's prior deal-making experience (breadth and depth) to impact the likelihood of deal failure?
3. What is the influence of acquiring CEO's characteristics influence the firm's strategic choices following a deal failure?
4. In what capacity does the attribution of failure interact with CEO personal characteristics to impact a firm's strategic choices following a deal failure?
5. In what capacity does the deal failure magnitude interact with CEOs personal characteristics to impact a firm's strategic choices following a deal failure?

Each of these questions is addressed in detail in the following discussion section.

Section 6.1.1: Discussion of Dissertation Results

Examining the importance of acquisition experience in acquisition decision making process, the first series of hypotheses posited a relationship between acquirer and target firm CEO's prior acquisition experience and likelihood of deal failure. Hypothesis 1 predicted a relationship between acquiring firm CEO's prior acquisition experience depth and likelihood of deal failure. I defined CEO's acquisition experience depth as the number of acquisitions made by the CEO 5 years prior to the focal acquisition. The Hypothesis 1 theorized that experienced acquiring firm CEOs are more likely to manage the pre-completion acquisition process more efficiently than less experienced CEOs. Experienced acquiring firm CEOs are better equipped to navigate through any conflicts and pitfalls that might come in the pre-completion acquisition process.

Results for Hypothesis 1 indicate that deals involving acquiring firm CEOs with more prior acquisition experience depth were less likely to fail than those involving acquiring firm CEOs with less acquisition experience depth. The results differ from prior research, which suggest no relationship between the acquiring firm's acquisition experience and the likelihood of deal failure (Muehlfeld et al., 2012). Differing from prior research, which examined acquiring firm level acquisition experience, this study theorized that pre-completion acquisition outcomes depend on the negotiation skills of the individual CEOs. CEOs hone their negotiation skills from their prior acquisition experience by rejecting routines that did not work and accepting the ones that generate positive results. Further, this research theorized that firm level experience and individual level experience are different constructs as CEOs often change jobs and accumulate experiences while working at different firms throughout their careers. Supporting the above arguments, results show that acquiring CEOs with more acquisition experience depth better equipped firms to handle the complex negotiation process than.

Hypothesis 2 posited the relationship between acquiring CEO's breadth of acquisition experience and likelihood of deal failure. I defined breadth of acquisition experience as experience that captures the diversity of CEO's acquisition experience across complexity dimensions of diversification, friendliness, and national borders. Prior research has examined the role of contextual experience on the likelihood of deal failure and found that learning from acquisition experience is transferable within contexts, but has yet to examine the transfer of learning between different contexts (Muehlfeld et al., 2012). This study theorized that as pre-completion acquisition process is structurally similar across different contexts, learning from one context can be transferred into another context. Additionally, using the task complexity literature, it theorized that experience in completing complex acquisitions would aid CEOs in completing simpler acquisitions.

However, results indicate that acquiring CEO's breadth of experience is not related to likelihood of deal failure. Non-significant findings for Hypothesis 2 can be explained by examining the measure of acquisition experience breadth. Upon examining the sample for variance in complexity dimensions, I found that very few of acquiring firms had undertaken any complex acquisitions in the past. The small number of complex acquisitions in the sample resulted in a small variance (see descriptive statistics in Table 4.1). Future research can expand on the number of dimensions of complexity (i.e. inter-industry, hostile, cross-border, large, and high tech) to measure diversity of acquisition experience. For example, acquiring firms larger target firms compared to the acquirer can be a complex process as gathering and processing information becomes complex as size grows.

The second Research Question sought to better understand the role of target's acquisition experience in pre-completion phase of acquisition process. Hypotheses 3 and 4 theorized that because pre-completion negotiations involve both acquiring and target firm CEOs, negotiation outcomes depend on both acquiring firm and target firm CEOs' prior acquisition experience. Specifically, the hypotheses theorized that when the target firm CEO is experienced, the likelihood of deal failure increases. Because both CEOs would like to maximize value for their respective shareholders, the likelihood of them having disagreements over transaction value might increase (Cuypers et al., 2017). Further, research from role theory suggests that transactions run into conflicts when there is a lack clarity in role expectations between the transaction parties (Gould, 2003; Podolny, 1993; Sarbin & Allen, 1968; Shen et al., 2014). When target CEOs are experienced, they are ore used to leading the acquisitions, which might conflict with the acquirer, who is also expecting to take a leadership role the transaction.

I found partial support for these arguments. Specifically, target CEO's prior acquisition experience depth negatively moderates the relationship between acquirer CEO's prior acquisition experience depth and likelihood of deal failure such that the likelihood of failure increases when target CEOs are more experienced. The results also provide support for figure 3.1 interactions that suggest that the likelihood of deal failure is lowest when acquiring CEOs have high acquisition experience and target CEOs have low acquisition experience (Quadrant II). It also supports that likelihood of deal failure will be highest when both acquirer and target CEOs have high acquisition experience (Quadrant III). However, similar to Hypothesis 2, I did not find support for Hypothesis 4 that predicted the moderating effect of target CEO's experience breadth on the relationship between acquirer CEO's acquisition breadth and likelihood of deal failure. Future research can further explore this relationship by expanding on the measure of acquisition breadth beyond the complexity dimensions used in this study.

My third research question guided the next set of hypotheses, which focused on examining the relationship between firm's CEO characteristics and its post-failure strategic outcomes. Hypothesis 5 theorized that CEOs with more prior deal completion experience are more likely to make another acquisition than CEOs with less experience. I found that CEOs' prior deal completion experience is positively related to likelihood of making a second acquisition. Using organizational learning theory, research suggests that CEOs refine their routines and learn from prior mistakes, but once the routines result in successes, they tend to engage in less rigorous search for better routines and satisfice with the routines that work (Barkema & Schijven, 2008a; Haleblian & Finkelstein, 1999; Hayward, 2002). Thus, CEOs with prior deal completion experience might consider deal failure as an exception to their learning and are more likely to make second acquisition.

The next hypothesis predicted a relationship between CEO's functional background and the likelihood of making a second acquisition. Results did not support its prediction and suggest that CEO's functional background does not influence firm's likelihood of making a second acquisition following a deal failure. Upper echelon literature suggests when CEOs are faced with complex strategic situations, they tend to gravitate towards situations similar to their functional background (Dearborn & Simon, 1958). Studies have found CEOs with throughput background (finance, accounting, and law) are more likely to make acquisitions than CEOs with output backgrounds (production, marketing, and research) (Dearborn & Simon, 1958; Michel & Hambrick, 1992; Song, 1982). One possible explanation for the non-significant finding is that long-tenured CEOs do not tend to gravitate towards a particular specialization. Another possible explanation for the non-significant finding is due to a lack of variance (less than 10% of the CEOs in the sample came from output functional backgrounds) in functional background in the sample.

Hypothesis 7 posited the relationship between CEO's hubris and likelihood of making a second acquisition. The results suggest that CEO's hubris (as captured by its media measure) is not related to the likelihood of making a second acquisition. However, post-hoc analyses suggest that other commonly used indicators of CEO hubris (prior success) are linked to the likelihood of making a second acquisition. Prior research has found CEOs with hubris tend to make more and bigger acquisitions (Hayward & Hambrick, 1997). Moreover, research on CEO hubris suggests hubristic CEOs are more likely to attribute success to their overestimated abilities and attribute failure to external factors (Armor & Taylor, 2002). On similar lines of prior research, results found that following a deal failure, hubristic CEOs were less likely to question their acquisition abilities and more likely to blame the failure on external factors — which results in a greater likelihood of making a second acquisition.

The fourth research question guided the next set of hypotheses. Hypotheses 8a-8b predicted the moderating effect of failure attributions on the relationship between CEO's characteristics and the likelihood of making a second acquisition. Research suggests that CEOs tend to engage in self-serving behavior while taking credit for a firm's success and blaming the failure on external factors (Baker et al., 2007; Libby & Rennekamp, 2012; Mezulis et al., 2004). Using attribution theory, the study theorized that CEOs with more acquisition experience and greater hubris would be less likely to change their strategic direction if they attributed failure to an external factor. However, the results suggest that failure attribution has no moderating effect on relationship between a) CEO deal completion experience, b) CEO hubris and firm's likelihood of making a second acquisition. Prior research suggests that deal failure is an expensive event for the firm and has many negative outcomes for a CEO's career (Lehn & Zhao, 2006; Wong & O'Sullivan, 2001). Therefore, it is likely that CEOs try to minimize the impact of negative events by engaging in impression management techniques at the time of announcement of deal failure (Graffin, Haleblian, & Kiley, 2016). Such impression management techniques employed by CEOs in deal failure announcement statements can make it difficult for researchers to measure the correct failure attribution. Further research can examine the role of impression management in a firm's post-failure strategic outcomes.

To examine the fifth Research Question, Hypothesis 9a-9c posited that deal failure magnitude would moderate the relationship between CEO's characteristics and likelihood of making a second acquisition. Prior studies suggest that CEOs pay more attention to salient events and are more likely to take performance feedback seriously (March & Olsen, 1976; March et al., 1991). Furthermore, investors are more likely to put pressure on CEOs to perform when the losses due to failure are higher (Gong et al., 2017; Hayward, 2002). The study theorized that because of high investor pressure following large failures, CEOs were less likely to make a second acquisition attempt.

Results suggest that deal failure magnitude negatively moderates the relationship between CEO hubris (when measured using firm's past success) and likelihood of making a second acquisition. Additionally, results suggest that deal failure magnitude does not affect the relationship between CEO's prior deal making experience, CEO's functional background and the likelihood of making a second acquisition. Although CEOs with hubris are overly confident in their abilities to make successful acquisitions (Hayward & Hambrick, 1997), when faced with investor pressure following a deal failure, they are less likely to follow up with another acquisition. This is in line with prior research that found hubristic CEOs are less likely to engage in irresponsible activities when they felt dependent on the shareholders for valuable resources (Tang et al., 2015).

Although, the moderation effect was negative and significant. Surprisingly, when viewed graphically, the moderation effect changed magnitude based on whether deal failure magnitude was positive or negative. Figure 5.2 suggests that hubristic CEOs are less likely to make a second acquisition when stock market reacts positively to the failure announcement. However, according to Figure 5.3, hubristic CEOs were more likely to make a second acquisition attempt when the stock market reacted negatively to the failure announcement. This suggests that hubristic CEOs tend to take more risky actions when faced with negative reactions. However, they are less likely to take risks when faced with positive reactions. Further research is needed to explore the hubristic CEO responses to failure.

Section 6.2: Dissertation Contributions

This study makes a number of important contribution to the acquisition literature. First, this study highlights the importance of role of acquiring CEO's prior acquisition experience depth on pre-completion deal outcomes and suggests that acquiring firm CEOs that are more experienced are more likely to complete an acquisition than less experienced CEOs. Second, this study makes an important methodological contribution to the acquisition literature. Prior research has examined the role of acquisition experience from a firm level learning perspective (Muehlfeld et al., 2012). This dissertation suggests that learning occurs at both individual and firm levels and pre-completion deal outcome depends individual level learning of CEOs from their prior acquisition experience, which might extend beyond the focal firm's boundaries.

Third, prior acquisition literature has heavily focused on the role of acquiring firm and its CEO in the acquisition decision making process and has not given enough warranted attention to the target firm and it's CEO. This dissertation suggests that pre-completion acquisition outcomes are function of interaction between the two CEOs and their experiences. The study shows that acquisition negotiations become more complex and have higher likelihood of failure when targets sought by the acquiring firms have CEOs that have prior acquisition experience.

Fourth, this dissertation suggest that CEOs with prior deal completion experience are more likely to make a second acquisition attempt following their first failed attempt. Experienced CEOs feel confident in their abilities and are less likely to question their acquisition routines following a deal failure. Experienced CEOs are also less likely to face investor pressure following a deal failure as investors might also discount it as one-time failure compared to numerous deal completions of the past.

Fifth, this dissertation suggests that hubristic CEOs are more likely to make a second acquisition attempt following their first failed attempt. Hubristic CEOs are very confident in their abilities and are more likely to discount the probability of future failures (Armor & Taylor, 2002). Additionally, hubristic CEOs are more likely to blame the reason for failure on external factors and therefore, are less likely to question the need for reassessment of their chosen strategy (Aktas et al., 2016; Picone et al., 2014).

Sixth, prior research suggests that CEOs pay attention to investor reactions while making strategic decisions (Liu & McConnell, 2013). CEOs pay more attention to events that generate a significant positive or negative response from the investors and media (Haunschild & Miner, 1997; March & Olsen, 1976). This dissertation suggests that following a deal failure, hubristic CEOs are less likely to make a second acquisition when deal failure is received with positive investor reactions as compared to the case when deal failure is received with negative investor reactions.

Section 6.3 Dissertation Limitations and Future Research

As with any research, this dissertation is not without its limitations. First, this dissertation utilizes a sample of large public acquirers based in United States that attempted to acquire other firms and generally, CEOs of large public firms have some acquisition experience. Additionally, most of the target firms were private and their CEOs had less acquisition experience than acquiring firm CEOs. Therefore, Study I couldn’t capture the scenarios where acquiring firm’s CEO had low acquisition experience and target firm CEOs had high acquisition experience (represented as Quadrant I & IV in Figure 3.1). Future research could examine the outcomes of acquisition negotiations where acquiring firm's CEOs had low experience but target firm CEOs had low and high experience. Do the chances of failure increase or decrease?

Second, future research can examine the effect of heterogeneity of acquisition experience by capturing complexity of experience in more categories that this study examined. For example, future research can expand on the number of dimensions that focus not just on complexity but also diversity of experience across a number of different dimensions (i.e. inter-industry, hostile, cross-border, large, and high tech). This will help capture the true diversity of experience and not just complexity.

Third, although the initial goal of this dissertation was to differentiate between quantity and quality of acquisition experience. With the current research design this study was unable to compare the utility of having more depth of acquisition experience vs breadth of acquisition experience and vice versa because of limited variance in acquisition breadth variable. Future research can examine the differential impact of depth and breadth of experience on pre-completion outcomes such as deal premium and post-completion outcomes such as acquisition performance and TMT retention.

Fourth, after examining the sample data for post-strategic outcomes of firms, I found that approximately 33% of the firms did not make another acquisition following the deal failure. Future research can examine the variance in outcomes for the firms that did not make an acquisition. How do these firms satisfy their strategic needs that drove them to make an acquisition in first place? Do they fall back and focus on internal development through R&D efforts or they fulfill their needs through some sort of alliance or a strategic alliance?

Fifth, the dependent variable for the second study was a dummy variable that suggested whether the firm made a second acquisition attempt or not. Future research could explore the difference in complexity of second acquisition vs first acquisition. For example, results from interaction between deal failure magnitude and CEO hubris suggest, hubristic CEOs are more likely to make another acquisition following the failure. It would be interesting to know if they make more complex acquisitions to double down on their strategy or take a less risky approach by making a simpler acquisition.

Sixth, prior research has found a relationship between various CEO personality dimensions and acquisition outcomes (Hambrick, 2007; Hambrick & Mason, 1984). Because of complexities in measurement of CEO personality and limited scope of this study, this study did not control for control for a number of personality characteristics which might impact the pre-completion phase outcomes. Researchers have used a variety of innovative ways to measure personality characteristics of CEOs and future research could examine how both acquiring and target firm CEOs' personality interact with each other to impact the pre-completion deal outcomes.

Last, the dissertation utilized a sample of US public firms that acquired both public and private target firms. Because of limited availability of data on both acquiring and target firms, and their CEOs, the study could not control for a number of factors that can affect the pre-completion outcomes. For example, prior research has found relationship between firm's R&D intensity and acquisition outcomes (Blonigen & Taylor, 2000; Hitt, Hoskisson, Ireland, & Harrison, 1991). Because many firms in our sample did not report R&D spending in their SEC filings, the study could not control for the R&D intensity of the acquiring firms.

Section 6.3.1: Future Research: Plans for Publications

Going forward, I plan to collect some additional data for both Study I & II. Specifically for Study I, I plan on expanding the measure of CEO acquisition breadth to include dimensions of size and high-technology experience from CEO's prior acquisition experience. For Study II, I plan to gather data on company's annual reports and run content analysis to code CEO hubris. Additionally, I plan to examine the role of other CEO personality characteristics such as CEO narcissism on firm's likelihood of making a second acquisition following deal failure.

I plan on separating Study I into two research projects with first one focusing on role of Target CEOs' prior experience on pre-completion deal outcomes and other focusing on role of CEO's acquisition breadth on pre-completion deal outcomes. Additionally, I plan on using literature review from Study I for a review article on pre-completion phase of acquisition process. Regarding the timeline for publications, I plan to finish additional data collection by the end of summer and prepare to submit the empirical studies to journal by the end of fall.

Section 6.4: Implications for Practice

As famous investor Warren Buffet said, "*What we learn from history is that people don't learn from history"* (Dzombak, 2014). By learning from prior acquisition experiences, firms and CEOs can navigate the complexities of acquisition process effectively. Failures occur when individuals fail to learn from their prior successes and failures. This dissertation evaluates the efficacy of individual level acquisition experiences of both acquirer and target firms' CEOs. Additionally, it examines the relationship between a CEO's characteristics and firm's post-failure strategic choices.

This dissertation proves the importance of having depth of acquisition experience can aid acquiring firm's CEO in navigating through the complexities of pre-completion acquisition phase. Acquiring firm CEOs can use their prior knowledge to make informed decisions about target valuation, role of target CEOs in the decision making process, and in post-integration plans for the firms. Additionally, target firm CEOs can use their prior knowledge to make better valuation decisions and securing a good deal for themselves and their investors. Therefore, it is important for firms to choose leaders with prior acquisition experience and also important for leaders to know the role of both parties in the pre-completion phase of acquisition process.

For acquiring firm CEOs, it is extremely important to understand the priorities of target firm CEOs as they might be conflicting with their own priorities. Target firm CEOs would also want to maximize returns for their shareholders, so it is important for both CEOs to acknowledge the conflicting goals and work towards a compromise solution in the middle ground in terms of transaction details. Additionally, acquiring firm CEOs need to acknowledge the value experienced target firm CEOs bring to the negotiation table and include them in the decision making process. This will not only ensure the perception of fairness by both the parties but also ensure the commitment of target firm CEOs.

Furthermore, this study uncovers why some firms engage in a second acquisition following a failed attempt and others do not. Understanding post-failure strategic outcomes is important for the shareholders of firm as they can profit from the next acquisition through merger arbitrage, which involves taking a short position in shares of acquiring firm and long position in shares of target firms. Knowledge about acquisition experience of both acquiring and target firm CEOs can help investors maximize their arbitrage profits. For investors who lost significant capital because of deal failure, a new acquisition attempt gives them an opportunity to recoup some of the lost money.

Section 6.4.1: Implications for Personal Research: Lessons Learned

While working on this dissertation, I learned many lessons that will help guide me in managing and executing future research projects. First, I collected data for each variable separately (i.e., CEO's prior acquisition experience, CEO functional background, CEO education). This process resulted in waste of time and effort in form of gathering data for same individual over three to four times. In future, collecting all data for a given individual at once might help expedite and streamline the data collection process.

Second, I learned that having a contingency plan for study variables is extremely important while dealing with constructs that are measured using distant proxies. For example, I used Malmendier and Tate's (2008) media-based measure of CEO hubris using data collected from business press coverage. The problem with measuring CEO overconfidence through media's attribution is that it gives results for only those CEOs who are covered frequently by media (larger firms) and thus produces biased results (Hill, Kern, & White, 2014). In retrospect, following Hill et al. (2014) and Park, Kim, Chang, Lee, and Sung (2018) recommendations of using content analysis to analyze CEO's annual letters to shareholders or investor Q&A sessions to capture CEO hubris would have aided in validating Study II results.

Third, having an organized and planned data collection process aids in managing time, stress, and in keeping track of complicated data coding process. With a study of this size, keeping record of how a particular variable was coded, calculated, transformed, and analyzed made later stages of the process proceed more smoothly. This ensured less reworking and saved a lot of time in case I had to revisit the data sources for a specific variable. Additionally, it aided me in collecting more data for particular CEO, firm, and transaction for future use in publication process.

Fourth, although dissertation is intended to be a single author study, I found that seeking feedback and gaining insights from experience of experts is extremely important and valuable for dissertation's success. Research is inherently a collaborative process where every member brings a unique skill set that impacts the quality of final product. I have learned the importance of putting together a team of high-performing experts and understanding their strengths and how these strengths complement my skill set.

Last, one of the greatest lessons that I have learned throughout this process is that research studies are difficult to execute and having patience through the process can immensely reduce the amount of stress they bring along. Doing research is a slow process and it is always better to take time to do things right way rather than rushing and making mistakes. Not everything goes according to the plan, and patience and having faith in the final outcome can help guide through the painful process. I have learned a great deal from this dissertation and the committee members and I am fortunate to have multiple studies that will likely stem from this dissertation.

Section 6.5: Conclusion

Although many of the dissertation hypotheses were not supported, there are some components of this dissertation that could have important implications for research and practice. Generally, this dissertation adds to the acquisition literature by highlighting the importance of individual level acquisition experience of both acquiring and target firm CEOs. Specifically, it indicates that acquisition pre-completion process becomes overly complex when both acquiring and target firm CEOs are experienced and hence, needs to be managed carefully to avoid failure. Additionally, this dissertation examines the variance in acquiring firms' post-failure strategic outcomes. Results show that firms with CEOs that are hubristic and more experienced are more likely to make a second acquisition than firms with CEOs without hubris and less experience. Further, results show that when deal failure magnitude is larger, the likelihood of hubristic CEOs making a second acquisition decreases.

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Table 2.1. Antecedents of Deal Failure (Success) – A Summary of Empirical Studies

Author(s)	Journal	Data	Sample	IV(s)	DV(s)	Main Findings
Deal Characteristics						
Hoffmeister & Dyl, 1981	Financial Management	1976-77	US	Target's financial condition, % of shares sought, bid premium, target market value, Target performance relative to industry, Managerial resistance	Deal Success	• Management reaction to takeover attempt is most decisive in determining success • Firm size was the second most important factor in determining the success • Bid premium had no effect on the outcome
Walkling, 1985	The Journal of Financial and Quantitative Analysis	1972-77	US	Bid premium, managerial resistance, % shares already owned, solicitation fees, competing bids	Deal Success	• Bid premium increased the likelihood of deal success only in contested deals and not in uncontested deals • Management resistance decreased the likelihood of deal success • Prior toe-hold ownership increased the chances of positive outcome
Hansen, 1987	Journal of Business	1976-1978	US	Target's assets and liabilities, Acquirer's assets and liabilities	Deal Success	• If both acquirer and targets had information about each other's assets and liabilities, the likelihood of deal success was highest
Ryngaert, 1988	Journal of Financial Economics	1982-86	US	Managerial defenses	Deal Success	• Poison pills increased the chances to defeat unsolicited bids

Cotter & Zenner, 1994	Journal of Financial Economics	1988-91	US	Bid Friendliness, Managerial Ownership, Bid premium	Deal Success, Abnormal Returns	• Bid premiums were larger in successful bids • Abnormal returns were higher in successful bids • Hostile targets were larger than friendly targets • Managerial ownership was higher in friendly targets
Sudarsanam, 1995	European Financial Management	1983-89	UK	Defensive strategies, Payment type, Ownership structure	Deal Success	• Payment by equity or a mixture of equity and cash increased the likelihood of success • Payment by cash decreased the likelihood of success • Defense strategies such as; white knights, union support, and friendly shareholders decreased the likelihood of deal success • Defense strategies such as divestitures and advertisement increased the likelihood of deal success
Franks & Mayer, 1996	Journal of Financial Economics	1985-86	UK	Deal friendliness, Bid premium, Pre-bid target performance	Deal Success, Board Turnover, Asset Restructuring	• Hostile deals with higher bid premiums were more likely to succeed • Lower performing targets were hostile towards the acquisition • Board turnover was higher in hostile targets • Asset sales were higher in hostile targets

Holl & Kyriaziz, 1996	International Journal of the Economics of Business	1980-89	UK	Bid premium, Bid hostility, Director ownership	Deal Success, Abnormal Returns	• Friendly deals had higher likelihood of success than hostile deals • Bid premium increased the likelihood of deal success • Successful deals had higher abnormal returns than failed deals • Limited evidence that director ownership impacts the deal likelihood
Coates IV & Subramanian, 2000	Stanford Law Review	1988-99	US	Lockup Type	Deal Completion	• Lockups significantly increase the likelihood of deal completion
Officer, 2003	Journal of Financial Economics	1988-2000	US	Termination Fees	Deal Premium, Announcement Returns, Competing Bids, Deal Success	• Termination fees has no effect of deal premiums • Termination fees has no effect on bidder announcement returns • Inclusion of termination fees does not deter competing bids • Termination fees increases the likelihood of deal success
Muehlfeld, Rao Sahib, & van Witteloostuijn, 2007	Journal of Media Economics	1981-2000	US	Deal Friendliness, Payment type, Percentage sought	M&A Completion	• Friendly acquisitions increased the likelihood of deal completion • Deals paid through cash were more likely to complete • Deals involving high sought percentages were less likely to complete
Boone & Mulherin, 2007	The Review of Financial Studies	1989-1999	US	Termination Provisions, Bidder Toe-holds, Deal size	Deal Completion,	• Termination provisions enhance the takeover competition

					Competing Bids	• Termination provisions increase the likelihood of deal completion
Jeon & Ligon, 2011	Journal of Corporate Finance	2001-2007	US	Termination Fees Size	Post-bid Competition, Deal Completion, Announcement Returns	• Low or moderate fees size increases the likelihood of deal completion • Small fees size increases the post-bid competition • Medium fees size increase the likelihood of deal completion of large premium deals • High fees decreases the likelihood of completion of large premium deals • CARs are negative for deals involving fees larger than 5%
External Environment Characteristics						
Bergman, Jakobsson, & Razo, 2005	International Journal of Industrial Organization	2002	UK	Market Share, Regulations	Deal Completion	• Probability of investigation increases with a firm's market share which decreases the likelihood of deal completion
Liu & McConnell, 2013	Journal of Financial Economics	1990-2000	US	Media Tone	Announcement Returns, Deal Completion	• Negative media tone decreases the likelihood of deal completion • More negative announcement returns reduce the likelihood of deal completion
McCann, 2013	Journal of Financial Regulation and Compliance	1970-2000	UK	Number of Failed Deals	Regulatory Influence	• Weaker regulatory influence increased the likelihood of deal completion

Acquirer and Target Characteristics

Hoffmeister & Dyl, 1981	Financial Management	1976-77	US	Target's financial condition, %age of shares sought, bid premium, target market value, Target performance relative to industry, Managerial resistance	Deal Success	• Management reaction to takeover attempt is most decisive in determining success • Firm size was the second most important factor in determining the success • Bid premium had no effect on the outcome
Holl & Pickering, 1988	Managerial and Decision Economics	1965-75	UK	Pre-bid performance	Deal Completion	• Low pre-bid acquirer performance decreases the likelihood of deal completion • High pre-bid target performance decreases the likelihood of deal completion
Taffler & Holl, 1991	Managerial and Decision Economics	1977-81	UK	Pre-bid performance	Deal Completion	• Difference in financial performance between the acquiring and target firms affects the likelihood of deal completion
Song & Walking, 1993	Journal of Financial Economics	1977-86	US	Managerial Ownership, Deal friendliness	Deal Completion, Target CARs	• Higher managerial ownership increases the likelihood of deal completion • Higher managerial ownership in hostile deals resulted in higher returns to target shareholders
Duggal & Millar, 1994	Quarterly Review of Economics and Finance	1984-87	US	Managerial ownership, Target size, Pressure intermediate ownership	Deal Completion	• Higher managerial ownership increases the likelihood of deal completion • Larger targets decrease the likelihood of deal completion

						• Higher ownership of pressure intermediate investors decreases the likelihood of deal failure
Cotter, Shivdasani, & Zenner, 1997	Journal of Financial Economics	1989-92	US	Board Independence, Bid resistance	Deal Outcome, Shareholder Returns	• Board independence does not affect the deal outcome • Independent boards are more likely to resist a bidding offer • Independent boards benefit shareholders more than non-independent boards
O'Sullivan & Wong, 1998	Corporate Governance	1989-95	UK	Deal friendliness, Managerial ownership, Director ownership, Target size, Board size	Deal Completion	• Larger boards were more likely to oppose a deal • Targets with low managerial and low non-executive board ownership were more likely to oppose a deal • Larger targets were more likely to oppose a deal • High managerial ownership increased the likelihood of deal completion
O'Sullivan & Wong, 1999	Accounting and Business Research	1989-93	UK	Board composition, Executive ownership, External ownership, Target size	Deal Completion	• Target size increased the likelihood of deal completion • More institutional and unaffiliated Blockholder ownership increased the likelihood of deal completion of small targets • Targets with CEO duality were less likely to resist the deal
Branch & Yang, 2003	Quarterly Journal of Business and Economics	1991-2001	US	Target relative size, Leverage, Bid	Deal Completion	• Deal friendliness and target's relative size strongly predict deal completion

Branch & Yang, 2003				Premium, Deal Friendliness		• Friendly deals are more likely to complete • Deals involving targets with large relative size compared to acquirer are less likely to complete
Bange & Mazzeo, 2004	The Review of Financial Studies	<1991	US	Board characteristics, Offer types, Bid-premiums	Deal Completion	• Firms with CEO duality were more likely to receive bypass offers • CEO duality increases the likelihood of deal completion • Firms with independent boards are less likely to complete a deal
Wang, 2009	Journal of Business & Economic Studies	1995-2005	US	Target's stock price run-up, Termination fee, % shares owned, Target resistance, Arbitrage spread, Relative target size, Deal size, Competing bids, Payment type, Bid Premium	Deal Completion	• Target's stock price run-up, termination fees, % shares owned, cash offer, bid premium increased the likelihood of deal completion • Target resistance, arbitrage spread, relative target size, deal size, competing bids decreased the likelihood of deal completion
Muehlfeld, Rao Sahib, & van Witteloostuijin, 2012	Strategic Management Journal	1981-2008	US	Success experience, Failure experience, Total experience, Contextual experience	M&A Completion	• Prior success experience increases the likelihood of deal completion with diminishing returns • Prior failure experience has a U-shaped relationship with likelihood of deal completion

						• Prior contextual experience increases the likelihood of deal completion in the same context
Strategic Fit						
Shen, Tang, & Chen, 2014	Strategic Management Journal	1990-2008	US	Status	M&A Completion, Value creation	• Higher the status differentials, higher is the likelihood of deal completion • Higher status differentials leads to value creation for the firm shareholders with higher status
Chakrabarti & Mitchell, 2015	Strategic Management Journal	1980-2004	US	Geographic distance, Business relatedness, Prior experience, Related experience, Distance experience	M&A Completion	• Large distance between the firms decreases the likelihood of deal completion • Direct and related experience increased the likelihood of deal completion in the same context • Prior direct experience reduced the likelihood of deal completion
Aktas, de Bodt, Bollaert, & Roll, 2016	Journal of Financial and Quantitative Analysis	2002-2006	US	Narcissism	Bid Premium, Acquirer Returns, Takeover Length Period, Deal Completion	• Bid premium is positively related to target CEO narcissism • Acquirer CARs are negatively related to target CEO narcissism • Length of takeover process is negatively related to acquirer CEO narcissism • Probability of deal completion is negatively related to both acquirer and target CEO narcissism

Table 2.2. Outcomes of Deal Failure (Success) – A Summary of Empirical Studies

Author(s)	Journal	Data	Sample	IV(s)	DV(s)	Main Findings
Dodd & Ruback, 1977	Journal of Financial Economics	1958-76	US	Deal Completion	Abnormal Returns	• There was no difference between target's positive abnormal returns of completed and abandoned deals
Bradley, 1980	Journal of Business	1956-77	US	Deal Completion	Abnormal Returns	• Successful completion is value increasing for both the firms • Acquiring firms face negative returns following a deal failure
Dodd, 1980	Journal of Financial Economics	1956-77	US	Deal completion	Abnormal Returns	• Market reacts positively to merger proposal announcements • Market reacts positive to approval of merger announced • There is negative reaction to cancelled proposals • Cancellation by targets decrease their net market value • Cancellation by acquirer doesn't affect target's market value
Holl & Pickering, 1988	Managerial and Decision Economics	1965-75	UK	Deal Completion	Post-Deal Performance	• Failed bidders outperformed the successful bidders in 1-3 years following the deal failure • Targets that resisted successfully improved their performance following the deal failure
Franks & Harris, 1986	Oxford Review of Economic Policy	1963-85	UK	Deal Rejection by MMC	Returns to Target, Bidders	• Deal rejected by Mergers and Monopolies commission had no impact on bidder returns but a negative impact on target returns

Ryngaert, 1988	Journal of Financial Economics	1982-86	US	Deal failure	Post Failure Ferformance	• Announcement of use of poison pills by targets to resist a bid result in stock price decline • The long-term impact of such defense mechanisms is negligible
Davidson, Dutia, & Cheng, 1989	The Journal of Finance	1976-85	US	Bid Cancellation, Initiating Party	Cumulative Prediction Errors (CPE)	• When bid cancellation initiated by target and is involved in another bid, CPEs retain their new valuation • When bid cancellation is initiated by target without involving in a new bid, CPEs return to pre-bid values • When bid cancellation is initiated by acquirer and when target gets involved in another bid, CPEs retain their new valuation • There is no effect on bidders from bid cancellation
Denis, 1990	The Journal of Finance	1980-87	US	Bid Outcome	Returns to Target, Returns to Bidder, Managerial Turnover	• Target shareholders benefit from the bid irrespective of the outcome • Targets that prevent takeover by re-purchasing of shares suffer huge losses as compared to bidding firms • Targets that survive the takeover attempt undergo significant capital, voting and strategic changes that results in high managerial turnover
Limmack, 1991	Accounting and Business Research	1977-86	UK	Deal failure	Shareholder Returns	• Following a deal failure, target shareholders receive abnormal gains for at least two years

Taffler & Holl, 1991	Managerial and Decision Economics	1977-81	UK	Deal Failure	Target Performance, Bidder Performance	• No evidence on target's gains in two years following a deal failure • No evidence on acquirer's gains in 3 years following a deal failure
Parkinson & Dobbins, 1993	Journal of Business Finance and Accounting	1975-84	UK	Deal Abandonment	CARs	• Target Firms achieve positive CARs one year after deal abandonment • Acquiring firms do not achieve negative CARs following deal abandonment
Denis & Serrano, 1996	Journal of Financial Economics	1983-89	US	Bid failure	Managerial Turnover, Ownership Changes	• 34% of targets experience significant management turnover within 2 years following a bid failure • Poor performing targets experience most turnover • Firms experiencing high turnover add external directors to their boards and also engage in significant restructuring to maximize shareholder wealth
Franks & Mayer, 1996	Journal of Financial Economics	1985-86	UK	Deal Success	Board Turnover, Asset Restructuring	• Board turnover was higher in hostile targets • On average, board turnover was higher in both acquiring and abandoned target firms compared to the targets that were not sought
Safieddine & Titman, 1999	The Journal of Finance	1982-91	US	Takeover termination	Target's Leverage, Target Independence	• Targets that terminate takeover attempts take steps to increase their leverage to prevent future attempts • Targets reduce capital expenditures, sell assets, reduce

						employees and increase focus outperform their benchmarks • Targets with high leverage remain independent because of significant changes undertaken after the first takeover attempt
Chatterjee, Harrison, & Bergh, 2003	Strategic Management Journal	1981-91	US	Board effectiveness, Insider Holding, Outsider Holding, CEO Duality	Refocus Strategy	• Target firms with independent directors are less likely to refocus strategy following a deal failure • Target firms with non-independent boards are more likely to refocus strategy to prevent future acquisition attempts following a deal failure
Zhao, 2009	Management Science	1984-97	US	Pre-deal Innovation, Deal failure	Post-failure Innovation	• Less innovative firms were more likely to pursue acquisitions • More innovative firms are less likely to complete a deal • Failed acquirers underperform in innovation than the firms that did not acquire
McCann & Ackrill, 2015	Corporate Governance: An International Review	1999-2008	UK	Deal Failure	Disciplinary Response	• Independent boards do not increase the likelihood of post-failure discipline
Malmendier, Opp, & Saidi, 2016	Journal of Financial Economics	1985-2012	US	Deal Failure	Winner and Loser Performance	• Winners underperform losers by 24% in 3 years following the acquisition in US and 14% internationally • There is no effect of failure announcement on failed acquirer's performance

Table 3.1. Dissertation Hypothesis

S. No	Hypothesis
Study I Hypotheses	
Hypothesis 1	*Acquirer CEO's prior deal-making experience depth is negatively related to likelihood of deal failure.*
Hypothesis 2	*Acquirer CEO's prior deal-making experience breadth is negatively related to likelihood of deal failure.*
Hypothesis 3	*Target CEO's prior deal-making experience depth moderates the relationship between acquirer CEO's prior deal-making experience depth and likelihood of deal failure such that the likelihood of deal failure is higher when target CEO's prior experience depth is higher.*
Hypothesis 4	*Target CEO's prior deal-making experience breadth moderates the relationship between acquirer CEO's prior deal-making experience breadth and likelihood of deal failure such that the likelihood of deal failure is higher when target CEO's prior experience breadth is higher.*
Study II Hypotheses	
Hypothesis 5	*Following acquisition failure, CEOs with more deal completion acquisition experience are more likely to make second acquisition.*
Hypothesis 6	*Following acquisition failure, CEOs with output functional backgrounds are more likely to make second acquisition.*
Hypothesis 7	*Following acquisition failure, CEOs with hubris are more likely to make second acquisition.*
Hypothesis 8	*Following acquisition failure, the failure attribution moderates the relationships between a) CEOs with more deal completion acquisition experience, and b) CEO hubris and pursuit of a second acquisition, such that CEOs who attribute deal failure to uncontrollable reason are less likely make a second acquisition.*
Hypothesis 9	*Following acquisition failure, the deal failure magnitude moderates the relationships between a) CEOs with more deal completion acquisition experience, b) output backgrounds, and c) CEO hubris and pursuit of a second acquisition, such that CEOs who had a larger-scale deal failure are less likely make a second acquisition.*

Table 4.1. Dissertation Measures and Data Sources

Construct	Level	Proxy	Data Source
Acquirer CEO's Experience Depth	*Individual*	*Number of Prior Acquisitions in Same Industry*	*SDC Platinum*
Acquirer CEO's Experience Breadth	*Individual*	*Diversity of Prior Acquisitions Undertaken*	*SDC Platinum Release Statements*
Target CEO's Experience Depth	*Individual*	*Number of Prior Acquisitions in Same Industry*	*SDC Platinum*
Target CEO's Experience Breadth	*Individual*	*Diversity of Prior Acquisitions Undertaken*	*SDC Platinum Release Statements*
Acquirer Firm Experience Depth	*Firm*	*Number of Prior Acquisitions in Same Industry*	*SDC Platinum*
Acquirer Firm Experience Breadth	*Firm*	*Diversity of Prior Acquisitions Undertaken*	*SDC Platinum Release Statements*
Target Firm Experience Depth	*Firm*	*Number of Prior Acquisitions in Same Industry*	*SDC Platinum*
Target Firm Experience Breadth	*Firm*	*Diversity of Prior Acquisitions Undertaken*	*SDC Platinum Release Statements*
Failure Attribution	*Firm*	*Reason for Failure*	*Release Statements*
Deal failure Magnitude	*Firm*	*CARs*	*CSRP, WRDS*
Acquiring Firm's Post-Failure Strategic Direction	*Firm*	*Acquisition Dummy Variable*	*SDC Platinum*

Controls	*Firm*	*Firm Age*	*Dun & Bradstreet, GOOGLE*
		Firm Size	*COMPUSTAT, GOOGLE*
		Firm Industry	*COMPUSTAT*
	Transaction	*Value*	*SDC Platinum*
		Friendliness	*SDC Platinum*
		Payment Type	*SDC Platinum*
		Ownership Sought	*SDC Platinum*
	Individual	*CEO Age*	*EXECUCOMP, RelSci*
		CEO Education	*Dun & Bradstreet, RelSci*
		CEO Tenure	*EXECUCOMP, RelSci*

Note. When Necessary, firm websites, Bloomberg Executive Database, and Google search was used to suppliment missing data from primary data sources.

Table 4.2. Descriptive Statistics Representing Differences in Matched-pairs

	Deal Failure = 0		Deal Failure = 1	
Variable Name	**Mean**	**Std. Dev.**	**Mean**	**Std. Dev.**
Acquirer's Size	6.95	2.18	6.82	2.46
Acquirer's Sale	4201.85	13376.52	4894.85	14285.32
Acquirer's Net Income	201.80	1513.91	194.31	2268.33
Target's Sales	1157.30	6922.31	1721.98	5037.04
Propensity to Fail	0.02	0.01	0.02	0.01

Table 4.3. Coding Metric for Failure Attribution

Reason for failure	**Rater I**	**Rater II**
Failed Negotiations	1	1
Target Acquired by Other	1	1
Acquirer Decided to Pursue Other Business After Failure	1	1
Acquirer Faced Difficulty in Raising Cash	1	0
No Interest by Target	1	1
Board Rejected	1	1
Withdrawn	1	1
Blocked by Government	0	0
Shareholders Rejected	1	1
Scandal at Target	0	1
Adverse Market Conditions to Finance the Deal	0	0
Breach of Terms	0	0
Mutual Agreement	1	1
Financing Issue	1	0
Target had a Lot of Undisclosed Liabilities	0	1
Target Declared Bankruptcy	0	1
Target Performance Suffered Reduction in Net Worth	0	0

IRR (Inter-rater reliability) = 0.83

Table 5.1. Study I Means, Standard Deviations, and Correlations

	Variable	Mean	s.d.	1	2	3	4	5	6	7	8	9
1	Deal Failure	0.50	0.50	1.00								
2	Acquiring CEO experience depth	7.15	12.40	-0.13*	1.00							
3	Acquiring CEO experience breadth	0.13	0.20	-0.06	0.31*	1.00						
4	Target CEO experience depth	1.28	3.59	0.18*	0.11*	0.07	1.00					
5	Target CEO experience breadth	0.03	0.11	0.10*	0.02	0.08*	0.42*	1.00				
6	CEO tenure	7.79	6.46	-0.04	-0.05	-0.04	-0.03	-0.04	1.00			
7	Deal friendliness	0.05	0.22	0.18*	0.00	0.00	0.06	0.06	-0.06	1.00		
8	Deal value	1215.68	5844.26	0.15*	0.06	0.06	0.24*	0.09*	-0.02	0.06	1.00	
9	Firm size	6.90	2.34	-0.03	0.29*	0.23*	0.18*	0.10*	0.06	-0.01	0.33*	1.00
10	Ownership sought	95.50	16.46	0.10*	-0.22*	-0.02	-0.12*	-0.08*	-0.01	0.00	-0.07	-0.13*
11	Relatedness	0.63	0.48	0.00	-0.05	-0.12*	0.00	-0.02	-0.02	0.00	0.04	0.02
12	CEO education	0.51	0.50	0.01	0.11*	0.08*	0.06	0.05	-0.14*	0.05	0.00	0.08*
13	Payment type	39.10	43.89	-0.07	0.00	0.03	0.02	0.06	0.04	0.04	-0.05	0.07
14	Acquirer prior performance	-0.10	1.17	0.00	0.01	0.05	0.04	0.03	0.05	0.01	0.02	0.22*
15	CEO age	53.13	8.56	-0.03	0.01	-0.01	0.01	-0.03	0.28*	-0.05	0.05	0.17*
16	Firm age	15.32	16.67	0.06	0.01	0.11*	0.07	0.11*	-0.06	-0.02	0.11*	0.32*
17	Dynamism	12.57	23.56	0.01	-0.07	0.03	-0.02	0.00	-0.01	-0.01	0.02	0.06
18	Munificence	125.22	199.52	0.00	-0.06	0.04	0.00	0.02	0.01	0.01	0.08*	0.13*

*p<0.5

	Variable	10	11	12	13	14	15	16	17	18
10	Ownership sought	1.00								
11	Relatedness	0.00	1.00							
12	CEO education	-0.04	0.00	1.00						
13	Payment type	-0.01	0.01	0.03	1.00					
14	Acquirer prior performance	-0.01	0.00	-0.06	0.06	1.00				
15	CEO age	-0.02	-0.02	0.02	0.10*	0.01	1.00			
16	Firm age	-0.06	-0.06	0.03	0.12*	0.14*	0.18*	1.00		
17	Dynamism	-0.08*	-0.05	0.01	0.02	0.05	0.07	0.04	1.00	
18	Munificence	-0.06	-0.01	0.01	0.04	0.05	0.08	0.06	0.87*	1.00

$*p<0.5$

Table 5.2. Study II Means, Standard Deviations, and Correlations

	Variable	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Acquisition	0.70	0.46	1.00													
2	CEO success experience	5.59	8.89	0.21*	1.00												
3	CEO functional background	0.82	0.38	-0.05	0.04	1.00											
4	CEO hubris	0.36	2.96	0.01	0.04	0.04	1.00										
5	Failure attribution	0.80	0.40	0.01	0.06	-0.02	-0.12*	1.00									
6	Deal failure magnitude	0.04	1.30	-0.10	0.00	-0.00	0.11	-0.04	1.00								
7	CEO tenure	7.51	6.25	-0.03	-0.06	-0.19*	0.04	0.05	-0.06	1.00							
8	Firm size	6.84	2.47	0.12*	0.39*	-0.03	0.20*	-0.07	0.08	0.05	1.00						
9	CEO education	0.51	0.50	0.11	0.16*	0.24*	-0.07	-0.09	0.04	-0.15*	0.09	1.00					
10	Acquirer prior performance	-0.09	0.98	0.11*	0.05	0.09	0.01	0.12*	0.03	-0.00	0.24*	-0.05	1.00				
11	CEO age	52.87	8.49	-0.08	-0.02	0.04	0.01	0.01	0.13*	0.25*	0.17*	-0.01	0.02	1.00			
12	Firm age	16.41	17.28	0.08	0.05	0.07	0.03	-0.00	0.07	-0.02	0.33*	0.05	0.12*	0.23*	1.00		
13	Dynamism	12.24	20.61	-0.02	-0.08	0.07	0.03	-0.12	0.00	-0.06	0.04	0.02	0.06	0.00	0.08	1.00	
14	Munificence	121.16	160.16	-0.15*	-0.08	0.06	0.12*	-0.14*	0.04	-0.05	0.17*	0.00	0.06	0.07	0.15*	0.75*	1.00

*p<0.5

Table 5.3. Results of logistic regression analysis predicting deal failure (overall sample)

	Deal failure				
	Model 1	Model 2	Model 3	Model 4	Model 5
CEO tenure	0.01	0.01	0.01	0.00	0.01
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Deal friendliness	4.95	5.02	4.94	5.28	5.23
	(0.98)***	(1.00)***	(0.99)***	(1.10)***	(0.97)***
Deal value	0.00	0.00	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Firm size	-0.23	-0.14	-0.20	-0.17	-0.17
	(0.10)*	(0.12)	(0.11)[t]	(0.11)	(0.11)
Ownership sought	0.04	0.04	0.04	0.05	0.05
	(0.01)***	(0.01)***	(0.01)***	(0.01)***	(0.01)***
Relatedness	0.01	-0.00	-0.01	0.11	-0.07
	(0.33)	(0.33)	(0.33)	(0.36)	(0.35)
CEO education	0.10	0.19	0.12	0.12	0.11
	(0.26)	(0.26)	(0.26)	(0.28)	(0.27)
Payment type	-0.01	-0.01	-0.01	-0.01	-0.01
	(0.00)[t]	(0.00)*	(0.00)[t]	(0.00)[t]	(0.00)[t]
Acquirer prior performance	-1.33	-1.48	-1.39	-1.64	-1.64
	(0.60)*	(0.66)*	(0.63)*	(0.72)*	(0.70)*
Acquirer CEO age	-0.01	-0.01	-0.01	-0.01	-0.01
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Firm age	0.03	0.03	0.03	0.04	0.03
	(0.01)**	(0.01)**	(0.01)**	(0.01)***	(0.01)**
Dynamism	0.03	0.03	0.03	0.03	0.02
	(0.02)	(0.02)	(0.02)	(0.03)	(0.02)
Munificence	-0.00	-0.00	-0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Acquiring CEO experience depth		-0.03		-0.03	
		(0.02)*		(0.02)[t]	
Acquiring CEO experience breadth			-0.68		-0.88
			(0.81)		(0.82)
Target CEO experience depth				0.26	
				(0.08)***	
Acquiring CEO depth x Target CEO depth				0.01	
				(0.00)*	
Target CEO experience breadth					4.66
					(1.43)**
Acquiring CEO breadth x Target CEO breadth					7.80
					(5.62)
Constant	-2.35	-3.05	-2.36	-4.55	-3.03
	(1.99)	(2.15)	(1.99)	(2.37)[t]	(2.08)
n	532	532	532	532	532

[t] $p<0.1$; * $p<0.05$; ** $p<0.01$; *** $p<0.001$ (standard errors in parentheses)

Table 5.4. Results of logistic regression analysis predicting second acquisition (failed deals)

	Second Acquisition				
	Model 1	Model 2	Model 3	Model 4	Model 5[a]
CEO tenure	-0.00	0.00	-0.00	-0.00	0.00
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
CEO education	0.39	0.25	0.46	0.39	0.45
	(0.28)	(0.28)	(0.29)	(0.28)	(0.29)
Firm size	0.22	0.12	0.21	0.22	0.21
	(0.07)**	(0.09)	(0.07)**	(0.08)**	(0.08)**
CEO age	-0.04	-0.04	-0.03	-0.04	-0.04
	(0.02)*	(0.02)[t]	(0.02)[t]	(0.02)*	(0.02)*
Firm age	0.01	0.01	0.01	0.01	0.00
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Dynamism	0.10	0.11	0.10	0.10	0.09
	(0.03)***	(0.03)***	(0.03)***	(0.03)***	(0.03)***
Munificence	-0.01	-0.01	-0.01	-0.01	-0.01
	(0.00)***	(0.00)***	(0.00)***	(0.00)***	(0.00)***
CEO success		0.12			
experience		(0.04)**			
CEO functional			-0.43		
background			(0.40)		
CEO hubris[b]				-0.13	
				(0.36)	
CEO hubris[c]					1.14
					(0.65)[t]
Constant	1.21	1.96	1.16	1.21	1.51
	(0.90)	(1.03)[t]	(0.94)	(0.91)	(0.95)
N	310	310	310	310	304

[t] $p<0.1$; * $p<0.05$; ** $p<0.01$; *** $p<0.001$ (standard errors in parentheses)

[a] Model differs in N due to availability of control variables data.

[b] hubris as a measure of media portrayal

[c] hubris as a measure of firm's prior success

Table 5.5. Results of logistic regression analysis predicting effect of failure attribution on second acquisition (failed deals)

	Second Acquisition				
	Model 1	Model 2	Model 3	Model 4	Model 5[a]
CEO tenure	-0.00 (0.02)	0.01 (0.02)	-0.00 (0.02)	0.00 (0.02)	-0.00 (0.02)
CEO education	0.39 (0.28)	0.26 (0.29)	0.47 (0.29)	0.41 (0.28)	0.45 (0.29)
Firm size	0.22 (0.07)**	0.13 (0.09)	0.22 (0.08)**	0.22 (0.08)**	0.20 (0.08)*
CEO age	-0.04 (0.02)*	-0.04 (0.02)[t]	-0.04 (0.02)*	-0.04 (0.02)*	-0.04 (0.02)*
Firm age	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.00 (0.01)
Dynamism	0.10 (0.03)***	0.11 (0.03)***	0.10 (0.03)***	0.10 (0.03)***	0.09 (0.03)***
Munificence	-0.01 (0.00)***	-0.01 (0.00)***	-0.01 (0.00)***	-0.01 (0.00)***	-0.01 (0.00)***
Failure attribution		0.23 (0.36)	0.18 (0.33)	0.19 (0.33)	-0.07 (0.36)
CEO success experience		0.12 (0.05)**			
CEO success experience x Failure attribution		0.07 (0.07)			
CEO functional background			-0.43 (0.40)		
CEO functional background x Failure attribution			0.46 (0.81)		
CEO hubris[b]				-0.11 (0.36)	
CEO hubris[b] x Failure Attribution				-0.61 (0.84)	
CEO hubris[c]					1.18 (0.62)[t]
CEO hubris[c] x Failure Attribution					0.45 (0.84)
Constant	1.21 (0.90)	1.92 (1.03)[t]	1.17 (0.93)	1.22 (0.92)	1.52 (0.95)
n	310	310	310	310	304

[t] *p*<0.1; * *p*<0.05; ** *p*<0.01; *** *p*<0.001 (standard errors in parentheses)

[a] Model differs in N due to availability of control variables data.

[b] hubris as a measure of media portrayal

[c] hubris as a measure of firm's prior success

Table 5.6. Results of logistic regression analysis predicting effect of deal failure magnitude on second acquisition (failed deals)

	Acquisition				
	Model 1	Model 2[a]	Model 3[a]	Model 4[a]	Model 5[a]
CEO tenure	-0.00	-0.02	-0.03	-0.03	-0.04
	(0.02)	(0.03)	(0.03)	(0.03)	(0.03)
CEO education	0.39	0.03	0.21	0.20	0.26
	(0.28)	(0.36)	(0.36)	(0.35)	(0.36)
Firm size	0.22	0.12	0.27	0.27	0.28
	(0.07)**	(0.12)	(0.09)**	(0.09)**	(0.09)**
CEO age	-0.04	-0.03	-0.03	-0.03	-0.04
	(0.02)*	(0.03)	(0.02)	(0.02)	(0.03)
Firm age	0.01	-0.00	-0.01	-0.01	-0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Dynamism	0.10	0.18	0.17	0.17	0.17
	(0.03)***	(0.06)**	(0.05)**	(0.05)**	(0.06)**
Munificence	-0.01	-0.02	-0.01	-0.01	-0.01
	(0.00)***	(0.00)***	(0.00)***	(0.00)***	(0.00)***
Deal failure magnitude		-0.08	-0.24	-0.24	-0.28
		(0.17)	(0.15)	(0.15)	(0.16)[t]
CEO success experience		0.20			
		(0.09)*			
CEO success experience x Deal failure magnitude		0.03			
		(0.04)			
CEO functional background			0.08		
			(0.47)		
CEO functional background x Deal failure magnitude			0.32		
			(0.33)		
CEO hubris[b]				0.13	
				(0.44)	
CEO hubris[b] x Deal failure magnitude				0.06	
				(0.32)	
CEO hubris[c]					1.52
					(1.22)
CEO hubris[c] x Deal failure magnitude					-2.69
					(1.28)*
Constant	1.21	2.79	1.46	1.51	1.82
	(0.90)	(1.56)[t]	(1.25)	(1.25)	(1.37)
N	310	240	240	240	235

[t] $p<0.1$; * $p<0.05$; ** $p<0.01$; *** $p<0.001$ (standard errors in parentheses)
[a] Model differs in N due to availability of control variables data.
[b] hubris as a measure of media portrayal
[c] hubris as a measure of firm's prior success

Table 5.7. Hypotheses results

Hypothesis	Support?
Hypothesis 1: Acquirer CEO's prior deal-making experience depth is negatively related to likelihood of deal failure.	Yes
Hypothesis 2: Acquirer CEO's prior deal-making experience breadth is negatively related to likelihood of deal failure.	No
Hypothesis 3: Target CEO's prior deal-making experience depth moderates the relationship between acquirer CEO's prior deal-making experience depth and likelihood of deal failure such that the likelihood of deal failure is higher when target CEO's prior experience depth is higher.	Yes
Hypothesis 4: Target CEO's prior deal-making experience breadth moderates the relationship between acquirer CEO's prior deal-making experience breadth and likelihood of deal failure such that the likelihood of deal failure is higher when target CEO's prior experience breadth is higher.	No
Hypothesis 5: Following acquisition failure, CEOs with more deal completion acquisition experience are more likely to make second acquisition.	Yes
Hypothesis 6: Following acquisition failure, CEOs with output functional backgrounds are more likely to make second acquisition.	No
Hypothesis 7: Following acquisition failure, CEOs with hubris are more likely to make second acquisition.	Yes
Hypothesis 8: Following acquisition failure, the failure attribution moderates the relationships between a) CEOs with more deal completion acquisition experience, and b) CEO hubris and pursuit of a second acquisition, such that CEOs who attribute deal failure to uncontrollable reason are less likely make a second acquisition.	No
Hypothesis 9: Following acquisition failure, the deal failure magnitude moderates the relationships between a) CEOs with more deal completion acquisition experience, b) output backgrounds, and c) CEO hubris and pursuit of a second acquisition, such that CEOs who had a larger-scale deal failure are less likely make a second acquisition.	Partially

Figure 1.1. Different Phases of an Acquisitoin Process

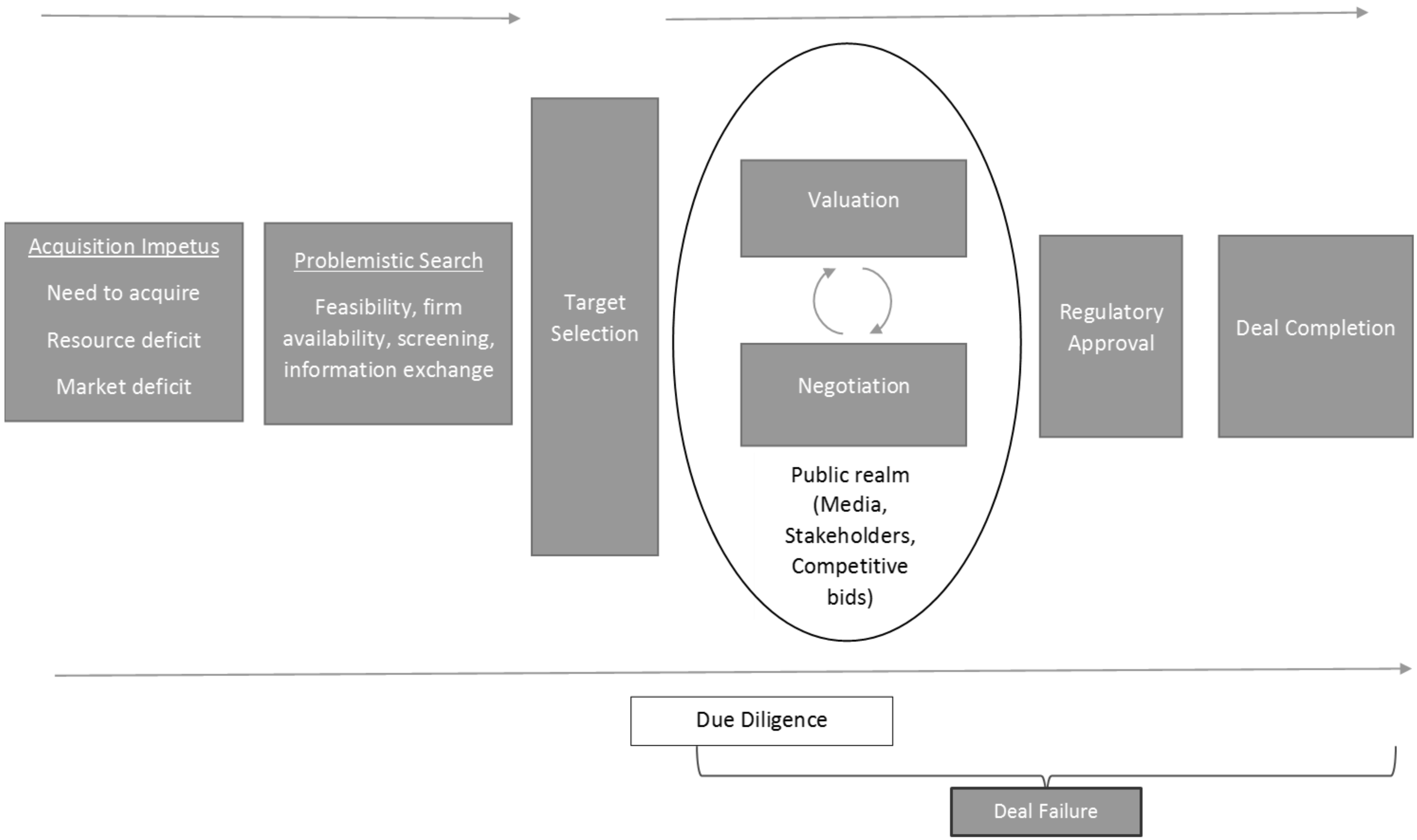

Figure 1.2. Proposed Model of Acquirer and Target CEOs Experience and Likelihood of Deal Failure

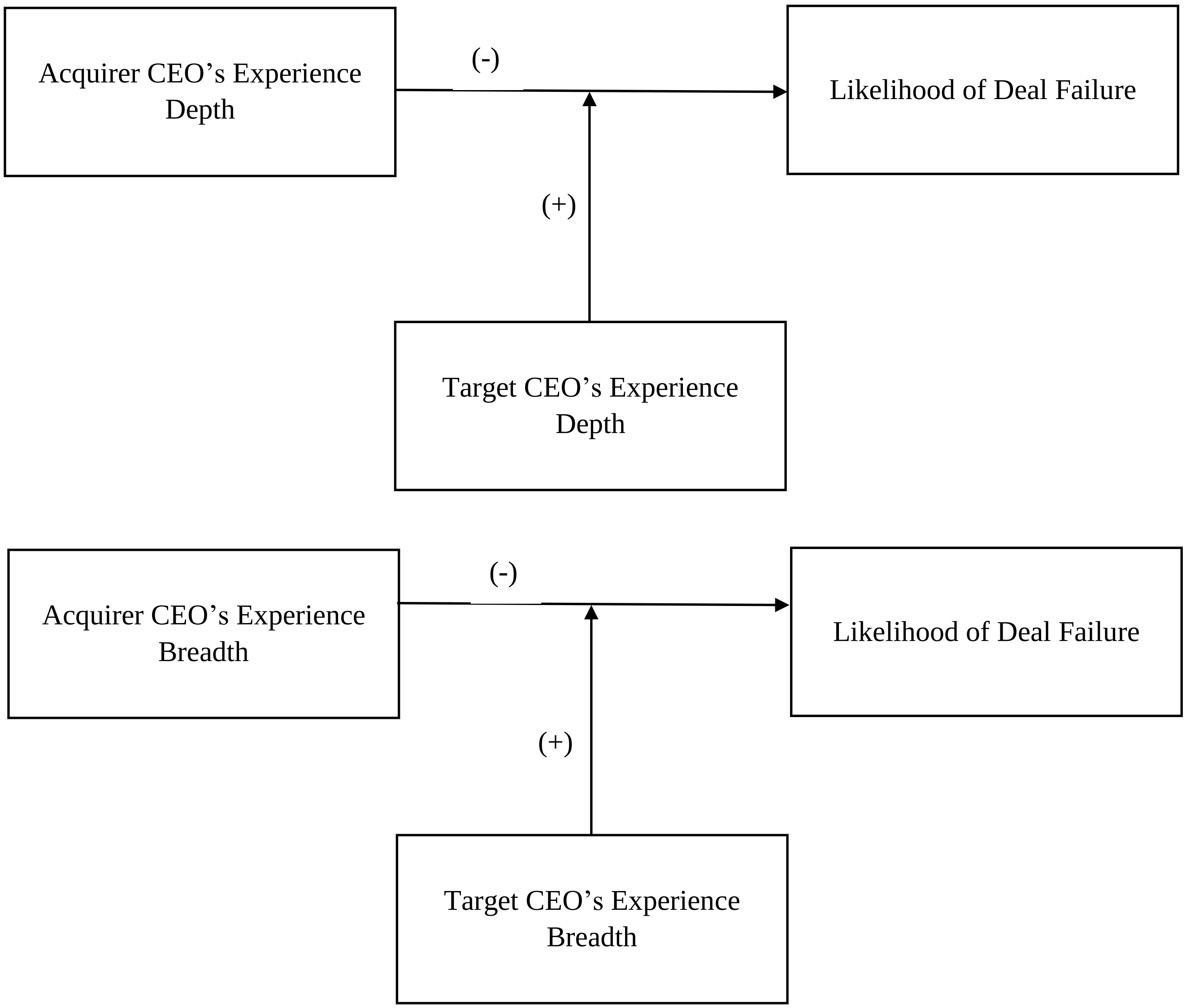

Figure 1.3. Proposed Model of Acquirer CEO Characteristics, Deal failure magnitude and Firm's Post Failure Strategic Options

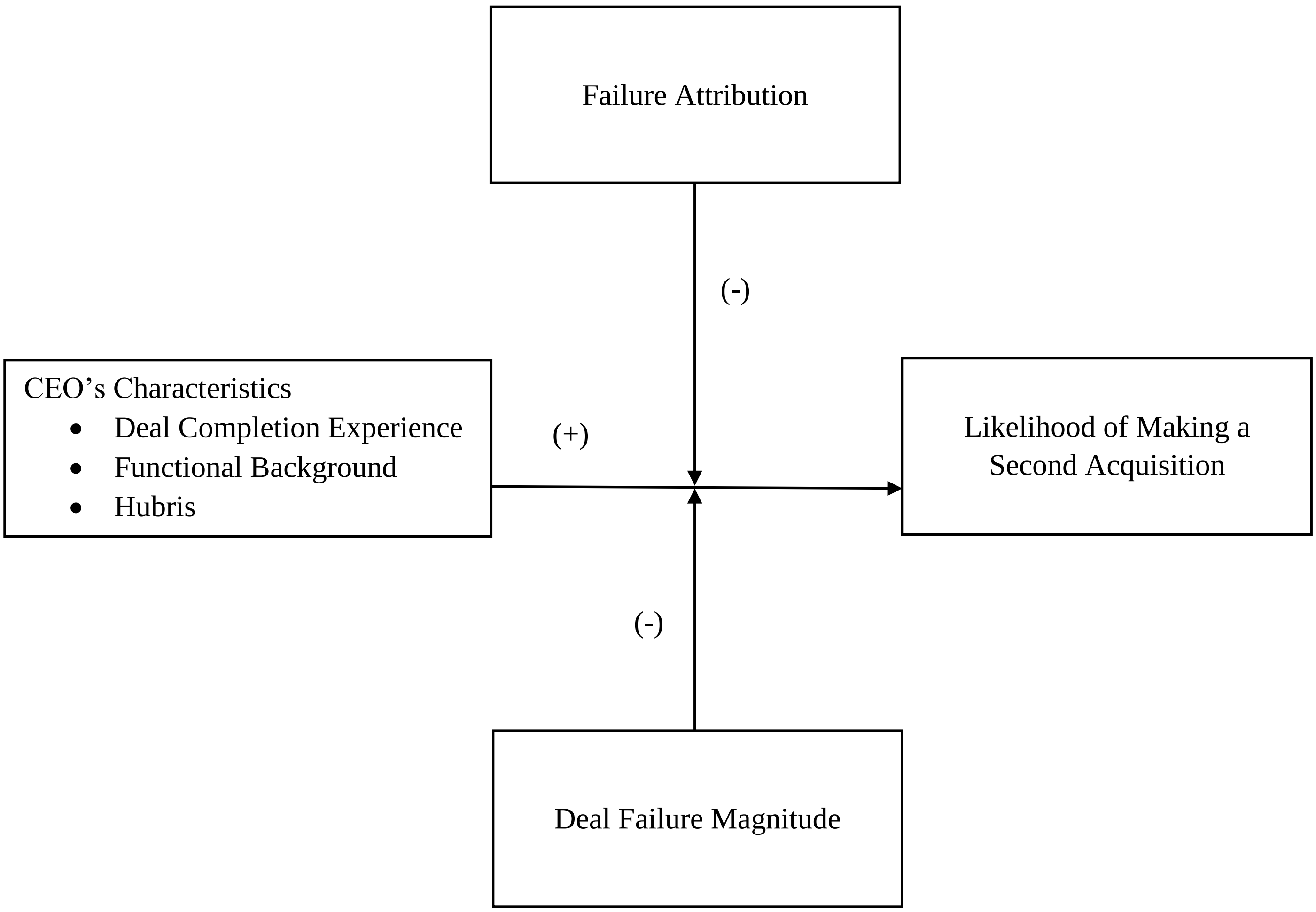

Figure 3.1. Interaction of Acquirer and Target CEO's prior acquisition experience Predicting Likelihood of Failure.

Acquirer's Prior Acquisition Experience			
	High	Quadrant II Lowest Likelihood of Failure	Quadrant III Highest Likelihood of Failure
	Low	Quadrant I Lower Likelihood of Failure	Quadrant IV Higher Likelihood of Failure
		Low	High
		Target's Prior Acquisition Experience	

Figure 3.2. Dissertation Model with Hypotheses Labeled (Antecedents)

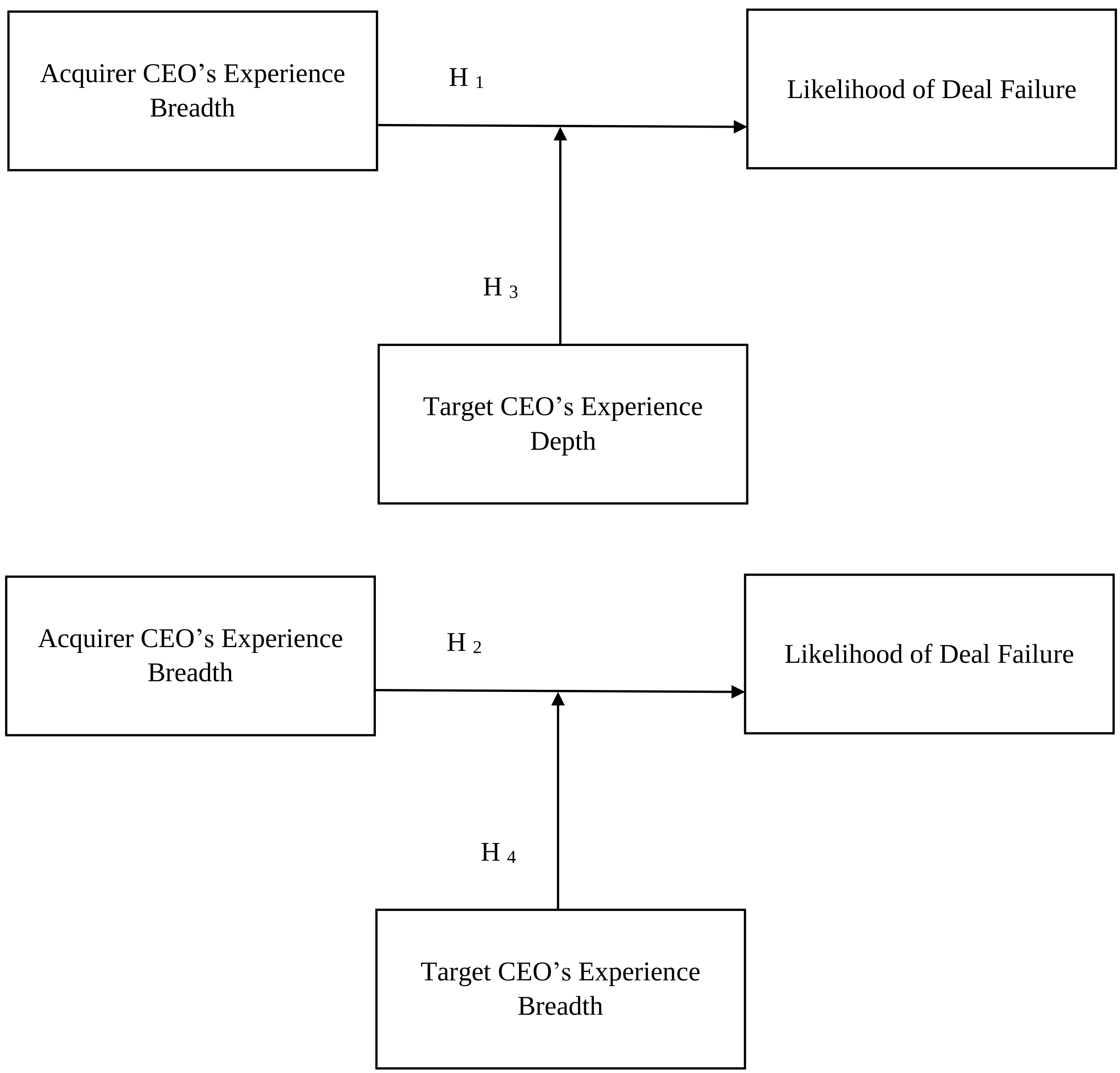

Figure 3.3. Dissertation Model with Hypotheses Labeled (Outcomes)

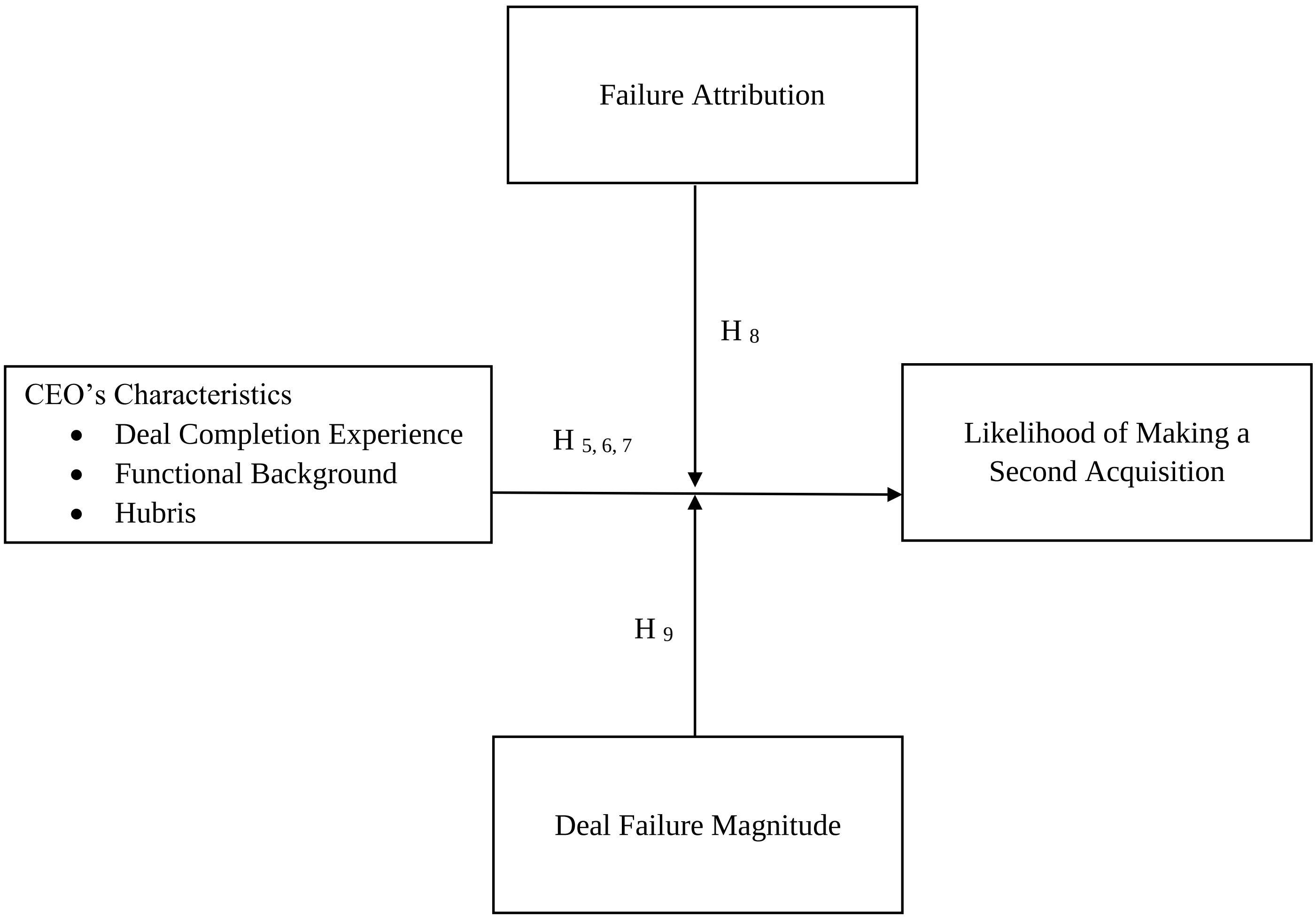

Figure 5.1. Interaction between Acquirer and Target CEO experience depth

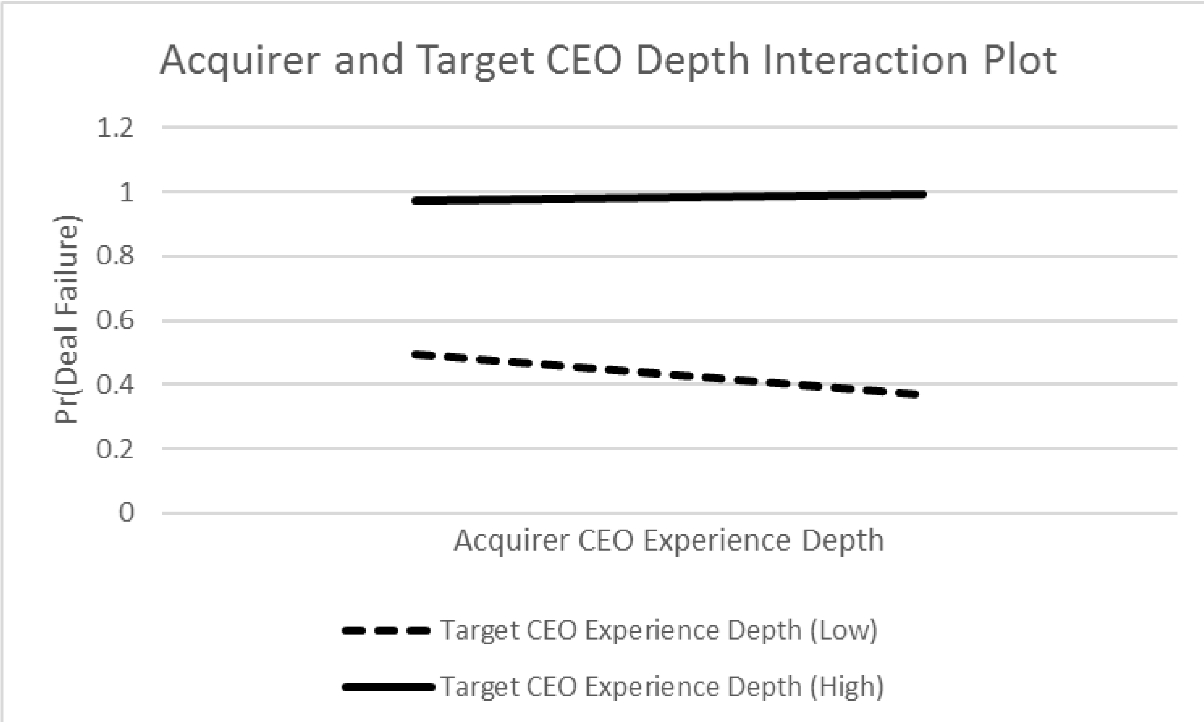

Figure 5.2. Interaction between CEO Hubris and Deal Failure Magnitude (Positive Reactions)

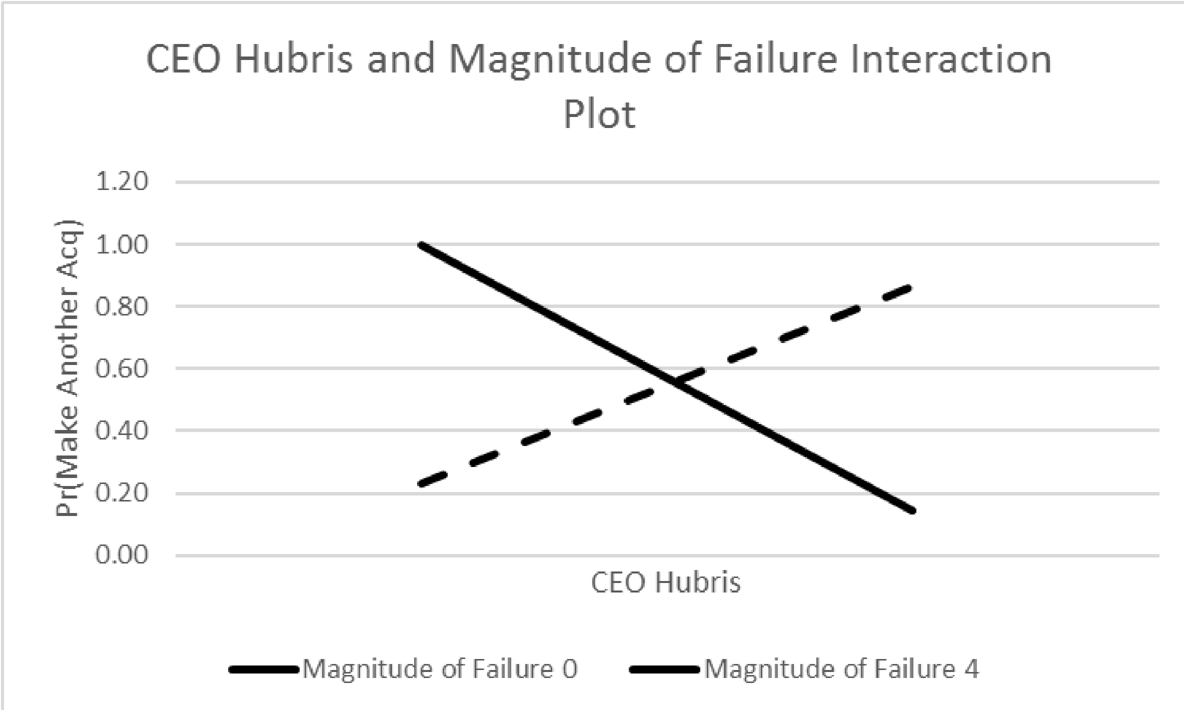

Figure 5.3. Interaction between CEO Hubris and Deal Failure Magnitude (Negative Reactions)