

THE ROLE OF INTERORGANIZATIONAL TRUST IN THE MERGER AND
ACQUISITION PROCESS

by

Heather R. Parola

A Dissertation Submitted to the Faculty of

The College of Business

In Partial Fulfillment of the Requirements for the Degree of

Doctor of Philosophy

Florida Atlantic University

Boca Raton, Florida

December 2015

Copyright 2015 by Heather R. Parola

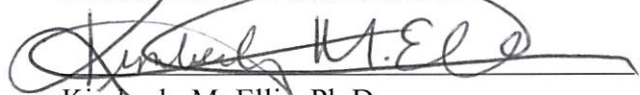
THE ROLE OF INTERORGANIZATIONAL TRUST IN THE MERGER AND
ACQUISITION PROCESS

by

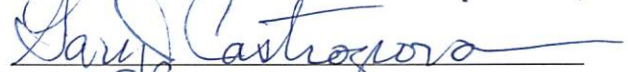
Heather R. Parola

This dissertation was prepared under the direction of the candidate's dissertation advisor, Dr. Kimberly M. Ellis, Department of Management Programs, and has been approved by the members of her supervisory committee. It was submitted to the faculty of the College of Business and was accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy.

SUPERVISORY COMMITTEE:



Kimberly M. Ellis, Ph.D.
Dissertation Advisor



Gary Castrogiovanni, Ph.D.



Peggy Golden, Ph.D.



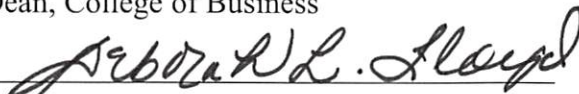
Bruce T. Lamont, Ph.D.



Roland Kidwell, Ph.D.
Chair, Department of Management Programs



Daniel Gropper, Ph.D.
Dean, College of Business



Deborah L. Floyd, Ed.D.
Dean, Graduate College

11/17/15

Date

ACKNOWLEDGEMENTS

I would like to express my sincerest thanks to many people who have helped me throughout this process. First, I must express gratitude to my dissertation committee, Dr. Kimberly Ellis, Dr. Peggy Golden, Dr. Gary Castrogiovanni, and Dr. Bruce Lamont. Thank you for your time, patience, and valuable feedback throughout this process and beyond. I must also express my gratitude for my advisor, Dr. Ellis, in particular. I cannot imagine the past five years without your insights, advice, and friendship.

I also would like to express my thanks to my cohort, direct and beyond. Lee, Jason, and Ratan, thanks for your continued support and willingness to help. I also must express my gratitude to the various professors at FAU that have given me their time and attention to help me grow as a scholar: Dr. Ethlyn Williams, Dr. Stephanie Castro, Dr. Bryant Hudson, Dr. Michael Harari, and Dr. Andac Arikan.

Last, I thank my parents and my sisters, Ashley and Haleigh, for their continued support. I thank my friends, Sejla and Melissa, for providing me with the courage and support to not only begin, but now finish this degree. I also thank my husband Josh, for the support, advice, encouragement, and inspiration that he consistently provides.

ABSTRACT

Author: Heather R. Parola
Title: The Role of Interorganizational Trust in the Merger and Acquisition Process
Institution: Florida Atlantic University
Dissertation Advisor: Dr. Kimberly M. Ellis
Degree: Doctor of Philosophy
Year: 2015

Although recognized as an important stage of the merger and acquisition (M&A) process, little is understood about the processes that unfold during deal negotiations. In line with recent qualitative research highlighting the role of interorganizational trust, I examine the role of acquirer trust during M&A negotiations. Specifically, through two essays, I consider the effects of acquirer trust on two outcome variables: the acquisition premium and target executive retention. In Essay One, I integrate the social embeddedness theory and agency theory and find that acquirer trust leads to higher premiums. In Essay Two, I integrate the social embeddedness perspective with justice theory and find that the positive relationship between acquirer trust and target executive retention is mediated by justice. Boundary conditions are also considered in each essay. These two essays provide contributions to the nascent literature on M&A negotiations and the complex role of trust in M&A negotiations.

THE ROLE OF INTERORGANIZATIONAL TRUST IN THE MERGER AND
ACQUISITION PROCESS

List of Tables	viii
List of Figures	ix
Chapter 1 - Introduction.....	ix
Chapter 2 - Literature Review.....	15
M&A Outcomes.....	15
Acquisition Premium	15
Target Executive Turnover:	18
M&As, Social Embeddedness, & Trust	20
Chapter 3 - Negotiating Acquisition Premiums: The Role of Acquirer Trust.....	25
Theoretical Framework and Hypotheses.....	29
Agency Theory and Negotiations	29
Acquirer Trust and Negotiations.....	32
Maximizing Effects: Escalating Momentum and Technology Dissimilarity.....	35
Minimizing Effects: Board Involvement and Prior Experience.....	39
Methods.....	42
Data collection	43
Measures	46
Results.....	50

Robustness checks	58
Discussion	60
Chapter 4 - Retaining Target Executives Through Negotiations: The Role of	
Acquirer Trust	66
Theoretical Background and Hypotheses	70
Acquirer Trust and Target Executive Turnover	74
Acquirer Trust and Managing Negotiations with Justice	76
The Moderating Effects of Deal Context.....	80
Methods.....	83
Sample and Data Collection Process	83
Data collection	84
Measures	88
Analysis.....	92
Post-Hoc Analysis.....	100
Discussion	104
Future research and limitations	107
Chapter 5 - Conclusions.....	111
Implications for Theory	111
Implications for Practice	116
Limitations and Future Research	117
Appendices.....	121
References.....	131

LIST OF TABLES

Table 1. Means, Standard Deviations, and Correlations of Relationships of Variables	
Relating Acquirer Trust to Acquisition Premium.....	52
Table 2. Regression of Acquirer Trust on Acquisition Premium	54
Table 3. Means, Standard Deviations, and Correlations of Relationships of Variables	
Relating Acquirer Trust to Target Executive Retention	93
Table 4. Regression Results of Mediation	95
Table 5. Bootstrap Mediation Effects	97
Table 6. Regression Results of Moderated Mediation.....	99
Table 7. Regression Results of Mediation with Interactional Justice.....	102
Table 8. Regression Results of Moderated Mediation with Interactional Justice.....	103

LIST OF FIGURES

Figure 1. Conceptual Model for Acquisition Premiums	11
Figure 2. Conceptual Model for Target Executive Retention.....	12
Figure 3. The moderating effects of technology dissimilarity	56
Figure 4. The moderating effects of board involvement in monitoring.....	57
Figure 5. The moderating effects of acquirer experience	58

CHAPTER 1 - INTRODUCTION

Academics and practitioners alike are concerned with determining the success factors mergers and acquisitions (M&As). Although M&As are a common strategy implemented to realize firm growth and value creation, research continually provides evidence that many M&As not only fail to create value for acquiring firms, but actually destroy value (e.g. Datta, Pinches, & Narayanan, 1992; King, Dalton, Daily, & Covin, 2004; Sirower, 1997). Overpayment (Varaiya, 1988), loss of target firm executives (Canella & Hambrick, 1993), and integration challenges resulting from human-resource related matters (Buono & Bowditch, 1989; Cartwright & Cooper, 1992; Haspeslagh & Jemison, 1991; Larsson & Finkelstein, 1999) and cultural issues (Datta, 1991) all have been defined as impediments to value realization. Despite the multitude of risks and performance ambiguity associated with M&As, firms continue to engage in M&As as a means of growth and value creation suggesting a discrepancy between the value creation motives of M&As, and the difficulty acquirers face when attempting to realize that value.

M&A activity often occurs in waves, with macroenvironmental conditions and industry consolidation opportunities driving activity (McNamara, Haleblian, & Dykes, 2008). Although M&A activity dipped in previous years, growth has continued since 2014, particularly in the United States (McDermid, 2014). The majority of recent deals driving M&A activity are described as large and related deals, and this trend is expected to continue (Bloomberg, 2013). Related deals exist when both firms share “a common skill, resource, market, or purpose (Rumelt, 1974: 29)” and are motivated by value

creation potential (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009). Value creation is gained through the generation of cost or revenue based synergies, or the potential for the two firms to run more efficiently and/or effectively together than apart (Lubatkin, 1983; Sirower, 1997). For example, acquirers may engage in deals to access new technological resources and capabilities (Sears & Hoetker, 2013), to redeploy resources and transfer competencies (Capron, Dussauge, & Mitchell, 1998), to gain new customers (Uhlenbruck, Hitt, & Semadeni, 2006), to establish a presence in new geographic markets (Kim & Finkelstein, 2009), or simply achieve scale economies (Lubatkin, 1983; Seth, 1990).

The expected synergies of a deal are often described by the strategic fit between the two firms, or the degree in which the target firm complements and aligns with the acquiring firm's strategies and long term goals (Jemison & Sitkin, 1986). Strategic fit is often considered the "upper bound" of value creation potential of a deal, and is comprised of the similarity and complementarity of the two firms (Pablo, Sitkin, & Jemison, 1996). Similarity refers to the overlap between the two firms' technology, operations, products, geography, customers, or distribution channels and promotes economies of scale (Chatterjee, 1986; Seth, 1990; Pablo et al., 1996) while complementarity involves value creation through economies of scope emerging from the coordinated integration of mutually enhancing capabilities, geographic markets, and products (Penrose, 1959; Larsson & Finkelstein, 1999; Zaheer, Castaner, & Souder, 2013).

Although strategic fit helps explain the value creation motives driving related M&As, the anticipated value is rarely created (e.g. King et al., 2004). To explain this, researchers have concentrated on various integration and contextual factors beyond

strategic fit. For example, when considering sociocultural integration, issues such as management style differences (Datta, 1991; Larsson & Finkelstein, 1999) and organizational cultural clashes (Buono & Bowditch, 1989; Cartwright & Cooper, 1992) have been found to increase employee anxiety and employee absenteeism leading to decreased productivity and satisfaction thereby compromising value creation. Additionally, factors such as management attributes (Nadolska & Barkema, 2013), size characteristics (Cannella & Hambrick, 1993; Kapoor & Lim, 2007), prior performance (Bruton, Oviatt, & White, 1994; Park, 2003), national culture (Very & Schweiger, 2001) and timing during acquisition waves (Carow, Heron, & Saxton, 2004) all have been shown to affect value creation, although in different ways. Overall, studies examining the influence of integration and contextual factors on value creation have yielded mixed findings, thus providing a glimpse of the complexity of uncovering critical drivers of deal outcomes.

The existing focus on integration and contextual issues is important, but this focus neglects important issues and decisions that occur in the pre-deal stages of the M&A. One perspective, the process perspective, accounts for this neglect in that it considers the M&A process as a series of decisions that have a connecting influence throughout the various stages (i.e. selection, negotiation, and integration) of a deal (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986; Pablo et al., 1996; Shrivastava, 1986). In doing so, the process perspective provides a framework to examine when, why, and how M&As create or destroy value through the recognition of the entire process itself as having an influence on strategic decisions (Jemison & Sitkin, 1986).

In line with the process perspective, both the negotiation stage and the integration stage are critical in value creation efforts, though the integration stage has received much more attention in the M&A literature. Integration of related deals can take many forms, with success hinging on the ability of the two firms to create efficiencies through reduction of duplicate resources and/or coordinate with each other in a way that transfers competencies and leverages knowledge effectively (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986; Larsson & Finkelstein, 1999). Given this, factors such as integration speed, level and quality of communications, and provided autonomy have been found to affect value creation during integration (Ranft & Lord, 2002). Integration efforts are often characterized as uncertain, complex, and requiring intense coordination efforts (Cording, Christmann, & King, 2008), and decisions made in the negotiation stage can affect the level of ambiguity and complexity experienced during the integration stage (Greenwood, Hinings, & Brown, 1994; Jemison & Sitkin, 1986).

Despite the connected decisions between the negotiation process and the integration process, the negotiation stage has received relatively less attention than the integration stage (e.g. Cartwright & Schoenberg, 2006; Greenwood et al., 1994; Jemison & Sitkin, 1986; Marks & Mirvis, 2001; Pablo et al., 1996; Zollo & Singh, 2004). Yet, negotiations are critically important in the M&A process. For example, initial research suggested that negotiations most often focus on strategic fit issues, legal contracts, and tax implications (Haspeslagh & Jemison, 1987). This narrowed focus in turn leads to ambiguous decision making in the negotiation stage, which guides early integration efforts and affects how employees react to the deal (Buono & Bowditch, 1989; Greenwood et al., 1994). Extending these studies, recent research considers how other

decisions reached during negotiations, such as the location of corporate headquarters, composition of the new executive team structure, and ways to minimize antitrust concerns, can have an effect on how and when integration occurs (Graebner, 2009; Lander & Kooning, 2013). Ultimately, this signals the importance of the management of the negotiation stage itself as well as the quality of the decisions made in negotiations as affecting value creation throughout the M&A process. Thus more research is needed on how behaviors and decisions in the negotiation stage affect actions and outcomes linked to this and subsequent stages of the M&A process.

Behavior in the negotiation stage begins as competitive, as countering bids are offered and bluffing tactics can be expected (Graebner, 2009; Pruitt, 1981), but moves to cooperative behavior as concessions are made and agreement is reached (Pruitt, 1981). M&A negotiations are often intense, uncertain, and high-stake situations (Lander & Kooning, 2013). One factor increasing the risk and uncertainty of M&A negotiations is the information asymmetries between the acquiring and target firm. The information gap between the two firms creates an environment of increased moral hazards and potential opportunism (Chi, 1994). It is in this context that executives must seek out information about the other firm and negotiate deal terms.

Overall, M&As are often described by opportunism, uncertainty, vulnerability, and risk (Cording et al., 2008, Coff, 1999; Graebner, 2009; Lander & Kooning, 2013) increasing the difficulty of managing the process and creating value. Under such conditions the social components describing the exchange relationship between the acquirer and target firm become increasingly important. One such social component is interorganizational trust. Interorganizational trust is defined as the expectation held by

the one firm that another firm will not exploit vulnerabilities when faced with the opportunity to do so (Barney & Hansen, 1994), and thus minimizes the expectations of opportunism and information asymmetries. Surprisingly though, the role of interorganizational trust remains relatively unexplored in the context of the M&A process (Stahl & Sitkin, 2005).

The social embeddedness perspective provides a useful theoretical framework to highlight the important role of trust in the M&A process. According to the social embeddedness perspective, an embedded relationship provides important social cues and information that assists in the promotion of interorganizational trust, thereby reducing information asymmetries and expectations of opportunism (Granovetter, 1985; Gulati, 1995; Larson, 1992; Uzzi, 1997). Relationships become more embedded through increased prior experiences, interactions, and future expectations of the relationship (Granovetter, 1985; Larson, 1992; Gualti, 1995; Poppo, Zhou, & Ryu, 2008; Uzzi, 1997). As the overall embeddedness of the relationship between the target and acquiring firm increases, trust increases, impacting the behavior, decisions, and overall management of the M&A process.

The key mechanism of behavior in an embedded relationship is trust (Granovetter, 1985). When trust is present in an organizational relationship, decisions are motivated less by opportunistic exploitation, and more by acting on faith and going beyond contractual obligations or expectations (Uzzi, 1997). This trust results in many benefits such as decreased costs of information transfer (Larson, 1992; Uzzi, 1996), decreased monitoring needs (Granovetter, 1985), decreased potential for conflict (Zaheer, McEvily, & Perrone, 1998), increased sharing of private information (Uzzi, 1997), and increased

knowledge transfer (Nielson & Nielson, 2009). These benefits of the interorganizational trust that results from an embedded relationship can reduce expectations of opportunism, information asymmetries, and behavioral uncertainty which are primary issues in the M&A process. Such benefits often arise when trust is symmetric between the two firms, with shared expectations of the current and future relationship governing behavior.

Currently, there are several factors to suggest the social embeddedness of firms, and thus the shared levels of trust, affect the M&A process. First, research suggests that not only are acquisitions likely to occur when the acquirer and target have a previous relationship (Schildt & Laamanen, 2006), but can also lead to a partner specific absorptive capacity promoting increased performance implications (Zaheer, Hernandez, & Banerjee, 2010; Zollo & Reuer, 2010). Given that trust is built over time through previous interactions, (Gulati, 1995; Ring & Van de Ven, 1992), these findings suggest that trust affects selection decisions as well as has performance implications in the M&A process. Second, recent research suggests that deals are more likely to occur when network ties exist between the acquirer and target (Yang, Lin, & Peng, 2011). Again, shared network ties are responsible for fostering interorganizational trust (Gulati, 1995; Larson, 1992; Uzzi, 1997), providing further preliminary evidence that trust plays a role in the M&A process. Third, research shows that target firms prefer acquirers in which they trust (Graebner & Eisenhardt, 2004; Graebner, 2009) and acquirers in which they share a “connection” (Teerikangas, 2012: 627). Additionally, trust built through M&A negotiations between two firms increases the likelihood of deal completion (Lander & Kooning, 2013).

The above studies point to the negotiation stage as being poised to be affected by the levels of trust between the acquirer and target firm. For example, an acquirer that trusts their target firm may decrease contractual arrangements, increase information sharing, and increase coordination, which may not only provide economic savings, but also serendipitous benefits such as increased involvement on the part of the target firm's TMT, increased justice perceptions, and lower turnover. These benefits not only touch the management of the negotiation process, but also improve outcomes and future options during the integration process.

Although these benefits are expected to occur in instances where trust symmetry is present between the two firms, M&As are a unique type of interorganizational transaction that often times results in trust asymmetries between the acquiring firm and target firm (Graebner, 2009; Lander & Kooning, 2013). It is not uncommon for deals to occur between firms that have no prior established market relationship. In this instance, the trust between the two firms begins as increased interactions take place through negotiations (Graebner, 2009; Lander & Kooning, 2013). During this short time, initial trust perceptions form, increasing the potential of misaligned trust perceptions. There are several reasons for this. First, the limited number of interactions may cause one party to rely on third party suggestions or reputation in order to evaluate trust levels (Graebner, 2009). Second, initial interactions may provide cues of distrustworthy behavior, leading one party to act more defensively (Granovetter, 1985). Third, M&As are often described as competitive and involving deceitful behaviors due to the high stakes nature (Graebner, 2009). Beginning a relationship with this competitive underpinning may alter the way in which trust relationships emerge.

Relationships involving trust asymmetries provide a context where opportunistic behavior and deceit are able to flourish. As such, when one party acts in good faith, the potential for the other party to be able to act opportunistically increases. This “dark side of embeddedness” (e.g. Poppo et al., 2008) indicates that the very mechanism meant to control opportunism may in fact exacerbate it. This is particularly relevant to the M&A context, as the benefits of an embedded relationship may diminish in this context. Although managing the process in a way that decreases contractual arrangements, increases information sharing, and increases coordination is expected to provide positive benefits for acquirers and target alike, the potential for opportunistic behavior to deteriorate those benefits increases if trust asymmetries are present.

Because of the high levels of information asymmetries and potential opportunistic behavior, the effect of trust in the M&A context is complex. Surprisingly, although interorganizational trust is poised to affect various decisions in the M&A process, its role in the literature has been sparse. Various streams of research focus on the employees’ trust in management (Ozag, 2005) or employees’ trust in the organization (Stahl, Larson, Kremershof, & Sitkin, 2011), but the role of trust at the organizational level (i.e. interorganizational trust) remains less understood. Two qualitative studies provide initial insights of the effects of interorganizational trust in the M&A process. First, Lander & Kooning (2013) present a detailed account of the negotiations of a major airline acquisition, and provide evidence of the role of boundary spanners (i.e., TMT members) in the creation of trust perceptions at the organizational level through negotiations. Second, Graebner’s (2009) work highlights the role of trust asymmetries in the M&A

process, providing evidence of acquirers and targets engaging in changing and differing levels of trust throughout the M&A process.

Although these studies provide initial insights into the role of interorganizational trust in the M&A process, much remains unclear. In particular, there is limited understanding of how trust affects the management of the M&A process and efforts to control information asymmetries, opportunism, and uncertainty throughout M&A negotiations. Moreover, a major gap remains as to whether trust promotes openness which facilitates better decision making during M&A negotiations or whether trust invites deception leading to inferior decision making.

In order to address this gap, the purpose of this dissertation is to uncover the role of acquirer trust during M&A negotiations. Remaining consistent with the expectation that value creation is a primary motive for related M&As, and related M&As drive domestic M&A activity, I will examine how trust impacts two different performance metrics within the M&A process of related deals. Two specific questions are addressed through this dissertation and examined in two individual essays. First, the question of what is the role of acquirer trust in the determination of acquisition premiums is addressed. Focusing on the negotiation stage and integrating agency theory and the social embeddedness perspective, Essay One examines this question by considering both the positive and negative implications of acquirer trust during negotiations. On the one hand, acquirer trust in their target firm mitigates agency issues and leads to increased information flow allowing for increased synergies to be uncovered, but it also leaves the acquirer open to the possibility of becoming blind to target deception. Overall, a positive relationship between acquirer trust and premiums is hypothesized, while being enhanced

by deal characteristics such as escalating momentum and technology dissimilarity, and minimized by the acquirer's negotiation capabilities derived from the involvement of its board of directors and its own prior acquisition experience. The conceptual model is shown below in Figure 1.

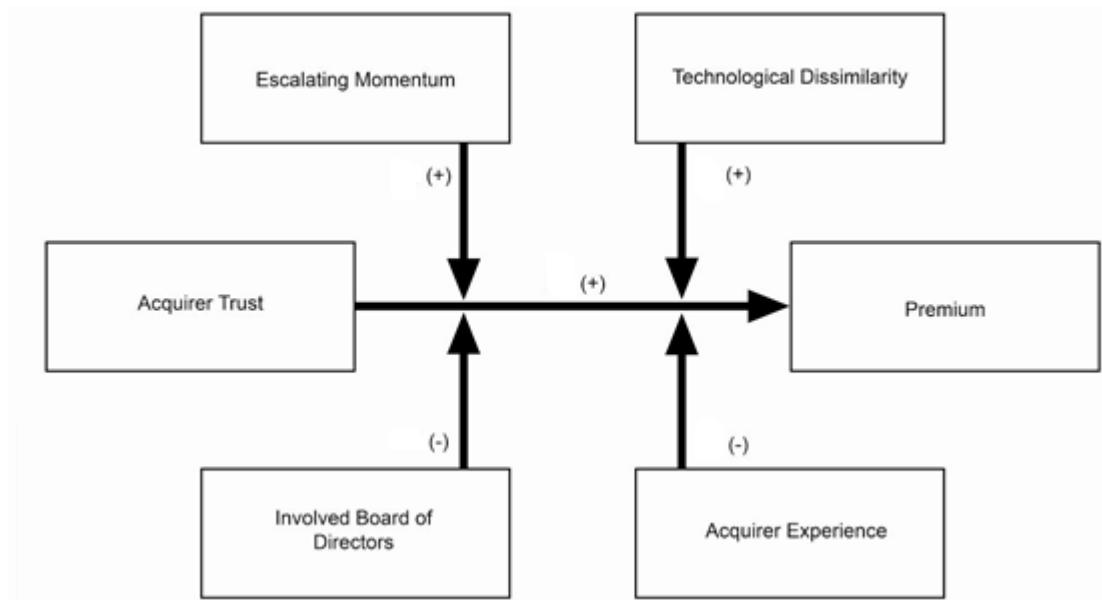


Figure 1. Conceptual Model for Acquisition Premiums

Second, the role of acquirer trust is examined in relation to target TMT retention. The question of does acquirer trust during negotiations increase target TMT retention is addressed. Using the resource based view (RBV) of the firm, the social embeddedness perspective, and justice theory, target managers are considered as valuable resources that the acquiring firm seeks to retain. Essay Two considers how acquirer trust during negotiations prompts acquiring managers to engage in actions which promote positive justice perceptions for the target managers. These positive justice perceptions in turn are hypothesized to positively influence target management retention. This mediated model is also hypothesized to be positively moderated by target intangible assets, suggesting when the target firm is characterized by highly intangible resources, acquirers will

leverage their trust to a greater degree to engage in actions that promote justice perceptions. Additionally, the complementarity between the two firms is hypothesized to positively moderate the trust to justice relationship as trusting acquirers interact with and engage target managers to a greater degree when negotiating value of complementary resources. The conceptual model is below in Figure 2.

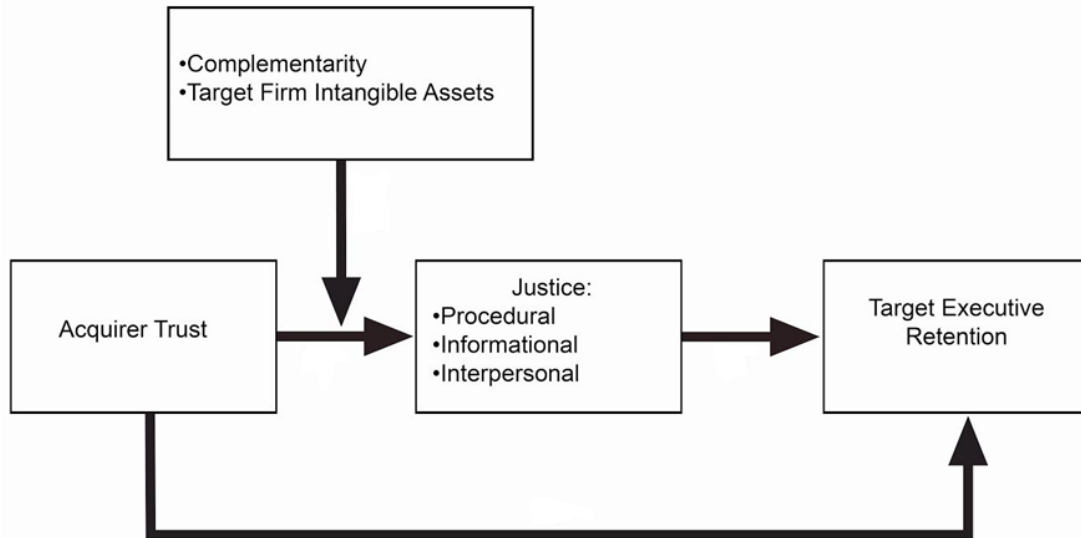


Figure 2. Conceptual Model for Target Executive Retention

Three important contributions are provided through this research stream. First, by exploring the role of trust in the negotiation stage, a contribution is made to the relatively nascent process literature on the pre-deal stage of the M&A process answering calls from various authors (e.g. Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986; Marks & Mirvis, 2011). Research on the M&A process has increasingly focused on the post-deal integration stage (e.g. Cartwright & Cooper, 1992; Cording et al., 2008; Ellis, Reus, & Lamont, 2009; Haspeslagh & Jemison, 1991; Pablo, 1994) and accordingly neglected the pre-deal stages of a deal. Additionally, Essay Two establishes a bridge between the

negotiation stage and the integration stage, by linking the management of negotiations to the post-deal outcome of target executive retention.

Second, a contribution is made to the social embeddedness literature. M&As provide an interesting context in which both the positive and negative aspects of embeddedness can be uncovered. Though primarily focusing on the positive nature of interorganizational trust, consideration of the “dark side of embeddedness” is provided through the discussion of how acquirers may overpay for the target firm when leveraging trust. This answers calls from various researchers (e.g. Poppo et al., 2008). Moreover, contextual factors are considered and provide boundaries to the application of social embeddedness in the M&A context.

Third, this work contributes to the nascent research stream of trust in M&As. There are few studies that consider trust in M&As, and even fewer that examine the effects of acquirer trust. The existing studies that consider trust in M&As use primarily small sample sizes and qualitative research designs (e.g. Graebner, 2009; Lander & Kooning, 2013), thus limiting the generalizability. This work theoretically and empirically examines the effects of interorganizational trust in the M&A process by administering a survey to a representative sample of executives involved in domestic, related deals that will offer greater generalizability of the findings. As a result, the findings complement existing research as well as highlight new links and relationships.

The remainder of the dissertation is organized as follows. In Chapter 2, I discuss the literature on acquisition premiums and target TMT retention and review the current literature on trust in the M&A process. Further, in Chapters 3 and 4 respectively, I develop, test, and discuss the results of the theoretically driven research models

associated with the two separate essays. Last, in Chapter 5, I review the collective findings of my dissertation research, discuss limitations, highlight future research avenues, and offer conclusions.

CHAPTER 2 – LITERATURE REVIEW

In this chapter, I review two primary M&A outcomes and the common literature between the two essays. First, I review the literature on acquisition premiums and target executive turnover the dependent variables in Essay One and Essay Two respectively. Second, I provide a review of the current literature on trust in M&As and the social embeddedness perspective.

M&A Outcomes

Traditionally, the primary outcome of interest in M&A research is performance. Performance is measured in many ways ranging from short-term announcement effects, to long-term shareholder returns, to medium- to long-term traditional accounting indicators such as return on assets and return on equity (Cording, Christmann, & Weigelt, 2010). Other outcomes though are becoming increasingly important in light of M&A research becomes more nuanced and the research questions being asked and theoretical models being developed. As a result, there is a need for further examination of acquisition premiums, target executive turnover, and integration performance among other outcomes (Haleblian et al., 2009), as each explains a different piece of the story that contributes to the success or failure of the M&A process.

Acquisition Premium

An acquisition premium is the acquirer's overpayment for the target firm that reflects the synergies expected through the combination of the two firms (Laamanen, 2007; Sirower, 1997). Although the premium is considered an outcome of the negotiation

stage, it is generally considered that higher premiums are detrimental to long-term deal performance (Haleblian et al., 2009) as overpayment is often cited as a critical area of financial loss in a deal (e.g. Hitt, Ireland, & Harrison, 2001; Lubatkin, 1983; Varaiya & Ferris, 1987). For example, Hayward and Hambrick (1997) showed that higher premiums, attributable to CEO hubris, resulted in lower long-term stock performance. When an acquirer pays a significant premium for the target firm, it must devote more resources and effort in order to extract sufficient value from the deal and further offset the high prices paid (Haunschild, 1994). This suggests that the premium paid may actually be a mediator of pre-deal processes and post-deal performance (Haleblian et al., 2009).

From the perspective of the acquiring firm, network, managerial, and strategy are found to influence acquisition premiums. Examining network effects, Beckman and Haunschild (2002) determined that firms tied to partners with more homogenous experience paid higher premiums than those firms with ties to partner firms with more heterogeneous experience. Similarly, Haunschild (1994) found that acquirers often imitated in-network firms by paying similar premiums, particularly in times of uncertainty, while Malhotra, Zhu, and Reus (2014) found that acquirers often use deals in the same market to anchor premium decisions. Managerial effects are also found to affect acquisition premiums – primarily in a negative way. For example, Hayward and Hambrick (1997) found that CEOs exhibiting higher levels of hubris overpaid for target firms at the detriment of long-term performance following the deal. This finding of the negative effects of premiums on post-deal performance is consistent with Varaiya's (1988) conclusion of "the winners curse" in acquisitions involving multiple bidders,

suggesting when multiple bidders are present, the bidding firms tend to overestimate the value of the target firm and overpay in order to win. Such overpayments in turn hinder the “winning” acquiring firm’s performance relative to its peers. Likewise, the board of directors’ group biases can affect premiums and promote overpayment (Zhu, 2013). Moreover, an acquirer’s growth strategy can also affect premiums. Kim, Halebian, and Finkelstein (2011) found that firms exhibiting desperation to grow via acquisition over internal new venturing will also pay higher premiums.

Several target firm characteristics are found to have a particularly important influence on acquisition premiums as well. First, target CEO ownership positively influences premiums (Song & Walkling, 1993) as these CEOs negotiate more vigorously than non-owners. Similarly, targets that are highly controlled by outside shareholders experience higher premiums as the CEO’s personal interests are controlled (Moeller, 2005). Second, when a target firm is difficult to value due to a high level of intangible assets, acquirers often offer lower premiums in order to avoid overpayment (Akerlof, 1970; Coff, 1999). Target firms can overcome this by offering signals to the market and the acquiring firm. Signals such as associations with leading banks, prominent venture capitalists, as well as well-regarded alliance partners signal the target firm’s value, therefore increasing premiums (Reuer, Tong, & Wu, 2012). Similarly, R&D investments signal a target firm’s value and serve to increase premiums, but not necessarily to the detriment of post-deal performance (Laamanen, 2007).

Taken together, these studies suggest the need to consider both acquiring firm characteristics as well as target firm characteristics in the negotiation of acquisition premiums. The determination of acquisition premiums appears to be based on a

combination of the motives of managers of both the acquiring and target firm involved in the negotiation process, the firm-level strategies of both the target and acquiring firm, the information asymmetries that exist between the two firms, and each firm's capability in breaking those asymmetries down.

Target Executive Turnover:

Target top management team (TMT) members experience higher rates of turnover than TMT members in similar firms that have not experienced an M&A (Walsh, 1988, 1989) as well as those target employees of a lesser rank (Walsh, 1988). Negative performance effects can be expected when target TMT members turnover (e.g. Cannella & Hambrick, 1993; Krishnan, Miller, & Judge, 1997; Saxton & Dollinger, 2004) as well as an increased likelihood of divestment (Bergh, 2001), reduced knowledge transfer (Ranft & Lord, 2002), decreased employee satisfaction (Saxton & Dollinger, 2004) and diminished market expansion (Cording et al., 2008). Because target TMT members hold valuable tacit information about the target firm, their skills and knowledge in the integration process can lead to smoother integrations and greater synergistic realizations (Cannella & Hambrick, 1993; Zollo & Singh, 2004). Retention of these key members can lead to a symbolic benefit of signaling to target employees and customers messages of stability and consistency (Graebner, 2004), in effect decreasing uncertainty and anxiety while promoting motivation (Teerikangas, 2012). Studies in two primary research streams exist to explain why target key executives leave after an M&A: target manager's perceptions and deal context.

The individual motives of why target TMT members' voluntary turnover has primarily been examined through perceptions of autonomy removal. Several studies show

a positive relationship between autonomy removal and target TMT turnover (Buchholtz, Ribbens, & Houle, 2003; Hambrick & Cannella, 1993; Lubatkin, Schweiger, & Weber, 1999) as target TMT members' perceptions of domination and status removal increase with autonomy removal. When status is perceived to equally transfer, target TMT members will be less likely to voluntarily turnover (Cannella & Hambrick, 1993; Saxton & Dollinger, 2004). Other perceptions beyond autonomy removal and status impairments have also been examined. For example, perceptions of cultural differences can trigger target TMT turnover as target TMT members may not hold the same beliefs as the acquiring TMT members (Lubatkin et al., 1999). Negative perceptions of the merger announcement as well as negative perceptions of the long-term deal effects are also triggers for target TMT turnover (Krug & Hegarty, 2001).

Various contextual aspects of a deal have been analyzed to determine effects of target TMT turnover. Relative size between the acquiring firm and target firm (Hambrick & Cannella, 1993; Walsh, 1989), deal hostility (Walsh, 1989), contested tender offers (Hambrick & Cannella, 1993), poor target financial performance (e.g. Hambrick & Cannella, 1993) and toehold bidding strategies (Choi, 1991) have all been shown to increase target TMT turnover. Cross-border deals are found to have higher rates of target turnover (Krug & Hegarty, 1997) while increased managerial ownership in the target firm is found to result in lower levels of target TMT turnover (Ghosh & Ruland, 1998). These studies together suggest that hostile deals, international deals, and deals where the target firm is much smaller and has low prior performance increase the incidence of target TMT turnover.

Although the research on corporate control suggests replacing ineffective target TMT members can be an opportunity for acquirers (Walsh & Elwood, 1991), a greater understanding of the value of these key members has emerged. Because of their firm specific knowledge, target TMT members offer incredible insight of the target firm, which can be highly beneficial in both negotiations and integration (Zollo & Singh, 2004). Managing these important members' perceptions through engagement may be the key to ensuring their retention.

M&As, Social Embeddedness, & Trust

The influence of trust in organizational studies has been examined for decades. Although most studies focus on individual-level trust, there is a great need to examine the influence of trust at multiple levels (Fulmer & Gelfand, 2012). Given that organizations are inherently multilevel systems, trust within an organization operates at the individual, team, and organizational level while the referent also exists at multiple levels (Fulmer & Gelfand, 2012). This can be seen in the M&A context, as trust has been examined from the level of target employees in terms of trust in management (Ozag, 2005), trust in the organization (Stahl et al., 2011), as well as interorganizational trust between the acquiring and target firm (Graebner, 2009).

To date, the role of trust in M&A research has primarily concentrated on the effects of surviving employee trust in the acquiring firm, the acquiring firm's management, and the importance of that trust in managing the integration process. For example, Nikolaou, Vakola, and Bourantas (2011) determined that surviving employees' trust in the acquiring firm can lead to greater commitment and satisfaction. Similarly, Ozag (2005) found that surviving employees' trust in the acquiring firm leads to greater

levels of hope and commitment. Stahl et al. (2011) found that target firm employees' trust orientations in the acquiring firm lead to higher levels of satisfaction and increased information flow between the employees of the two firms. Managers can effectively build trust in their employees through increasing quality communications in the pre-deal stages (Teerikangas, 2012) and post-deal stages (DiFonzo & Bordia, 1998; Schweiger & DeNisi, 1991) as well as accelerating integration processes (Stahl et al., 2011).

Although several studies have examined the role of individual-level employee trust in M&As, very few have considered the role of interorganizational trust (for exception see Graebner, 2009 and Lander & Kooning, 2013). Interorganizational trust is defined as the expectation held by one firm that another will not exploit its vulnerabilities when faced with the opportunity to do so (Barney & Hansen, 1994; Krishnan, Martin, & Noorderhaven, 2006). Interorganizational trust exists where both the trustor and the referent are observed at the organizational level. Trust operating at the organizational level describes the higher order, collectively-held trust orientation of members of the firm (Zaheer et al., 1998). Often times, it is boundary spanners (i.e. TMT members) who are responsible for building and spreading the collective trust perceptions (Zaheer et al., 1998). Interorganizational trust often emphasizes expectations of reliability, fairness, and goodwill of the other firm (Dyer & Chu, 2003; Krishnan et al., 2006), highlighting vulnerability and risk, which are characteristics necessary in order for trust to promote action (Lewis & Weigert, 1985; Mayer, Davis, & Schoorman, 1995). Given that M&As involve two parties (i.e. the acquiring firm and the target firm) and are wrought with uncertainty, vulnerability, and risk, interorganizational trust is expected to play a critical role in the M&A process.

The social embeddedness perspective provides insights as to how trust plays a role in the M&A process. Trust, according to the social embeddedness perspective, is a result of repeated interactions (Granovetter, 1985). The repeated interactions provide social cues to both parties that promote mutual understanding and trust, thus reducing information asymmetries and expectations of opportunism (Granovetter, 1985; Gulati, 1995; Larsson, 1992; Uzzi, 1997). The trust that results additionally shapes economic behavior, and as such, trust is the primary mechanism to combat opportunism in the relationship, as opposed to contractual mechanisms (Granovetter, 1985).

Given that interorganizational trust forms through repeated interactions (Gulati, 1995), when no prior relationship exists between the target and acquiring firm trust orientations take shape during the negotiation stage (Graebner, 2009; Lander & Kooning, 2013). Negotiations often take place over repeated interactions including informal social visits (Graebner, 2009) or intense formal meetings (Lander & Kooning, 2013). It is through these interactions by the boundary spanners of each firm that initial interorganizational trust orientations are formed, therefore influencing decisions throughout the M&A process.

Although relationships become more embedded through increased prior experiences, interactions, and expectations of the future (Granovetter, 1985; Larson, 1992; Gualti, 1995; Poppo et al., 2008; Uzzi, 1997), and a primary assumption is that trust forms symmetrically between the two firms (Fulmer & Gelfand, 2012), the M&A context provides a unique situation in which trust may not be symmetric between the two firms (Graebner, 2009). This is true for several reasons. First, trust is often formed due to expectations of continuing the relationship, which reduces the potential for opportunistic

behavior (Poppo et al., 2008). In the M&A context though, the relationship in a sense ceases to exist, as the separate entities will cease to exist, therefore eliciting different behaviors than may be expected in a traditional embedded relationship. Second, trust is built on perceptions of past behavior (Gulati, 1995), but an M&A provides a unique context where behavior may have not been previously witnessed (Graebner, 2009). Third, trust does not necessarily form equally between two parties even when the relationship is embedded (Granovetter, 1985; Lee, 2013), suggesting that one party may be managing the process by leveraging trust whereas the other party may be acting deceitfully (Graebner, 2009).

Both trust and distrust may exist simultaneously between the two firms (Graebner, 2009; Lander & Kooning, 2013), suggesting that decision processes and outcomes are different depending upon the timing and the focal trustor. For example, existing research suggests that target firms prefer acquirers that they trust as target firms typically experience a loss of power after the deal is consummated (Graebner & Eisenhardt, 2004; Graebner, 2009). Acquirers, though, display a different pattern of behavior and often purchase targets that they do not trust as power is typically gained after the deal is consummated (Graebner, 2009). An interesting implication for acquirers arises though, as trust in their target firm may actually increase information flows, coordination, and deal success.

When an acquirer trusts their target firm, several different behaviors can be expected. First, acquirers may increase their information sharing during negotiations, allowing for additional synergies to be uncovered. This increased information flow may also help the target firm managers understand the acquiring firm better, increasing the

positive connection between the firms and involvement of the target firm managers (Teerikangas, 2012). Second, acquirers that trust their target firm are expected to limit competitive behavior in negotiations, by mitigating negotiation style tactics and bluffing techniques (Graebner, 2009). Third, trusting acquirers are expected to be more cooperative and collaborative during integration, promoting involvement of target TMT members in order to increase integration success. Conversely, negative implications may also occur as trusting acquirers are expected to engage in riskier negotiation behaviors (Lander & Kooning, 2013) through minimizing the use of contractual arrangements, accepting greater levels of uncertainty, and accepting the target firm's information as fact. These risky behaviors mitigate negotiation costs (Zaheer et al., 1998) but also increase the vulnerability of the acquiring firm. Overall, the implications of acquirer trust in their target firm appear to affect decision processes not only in the negotiation stage but also in the integration stage of the M&A process.

Although there is limited research examining interorganizational trust in the context of M&As, the studies that do exist point to interorganizational trust being a critical factor in the M&A process. Selection issues, negotiation tactics, and integration procedures are all poised to be influenced by the level of interorganizational trust. Given that trust asymmetries cannot be assumed, and that the acquiring firm's management team is responsible for the majority of acquisition decisions and implementation, the specific role of acquirer trust in their target cannot be underestimated as a critical driving force in the M&A process. The two essays presented in the next two chapters address the role of acquirer trust throughout the M&A negotiation process.

CHAPTER 3 – NEGOTIATING ACQUISITION PREMIUMS: THE ROLE OF ACQUIRER TRUST

Why do acquirers continually overpay for target firms? Although overpayment is frequently cited as a critical source of financial loss in a deal (Haunschild, 1994; Hitt et al., 2001; Varaiya & Ferris, 1987), acquirers on average are still paying premiums of 30 to 50 percent over the target firm's market value (e.g. Kim et al., 2011; Laamanen, 2007; Reuer et al., 2012; Sirower, 1997). This overpayment, commonly referred to as the acquisition premium, is a result of negotiations between the target firm and the acquiring firm. In theory, the acquisition premium captures the expected synergies of combining the two firms that otherwise would not be available (Sirower, 1997). However, other factors which surface during negotiations unrelated to synergistic potential such as CEO hubris (Hayward & Hambrick, 1997), competing bids (Varaiya & Ferris, 1987), and desperation to grow (Kim et al., 2011) have also been shown to increase premiums paid by acquiring firms.

The M&A negotiation process is often described as competitive, risky, intense, guarded, and clouded with uncertainty (e.g. Chi, 1994; Coff, 1999; Graebner, 2009; Lander and Kooning, 2013). Because asymmetrical information exists between the acquiring and the target firms, the task of valuing the target firm and estimating expected synergies of the combination becomes increasingly difficult. Moreover, information asymmetries invite the classic agency issue of market exchanges: opportunistic behavior (Jensen & Meckling, 1976). Information asymmetries not only

increase the target firm's negotiation power, but also provide the opportunity for misrepresentation of the value of its resources, status of its product lines, number of interested bidders, or commitment of key stakeholders to the deal.

As the risk of moral hazards and adverse selection issues along with the threat of opportunistic exploitation exists, agency theory suggests that acquirers manage the negotiation process in a defensive way. To protect itself from these risks and threats, the acquiring firm often engages in costly actions such as enhancing contractual measures (Eisenhardt, 1989; Jensen & Meckling, 1976), searching for additional information (Reuer et al., 2012), lengthening negotiations (Coff, 1999), increasing bluffing tactics (Graebner, 2009), offering lower premiums (Akerlof, 1970) and avoiding cash offers (Coff, 1999). Given that information asymmetries plague all M&A negotiations to some degree, and these actions serve to increase the overall costs of negotiations in order to guard against overpayment, the question remains as to why firms still pay seemingly unwarranted premiums.

While economic factors such as competing bidders (Varaiya & Ferris, 1987) and strategic factors like firm desperation (Kim et al., 2011) have been found to influence premiums, limited strategy research has focused on the effects of relational factors on this key outcome of the negotiation process. In line with recent work examining relational dynamics within the team (Zhu, 2013), and within the competitive environment (Malhotra et al., in press), we seek to fill this gap by examining the role of acquirer trust in the target firm as a key relational factor that promotes increased communication and cooperation in a process often fraught with secrecy and uncertainty. Interorganizational trust is the expectation held by one firm that another will not exploit

its vulnerabilities (Barney & Hansen, 1994; Krishnan et al., 2006). Despite the prominent role of trust in interorganizational exchanges such as alliances, its role in the M&A process is rarely considered. While case study research (e.g. Graebner, 2009; Lander & Kooning, 2013) offers some initial insight, our general understanding of the effects of trust in the M&A process, particularly acquirer trust during deal negotiations, remains limited.

Theoretically, interorganizational trust is expected to play an important role in negotiations. According to the social embeddedness perspective, all firms are embedded in a social context where past interactions and relational mechanisms influence behavior (Granovetter, 1985). Interorganizational trust, in particular, emerges through a shared understanding and guides decisions, actions, and the governance of exchange relationships (Gulati, 1995; Uzzi, 1997). Promoting a context in which firms act in "good faith" with actions that go beyond contractual stipulations, interorganizational trust serves as the primary mechanism to combat information asymmetries and opportunistic expectations (Granovetter, 1985; Uzzi, 1997). For example, interorganizational trust enhances communication flows (Gulati and Stych, 2007), increases contract flexibility (Faems, Janssens, Madhok, & Van Looy, 2008), and reduces conflicts in negotiations (Zaheer et al., 1998). It is through these actions which engender cooperation that trusting acquirers may be able to break down information asymmetries, uncover additional synergies, and gain deeper insight regarding value expectations of the deal thereby more appropriately estimating the target firm's worth.

As such, the purpose of this study is to examine the role of acquirer trust in the determination of acquisition premiums, a key outcome of the M&A negotiation

process. Through integrating agency theory and the social embeddedness perspective, I argue that as acquirers leverage their trust and adopt a more cooperative negotiation style the agency issue is both minimized and perpetuated, leading to increased premiums. Building on the seminal work of Jemison and Sitkin (1986) and other M&A process scholars, I further consider several critical contextual factors (i.e., technology dissimilarity and acquirer experience) and process factors (i.e., escalating momentum and board involvement) that moderate this relationship. Two, technology dissimilarity and escalating momentum, are theorized to strengthen the effects of trust on acquisition premiums while the other two, acquirer experience and board involvement, are theorized to attenuate the effects of trust on premiums.

Placing emphasis on the management of information asymmetries during M&A negotiations, we aim to provide two primary contributions to the literature. First, through the consideration of trust, we provide a richer understanding of how relational processes affect acquisition premiums. This enhances our understanding of key drivers of acquisition premiums beyond traditional research, which emphasized the effects of economic and strategic factors (i.e., Kim et al., 2011; Varaiya & Ferris, 1987), as well as recent work examining relational dynamics among teams and competitors (Malhotra et al., in press; Zhu, 2013). Second, I theorize the moderating effects of escalation of momentum, technology dissimilarity, board involvement, and acquirer experience on the acquirer trust – acquisition premium relationship. This more nuanced understanding of firm-level trust dynamics during the negotiation stage extends our knowledge beyond personal-level trust factors of firm employees assessed in the integration stage of the M&A process (Stahl, Chua, & Pablo, 2012). Thus, I answer recent calls for more

research investigating pre-deal processes (Dikova, Sahib, & van Wittleloostuijn, 2010) and examining acquisition premiums as an outcome (Haleblian et al. 2009).

Theoretical Framework and Hypotheses

Agency Theory and Negotiations

Agency theory suggests that in exchange relationships goal discrepancies and information asymmetries exist, both of which give rise to opportunistic behavior. In addition, goal discrepancies often lead to moral hazards when one party shirks on the responsibilities, while information asymmetries often result in adverse selection issues and misrepresentations of value (Eisenhardt, 1989). In an attempt to curb opportunism resulting from information asymmetries and moral hazards, the involved parties engage in defensive actions (Eisenhardt, 1989; Jensen and Meckling, 1976). In the M&A negotiation context, goal discrepancies and information asymmetries play a critical role in determining acquisition premiums, as acquirers must deal with the agency issue and potential opportunistic behavior of the target firm.

Information asymmetries due to the imbalance of information possessed by the acquiring firm and target firm emerge in various ways. Among the most common factors that increase information asymmetries are the importance of human capital in the target firm (Coff, 1999), high levels of technology in the target firm (Laamanen, 2007), less relatedness between the two firms (Balakrishnan & Koza, 1993), and cross-border deals (Reuer, Shenkar, & Ragozzino, 2004). Increased information asymmetries both limit the target firm's ability to communicate the value of their resources and the acquiring firm's ability to evaluate and determine potential synergistic benefits of the combination of those resources (Very & Schweiger, 2001). Often, not only the quality

of resources is unclear, but the transferability of these resources in the post- deal integration stage is even more uncertain (Coff, 1999).

Information asymmetries also increase risks associated with a deal, particularly the risk of adverse selection (Akerlof, 1970). Target firms appear more or less risky based on their strategic fit, organizational fit, past performance, and necessary resource requirements (Pablo et al., 1996), but in the case of information asymmetries, even these qualities may not be easily determinable. The risk of adverse selection suggests that when information asymmetries are present, so is the risk of purchasing a “lemon,” or a firm of intrinsically poor quality, for a premium (Akerlof, 1970). This risk not only involves added costs of uncovering information and greater potential of overpayment, but also increased incentives for target managers to misrepresent the quality of their firm.

In addition to increasing the potential of target firm opportunism, information asymmetries also enhance the negotiation power of the target firm (Chi, 1994), leading to moral hazards. Target firms can leverage this power by deceiving acquirers in several ways. First, negotiation style bluffing tactics may be utilized such as misrepresenting the number of alternative buyers and their bidding prices as well as decision deadlines (Graebner, 2009). More serious offenses such as misrepresenting the value of resources, status of product development, or intentions of top managers to remain after the deal are also a threat to the acquirer (Balakrishnan & Koza, 1993; Coff, 1999; Graebner, 2009). These potential offenses provide a great risk to the acquiring firm, promoting defensive actions rather than cooperative actions during the negotiation process.

In order to manage information asymmetries and thus opportunistic behavior of

the target firm, acquirers can offer a low bid premium and utilize stock financing (Akerlof, 1970; Coff, 1999). Lower bids reduce the overpayment risk outright while offering stock as the form of consideration can reduce the risk of adverse selection as the payment will capture the target firm's performance. Target firms can attempt to mitigate these actions by sending signals of their value, such as affiliating with prestigious banks, venture capitalists, and alliance partners (Reuer et al., 2012), thus reducing information asymmetries and lowering acquirer defensive tactics.

Acquirers can implement other more costly measures during negotiations in order to cope with information asymmetries. Acquirers may lengthen negotiations in an attempt to uncover additional information about the target firm (Coff, 1999).

Contractual measures such as earnout clauses (Datar, Frankel, & Wolfson, 2001) or termination fees (Officer, 2003) may also be used to overcome misrepresentations.

Moreover, when the focus of negotiations is predominantly concentrated on accounting and legal issues, discussions of fit are often excluded (Haspeslagh & Jemison, 1991).

By not adequately discussing issues of fit, premature conclusions may be inferred as to the combination value of potential resources of the two firms and complementarities may be overlooked (Jemison & Sitkin, 1986). This in turn may reduce the total value creation attributable to the deal.

Overall, when information asymmetries exist, the potential for synergies to be uncovered is limited and the risk of opportunism by the target firm increases. In order to govern this, acquirers will offer lower premiums, engage in contractual defenses, as well as seek other signals of target value from alternate means. These actions are all assuming that the relationship between the target firm and acquiring firm is not governed by trust.

When accounting for the social dynamic of exchange relationships in the negotiation of premiums, a much different set of behaviors can be expected.

Acquirer Trust and Negotiations

Although agency theory accounts for the governance of opportunistic behavior through contractual means, the theory ignores the social dynamic of exchange relationships. An alternative perspective, the social embeddedness perspective, accounts for relational mechanisms to govern opportunism in an exchange relationship. A primary tenant of the social embeddedness perspective is that a shared understanding develops between firms through increased interactions (Gualti, 1995). This shared understanding increases the trust between the two firms, and provides a context in which a repertoire of actions and behaviors can be evaluated against and predicted (Granovetter, 1985).

Actors go beyond contractual arrangements to act in "good faith" when trust is present (Uzzi, 1997). In turn, the interorganizational trust that emerges is the primary deterrent against opportunistic behavior and influences future economic actions (Granovetter, 1985).

Interorganizational trust is defined as the expectation held by one firm that another will not exploit its vulnerabilities when faced with the opportunity to do so (Barney & Hansen, 1994; Krishnan et al., 2006). This definition highlights risk and vulnerability, characteristics that are necessary in order for trust to promote action (Mayer et al., 1995). As discussed, M&A negotiations are wrought with risk, uncertainty, and information asymmetries, expanding the role in which interorganizational trust can play in the determination of acquisition premiums. The benefits of lower transaction costs (Dyer & Chu, 2003; Zaheer et al., 1998), increased

information flow (Gulati & Stych, 2007; Uzzi, 1997), and reduction of conflict (Zaheer et al., 1998) all emerge from embedded relationships, and can be vital in uncovering potential synergies and estimating the target firm's worth during the negotiation process.

As discussed in reference to agency theory, when information asymmetries are present, the acquirer can be expected to take costly defensive and contractual measures in order to overcome target firm misrepresentations. When the acquirer trusts their target firm though, a different pattern of behavior is expected. To facilitate the assessment of potential sources for synergies in the combined firm, increased information flow from the acquirer to the target firm can be expected as trust increases. There is great risk in sharing privy information, as the acquirer will lose additional negotiation power, or the target firm may act opportunistically and share the information with competitors. Traditionally, contractual measures such as termination fees are designed to increase and protect information shared between the two firms (Officer, 2003), but trust increases information flow through the positive expectations of good faith that the information will be protected (Uzzi, 1997).

Second, because trust reduces the need to monitor and implement safeguards (Bromiley & Cummings, 1995), the acquirer may be induced to lessen due diligence efforts. Trust not only increases blind faith and the inclination to take information at face value, but also decreases the screening of information for accuracy (McEvily, Perrone, & Zaheer, 2003; Uzzi, 1997). Thus, trust reduces the doubt of information provided and the fear of misappropriation of information (Very & Schweiger, 2001) while mitigating the use of monitoring or costly contractual arrangements.

Managing negotiations through trust lowers the cost of negotiations by eliminating excess contracts and reducing negotiation length (Zaheer et al., 1998), but as information flows increase and monitoring efforts decrease, the premium is expected to increase. First, sharing information can promote positive trust orientations from the target firm (Graebner, 2009) and potentially increase accurate information flow both ways (Gulati & Stych, 2007). Through eliciting trust in the target managers, the fear of opportunistic behavior is further diminished, allowing enhanced efforts to focus on combining the information. The mutual trust also elicits a shared understanding and a common language that assists in further breaking down information asymmetries (Gulati, 1995). Second, sharing information with the target firm may enable the target firm to connect resources in a different way and/or communicate the value of the resources in a new way, increasing the potential to uncover additional sources of synergy in the combined firm or redundancies in its operations. Additionally, the lack of monitoring and limited use of contracts allows time for negotiators of both firms to focus on issues of fit and potential synergies that may have been overlooked.

Although the above benefits are all ways that trust helps mitigate the agency issue, trust is also expected to increase the agency issue. Despite the level of trust of the acquirer, the target firm may still act opportunistically. Because trust is often not symmetric in the negotiation stage (Graebner, 2009; Lander & Kooning, 2013), the potential for target firm opportunism is real and present. This opportunistic behavior may come in the form of misrepresented information such as status of product lines, intentions of management turnover, and the value of resources (Balakrishnan & Koza, 1993; Coff, 1999; Graebner, 2009), and leave a trusting acquirer unprepared to act

defensively. As opposed to lengthening negotiations, relying on market signals, or offering lower bidding premiums, the acquirer will act with confidence in the target firm, and mitigate negotiation style bluffing tactics. For example, Graebner (2009) found when symmetric trust was present between the acquiring firm and target firm, the acquirer's opening bid was "generous (p. 453)" and bluffing tactics were minimized. When mutual trust is perceived, even if it does not actually exist, the potential for opportunistic exploitation is greatly increased, which can increase premiums.

This discussion suggests that the agency issue can be both mitigated and supported when acquirers trusts their target firms. The agency issue is mitigated as trust promotes increased communications to reduce information asymmetries, but the blind faith aspect of trust enhances the target's potential to act opportunistically. Although these countering effects exist, both the mitigating and enhancing qualities of trust to the agency issue have a positive effect on premiums. When the acquirer does not trust their target firm, the acquirer can be expected to act defensively by offering lower bids and increasing contractual mechanisms thus reducing premiums, but as trust increases, communication flows accelerate and a more cooperative negotiation style emerges facilitating higher premiums. Therefore:

Hypothesis 1: Ceteris paribus, acquirer trust in the target firm is positively related to the acquisition premium.

Maximizing Effects: Escalating Momentum and Technology Dissimilarity

Agency theory suggests that when greater information asymmetries exist between the acquiring and target firm, the risk of target opportunism will be greater. Existing M&A studies highlight two conditions in which substantial information

asymmetries are present: deals characterized by escalating momentum and dissimilar technology between the acquiring and target firms.

Escalating momentum. Escalating momentum can be defined as when the deal “takes on a life of its own (Jemison & Sitkin, 1986: 151)” with forces in place to speed up the deal decision- making process and increase time pressures to complete negotiations (Very & Schweiger, 2001). Factors such as need for secret negotiations or threat of bidding war increase the momentum of the deal (Jemison & Sitkin, 1986). Often described as an increasing pressure to “close the deal,” escalating momentum often leads to premature decisions and neglectful considerations of potential integration outcomes (Haspeslagh & Jemison, 1991). In this case, the acquiring firm relies on the trusting relationship with the target firm in several different ways.

First, the increased time pressure stimulates endorsed ambiguity amongst decision makers of the two firms, promoting the delay of important decisions until after the deal is complete (Jemison & Sitkin, 1986). Important decisions may come in the form of the new top management team (TMT) composition, integration levels, integration speed, or corporate branding strategy. Leaving these decisions to the integration stage not only compromises post- deal performance, but also leaves potential synergies uncovered during negotiations. When escalating momentum speeds negotiations, the acquiring firm can leverage the trusting relationship with the target firm to discuss these decisions without being slowed down by contractual arrangements and increased due diligence. Acting in ways consistent with a trusting relationship, the acquirer is able to focus the quick negotiations on decisions that may have been postponed otherwise.

Second, escalating momentum incites decision makers to act without significant delay during negotiations (Jemison & Sitkin, 1986). When operating under tight time demands and high uncertainty, managers increasingly rely on decision heuristics (Bazerman, 1998). In the negotiation process, decision-making biases such as anchoring (Malhotra et al., in press) and group polarization (Zhu, 2013) are found to affect manager's decisions in determining premiums as the pressures of secrecy and time pressures exist. Interorganizational trust, as well, affects decision heuristics (Uzzi, 1997). As the effects of increased pressures exist, acquiring managers' inclinations to take information at face value and minimize due diligence efforts are increased, thus leveraging the trust relationship with the target firm to a greater degree. With the accelerated decision-making process limiting the ability for acquirers to perform extensive due diligence efforts, target firm opportunism may be greater, maximizing the effects of trust in determining the acquisition premium. Alternatively, when time pressures do not exist, the acquiring firm can take the time to slow down the negotiations and engage in greater due diligence efforts while enhancing its understanding of both the target firm's operations and potential sources of synergy. The time afforded to increased debate, fact checking, and due diligence minimizes potential target opportunism, minimizing the effects of acquirer trust on premiums. Therefore:

Hypothesis 2: The positive relationship between acquirer trust and premium is strengthened as the level escalating momentum in negotiations increases.

Acquirer to target technology dissimilarity. Uncertainty about a target firm comes in many forms, but is most prevalent in deals where the target firm's strategic resources are technological and intangible in nature (Coff, 1999). For example, R&D investments are

difficult to value as they are often firm specific, have no efficient market, and are governed by reporting regulations that do not require ample explanation (Aboody & Lev, 2000). The more a firm invests in R&D activities, the more difficult it can be to assess not only the value of that firm, but also the combination potential, particularly when the two firms' knowledge bases are different.

Given the link between technological resources and M&A value creation, the similarities and differences of the firms' technology bases become an important source of information asymmetry during negotiations. When technology similarity exists, a common language is spoken, and critical issues are easily understood (Lubatkin, Florin, & Lane, 2001). The common language acts as a way to overcome the information asymmetries, minimizing the reliance on trust during the negotiations. But in the absence of similar technology, uncertainty in negotiations is heightened. When a common language does not exist, the acquiring firm is expected to leverage the trusting relationship to a greater degree in order to either overcome the lack of understanding about the target firm's resources or guard against opportunistic behavior. For example, if there are low levels of trust, the acquiring firm is expected to act in a way that minimizes this increased risk, such as offer a lower bid premium and utilize stock financing over cash (Coff, 1999). But if trust is present, the acquiring firm is expected to leverage the relationship to engage in actions such as richer communications which reassures the target firm of its commitment, thus creating a greater focus on identifying potential synergies that leverage the dissimilar technologies (Cullen, Johnson, & Sakano, 2000). Additionally, the acquiring firm will trust the target firm's information about its R&D and human capital resources, even though the information may not be fully documented

or understood. When trust governs the negotiation process in deals where it is difficult to assess the value and transferability of the target firm's technology resources, the acquiring firm is expected to leverage trust to a greater degree and intensify its communication and coordination with the target firm in an effort to compensate for the uncertainty. These actions maximize the benefits and issues of the trusting relationship, further increasing the premiums. Therefore:

Hypothesis 3: The positive relationship between acquirer trust and premium is strengthened as the level of technology dissimilarity between the target firm and acquiring firm increases.

Minimizing Effects: Board Involvement and Prior Experience

The principles of agency theory also suggest that increased governance mechanisms can overcome the negative effects of the risk of opportunism. In the M&A context, the acquiring firm can minimize the risk of target opportunism by leveraging the insight of its board of directors during the negotiation process as well as its own experience in M&A negotiations.

Board of directors' involvement. The board of directors' direct responsibility is to approve the final details of the deal, but an involved board of directors can provide great insight as the deal is negotiated. Not only can the board of directors provide access to financial and legal resources, but directors can also draw upon their own experiences using negotiation tactics and developing related capabilities as corporate executives to provide relevant knowledge to acquirers tasked with determining acquisition premiums (Zhu, 2013). Also, directors have a large reach with many contacts at their disposal from which they can gain valuable insight into various aspects of the negotiation process

(Haunschild, 1994). Board members, particularly outside board members, often become experts in assessing strategic initiatives, and are able to translate their expertise in ways that have positive performance implications (McDonald, Westphal, & Graebner, 2008). Thus, an involved board of directors can provide access to resources and knowledge about negotiating in general. Moreover, a board of directors that is involved in the negotiation process will be able to offer advice and situational remedies to issues that may arise. In addition, involved directors are likely to recognize potentially disconcerting and misrepresented information as they become more involved in monitoring the negotiation process.

Boards differ in their eagerness to be involved in the negotiation process, as some boards are more interested in final results (Jemison & Sitkin, 1986). Hayward and Hambrick (1997) found that an involved board of directors can minimize the effects of self-interested CEOs. A similar process is expected to influence the relationship between acquirer trust and acquisition premium. As the acquirer's board of directors becomes more involved negotiating the terms of the deal, the positive effects of trust on the premium will be minimized. The board's expertise may not only cause the acquirer to focus on deepen understanding of the strategic reasons for the deal, but also result in their consideration of probing questions about the target firm's intentions and information. Moreover, higher levels of due diligence and slower negotiations can be expected when the board of directors is highly involved in the negotiation process, even when trust is present. The increased involvement, more deliberate process, and greater due diligence efforts minimize the risk of overpayment attributable to the target's opportunistic actions.

Alternatively, when the board of directors is minimally involved in the negotiation process, the top managers of the acquiring firm will rely on the trust relationship without intervention. This reliance can induce expedited negotiations, taking the target's information as unquestionable fact, and minimal due diligence efforts which in turn lead to higher acquisition premiums. Therefore:

Hypothesis 4: The positive relationship between acquirer trust and premium is weakened as the level of the acquiring firm's board of directors' involvement in negotiations increases.

Acquirer prior experience. Prior acquisition experience provides the acquiring firm with a unique repertoire of past experiences to reference when negotiating current deals. Ample evidence exists suggesting that acquirers learn and gain negotiation capabilities through experience (e.g. Zollo & Singh, 2004). As knowledge is acquired through experience, it is embedded in the organization's members, routines, tools, tasks, and networks. This experience accumulation provides a stock of knowledge and processes which acquirers can use to evaluate current situations and make decisions accordingly. These capabilities are often represented in skills developed to ensure careful and deliberate valuations of the target firm (Hitt et al., 2001), knowledge codified into checklists to prevent overpayments (Zollo & Singh, 2004), as well as risk management practices designed to detect uniquenesses of a focal deal (Heimeriks, Schijven, & Gates, 2012). Through experience, acquirers have access to a range of different situations from which to draw insight in order to establish appropriate protocols when negotiating a deal.

The capabilities developed through experience provide a barrier against trust

running rampant in the determination of acquisition premiums. Because of established procedures and risk management techniques, experienced acquiring firms are more apt to question the target firm's intentions and behavior. Even when a strong trust is present, the acquiring firm will be able to leverage and implement its honed routines for acquisition negotiations to result in premiums that best reflect the target firm's worth. Alternatively, when experience is minimal, the acquiring firm may not have the skills to recognize the target firm's intentions and evaluate the provided information, resulting in the potential of increased opportunism and paying more for the target firm. Overall, we expect that as the acquiring firm's negotiation experience increases, the positive relationship between trust and premiums will weaken as the experience guides the negotiation process. Therefore:

Hypothesis 5: The positive relationship between acquirer trust and premium is weakened as the level of the acquiring firm's experience in M&A negotiations increases.

Methods

I used Thomson Reuter's Securities Data Corporation (SDC) Platinum database to identify completed deals announced between 2008 and 2014. The sample was restricted to related, domestic deals where the acquirer owns a majority stake in the target firm. Specific criteria of the search included: 1) deals where both the target firm and acquiring firm are based in the US to limit potential effects of national-level differences, 2) deals where both the target firm and acquiring firm are public given the need for supplemental archival data, 3) deals where at least 51% of the target firm is owned after deal completion to reflect the acquirer's majority control, and 4) deals

considered to be related in nature as denoted by a two-digit primary SIC code match or a four-digit SIC code match among the firms' top six business lines (e.g. Ellis, Reus, Lamont, & Ranft, 2011) where understanding potential synergies is often not a straightforward task. These sample criteria resulted in an initial sample of 706 deals. In situations where the acquirer engaged in multiple deals during the sample period, only the most recent deal was included. After excluding multiple deals and those in which the acquiring firm was subsequently acquired, spun off, or ceased operations, 444 transactions remained.

Data collection

I collected secondary data for the dependent variable and various control variables from Standard & Poor's Compustat database, the SDC Platinum database, and the U. S. Securities and Exchange Commission (SEC)'s EDGAR online database (i.e., 10-K reports and proxy statements). Additionally, I collected primary data through a survey instrument. To pretest the survey, I received feedback from doctoral students and faculty members familiar with M&A negotiations or survey design as well as corporate executives with direct involvement in the M&A negotiation process.

Consistent with previous M&A studies (e.g. Cording et al, 2008; Ellis et al., 2011; Heimeriks et al., 2012) as well as previous interorganizational trust studies (e.g. Janowicz-Panjaitan & Noorderhaven, 2009; Krishnan et al., 2006), a key informant actively involved in the negotiations of the focal deal completed the survey. I identified key informants and their contact information for each deal through a review of press releases, 10-K reports, Hoover's Company Reports, and company websites. Because TMT members involved in negotiations are boundary spanners of the firm (Lander &

Kooning, 2013), it is their responsibility to develop and spread the trust perceptions throughout the organization (Zaheer et al., 1998). These individuals are also highly involved in firm decision processes and most informed about multiple aspects of the deal thereby limiting response bias (Cording et al., 2008).

I engaged in several steps to contact the identified informants and confirm their willingness to participate in our study. First, I sent an email with a link to the survey to each informant's direct email address, followed by reminder emails as necessary. Second, I mailed a hard copy of the survey to the same key informants. Third, I contacted informants by phone in order to confirm their involvement in the negotiations, engage in dialogue about the study, provide assurance that their responses would be confidential, and gain their consent to participate in the survey. After the informants agreed to participate, I sent a follow-up email with a link to the survey, or in a few cases where requested a hard copy of the survey. Each form of contact included a cover letter clearly specifying the focal deal of interest and assuring respondents of strict confidentiality. As a result of this process, I received 114 completed surveys representing a 26% response rate. This rate is comparable to similar studies soliciting responses from TMT members as key informants (Cording et al., 2008; Ellis et al., 2011). One survey was excluded due to missing data, thus our final sample for hypotheses testing consisted of 113 acquisitions.

With survey-based research, concerns exist about multiple types of potential biases. As such, I engaged in various actions to address and remedy these concerns. First, I tested for respondent bias by comparing respondents and non-respondents as well as several types of respondents along several dimensions of relevance in the

context of our study. Results indicate there were no statistically significant differences between respondents and non-respondents, early and late respondents, and form of response received (mail versus on-line) based on premium paid and relative size. Thus, the sample is representative of the population of interest.

In an effort to minimize the effects of recall bias, I included open-ended questions. For example, before the scale assessing acquirer trust in the negotiation process, I asked in respondent in an open-ended question to describe the negotiation process. Including this type of question helps prime the informant to recall details specific to the focal event in question and enhances data reliability for the subsequent scale (Miller, Cardinal, & Glick, 1997). Also, in situations where the acquiring firm engaged in multiple M&As, I selected the most recent deal for inclusion in our study and specified this deal in the cover letter. Thus, the informant focused on the latest deal, which should function as an important recollection aid to reduce recall biases.

Additionally, in order to minimize the effects of single respondent bias of organizational level constructs, surveys were sent to additional TMT members of the acquiring firm when definite evidence existed for their involvement in the deal negotiations (Cording et al., 2008; Fulmer & Gelfand, 2012). I obtained this evidence from secondary sources (primarily press releases and proxy statements) as well as the primary survey respondents. For those identified from secondary sources, I followed a procedure similar to that described above to identify primary respondents. In the majority of the cases, in the thank you email sent to those respondents that completed the survey, I requested that they either forward a survey link to one additional top-level manager directly involved in the negotiations of the focal deal or provide us with that

person's email address. Of those potential second respondents identified and after multiple attempts to solicit their participation, we received eight responses. Though fewer than desired, I was still able to establish high inter-rater reliability as evidenced by an average agreement of 89.9% in their responses, with a range from 86% to 95% agreement. Additionally, we followed Podsakoff and colleagues' (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003) recommendations and employed several procedural remedies to curtail single respondent bias. First, I ensured strict confidentiality, both verbally and in writing. Second, I separated various scale items on the survey, ensuring psychological separation of the trust, board of director involvement, escalating momentum, and dissimilarity measures. Third, I used established scales when possible and avoided ambiguously worded items to minimize confusion. Fourth, I used primary data along with secondary data from multiple sources to measure variables included in the regression models. Finally, I included four items on our survey to measure social desirability. The four items loaded onto a single factor ($\alpha=0.70$; Eigenvalue=2.11; 57% explained variance), and the resulting factor scores were included in subsequent regression analyses. I found that while controlling for social desirability, the results reported in Table 2 remain significant, providing further evidence that respondent bias is not driving our findings.

Measures

Acquisition premium. Consistent with prior research, the acquisition premium was measured as the percentage difference between stock price paid per share and the stock price of the target firm four weeks prior to the announcement of the deal (Hayward & Hambrick, 1997; Kim et al., 2011; Laamanen, 2007). Data were obtained from the SDC

Platinum database.

Acquirer trust. I drew on work from the alliance literature on interorganizational trust (e.g. Gulati & Sych, 2007; Zaheer et al., 1998) to measure acquirer trust during the negotiation stage. Specifically, I adapted the scale developed by Zaheer et al. (1998) and modified it to reflect the context of M&A negotiations. This resulted in slight changes to the wording of the original five items to refer to “target firm” instead of “supplier” and the addition of an item specific to M&A negotiations to capture information sharing through due diligence (recommendation from executives during survey pretesting; adapted from Gulati & Sych, 2007). The six items are included in the appendix. Each item was assessed along a five-point Likert scale ranging from “not at all” to “to a great extent.” The exploratory factor analysis yielded one factor (Eigenvalue=3.43; 67% explained variance), with an associated Cronbach’s alpha of 0.84, which falls within the accepted guidelines to suggest internal reliability in our data (Nunally, 1967; 1978). The resulting factor scores were used in the regression models.

Escalating momentum. Escalating momentum occurs when deal negotiations are accelerated (Jemison & Sitkin, 1986) creating an overall desire of “complete or cancel” the deal (Pablo et al., 1996). Although escalating momentum is present to some degree in all deal negotiations, the level of confidentiality of the negotiations creates an environment in which the two parties desire an accelerated process (Jemison & Sitkin, 1986). Therefore, I assessed escalating momentum through two survey items asking respondents to indicate the extent to which negotiations were expedited and confidential. The items were assessed along a five-point Likert scale ranging from “not at all” to “to a great extent.” The factor provided a Cronbach’s alpha of 0.57 (Eigenvalue=1.41; 70%

explained variance), which is considered acceptable to demonstrate reliability in new scale development (Nunnally, 1967).

Acquirer to target technology dissimilarity. In order to assess the differences in technology bases between the acquiring firm and target firm, I included an item on our survey asking respondents “prior to the acquisition, to what extent were your firm and the target firm similar on technology used in production and/or operations.” The item was assessed along a five-point Likert scale ranging from “not at all” to “to a great extent.” The item was subsequently reverse coded to reflect technology dissimilarity.

Board of directors’ involvement. An eight item scale was developed to measure the involvement of the acquiring firm’s board of directors during M&A negotiations. The scale was based on the descriptions of the various roles of the board of directors consistent with the resource dependence and agency perspectives (Johnson, Daily, & Ellstrand, 1996). Each item was assessed on a five-point Likert scale ranging from “not at all” to “to a great extent.” Based on the exploratory factor analysis using varimax rotation, two factors emerged with eigenvalues greater than one. Two items (provide counsel and advice in evaluating the agreement and help decide the composition of the new strategic leadership team) cross-loaded on both factors and were subsequently dropped. The remaining six items, which are included in the appendix, loaded onto two factors, explaining 86% of the variance. The first factor included three items that we labeled board involvement in providing resources ($\alpha = 0.93$; Eigenvalue=2.66) and represents the ways in which a board provides expertise and resources during negotiations. The second factor included the remaining three items that we labeled board involvement in monitoring ($\alpha = 0.91$; Eigenvalue=2.53) and represents the ways in

which a board oversees the actions of the CEO and the negotiation process. The resulting regression scores were used in the regression models.

Acquirer experience. Consistent with previous studies (e.g. Porrini, 2004; Ellis et al., 2011), I measured acquirer experience as the number of deals engaged in by the acquiring firm in the four years prior to the focal deal as reported in SDC Platinum. Given the uncertainties and complexities associated with M&A negotiations, it is likely that more recent experiences will be most valuable to the acquirer. The log transformed value was used in the regression models to reflect the diminishing returns of learning (Barkema & Schijven, 2008).

Control variables. I included a number of control variables in order to account for deal characteristics, acquirer characteristics, and target characteristics that may influence acquisition premiums. First, I controlled for deal characteristics by including measures for relative size, relatedness, tender offer, and method of payment. I measured *relative size* as the ratio of the acquiring firm's assets to the target firm's assets one year prior to the announcement (Kim et al., 2011). These data were collected from Compustat. Additionally, because the nature of the two firms' primary operations could influence expected synergies and thus premiums, I controlled for *relatedness* by including an ordinal variable where deals involving matches among the two firms' four, three, and two digit primary SIC codes will be coded as 4, 3, and 2 respectively. Relatedness is also coded as 1 if there is a four-digit SIC code match among the firms' top six business lines (e.g. Ellis et al., 2011). Further, because *tender offers* can often affect the premium paid, I included a dichotomous measure with the value of 1 if the deal was a tender offer (Reuer et al., 2012). Additionally, because using stock as a form of payment can

minimize the risk of overpayment, I measured *stock consideration* as a dichotomous variable coded as 1 if stock was used as a method of payment and 0 otherwise (Kim et al., 2011). The data for relatedness, tender offer, and stock consideration were obtained from SDC Platinum.

Second, I controlled for various firm characteristics that may influence how much the acquiring firm is able or willing to pay for the target firm. First, because managers of higher performing firms have the resources and confidence to pay higher premiums (Hayward & Hambrick, 1997) I controlled for the *acquirer's prior performance* measured as the acquirer's return on assets (ROA) one year prior to deal announcement (Kim et al., 2011). Additionally, because target firms with higher performance may be more attractive, I controlled for the *target firm's prior performance* measured as the target firm's ROA in the year prior to the announcement (Kim et al., 2011). Moreover, acquirers often pay higher premiums for target firms operating within high-tech industries. I controlled for this by including a dummy variable for whether the target firm operated in a *high-tech* industry (Porrini, 2004; Reuer et al., 2012). Data for net income and assets were collected from Compustat while information to assess the target firm's industry affiliation was obtained from SDC Platinum.

Results

The means, standard deviations, and bivariate correlations are reported in Table 1. All variables were mean centered before creating the respective interaction terms in order to minimize multicollinearity issues (Aiken & West, 1991). The subsequent VIF factors in all models remained below 1.8, which is well under the threshold of 10

thereby suggesting that multicollinearity is not influencing the results. The average premium is 42%, which is consistent with prior studies (e.g. Kim et al., 2011).

Table 1: Means, Standard Deviations, and Correlations of Relationships of Variables Relating Acquirer Trust to Acquisition Premium

		Mean	Std. Dev.	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Premium	0.42	0.34													
2	Relative size	28.58	71.23	0.27**												
3	Relatedness	2.80	1.20	-0.12	-0.17											
4	Tender offer	0.14	0.35	0.06	0.12	-0.02										
5	Stock	0.61	0.49	-0.19*	-0.11	0.02	-0.35**									
6	Acquirer ROA	0.02	0.10	-0.05	0.08	0.00	0.20*	-0.29**								
7	Target ROA	-0.03	0.21	-0.12	-0.28**	0.04	-0.07	0.02	-0.08							
8	High-tech	0.30	0.46	0.13	0.02	0.02	0.18	-0.31**	-0.07	-0.07						
9	Trust	0.00	1.00	0.32**	0.15	0.01	-0.20*	0.06	-0.06	0.01	-0.17					
10	Escalating momentum	0.00	1.00	0.01	0.10	-0.14	0.11	0.25**	-0.01	-0.15	-0.14	-0.04				
11	Technology dissimilarity	2.68	0.87	0.12	0.13	0.07	-0.09	-0.04	-0.05	-0.07	-0.03	0.08	-0.04			
12	Board involvement monitor	0.00	1.00	-0.24*	-0.16	-0.03	-0.19*	0.22*	0.03	0.18	-0.25**	-0.09	-0.08	-0.23*		
13	Board involvement resources	0.00	1.00	-0.27**	-0.05	0.15	-0.11	0.16	0.02	-0.13	-0.12	-0.18	-0.25**	0.03	0.00	
14	Acquirer experience ^a	1.28	0.39	-0.15	-0.12	-0.07	0.19*	-0.17	0.11	0.06	0.14	-0.22*	-0.12	-0.01	0.01	-0.03

n=113; ** $p < .01$, * $p < .05$

^a Log transformed

I used multiple linear regression analysis to test the research hypotheses. Table 2 reports the regression results using two-tailed hypothesis testing. Acquirer trust was found to increase acquisition premiums, as evidenced by the positive and significant coefficient in our models (models 2-8: $b = 0.34 - 0.42$, $p < 0.001$), thereby supporting hypothesis 1.

Table 2: Regression of Acquirer Trust on Acquisition Premium

	Model 1	Model 2	Model 3
Relative size	0.23* (0.00)	0.11 (0.00)	0.11 (0.00)
Relatedness	-0.06 (0.03)	-0.06 (0.02)	-0.06 (0.03)
Tender offer	-0.02 (0.10)	0.03 (0.09)	0.04 (0.10)
Stock consideration	-0.20^ (0.07)	-0.12 (0.07)	-0.11 (0.07)
Acquirer ROA	-0.12 (0.34)	-0.05 (0.32)	-0.05 (0.32)
Target ROA	-0.05 (0.15)	-0.03 (0.14)	-0.02 (0.14)
High tech industry	0.07 (0.07)	0.09 (0.07)	0.08 (0.07)
Acquirer trust		0.34*** (0.03)	0.34*** (0.03)
Escalating momentum		-0.03 (0.03)	-0.02 (0.03)
Technology dissimilarity		0.03 (0.03)	0.03 (0.03)
Board involvement monitor		-0.14 (0.03)	-0.13 (0.03)
Board involvement resource		-0.30*** (0.03)	-0.29** (0.03)
Acquirer experience ^a		-0.10 (0.10)	-0.10 (0.10)
Trust * escalating momentum			0.04 (0.02)
Trust * tech dissimilarity			
Trust * board involvement monitor			
Trust * board involvement resource			
Trust * acquirer experience			
F-Statistic	1.92^	3.45***	3.19***
R-Square	0.11	0.31	0.31
Change in R-Square		0.20***	0.00

Table 2: Continued

	Model 4	Model 5	Model 6	Model 7	Model 8
Relative size	0.07 (0.00)	0.06 (0.00)	0.12 (0.00)	0.09 (0.00)	0.04 (0.00)
Relatedness	-0.06 (0.02)	-0.09 (0.02)	-0.05 (0.02)	-0.04 (0.02)	-0.07 (0.02)
Tender offer	0.04 (0.09)	0.06 (0.09)	0.01 (0.09)	-0.02 (0.09)	0.02 (0.09)
Stock consideration	-0.07 (0.07)	-0.13 (0.07)	-0.11 (0.07)	-0.10 (0.07)	-0.08 (0.07)
Acquirer ROA	-0.03 (0.31)	-0.07 (0.31)	-0.04 (0.32)	-0.03 (.031)	-0.04 (0.30)
Target ROA	-0.06 (0.14)	-0.07 (0.14)	-0.02 (0.14)	-0.04 (0.14)	-0.08 (0.14)
High tech industry	0.09 (0.07)	0.07 (0.07)	0.09 (0.07)	0.14 (0.07)	0.11 (0.07)
Acquirer trust	0.37*** (0.03)	0.39*** (0.03)	0.34*** (0.03)	0.38*** (0.03)	0.42*** (0.03)
Escalating momentum	-0.05 (0.03)	-0.04 (0.03)	-0.01 (0.03)	-0.03 (0.03)	-0.04 (0.03)
Technology dissimilarity	0.05 (0.03)	0.05 (0.03)	0.05 (0.03)	0.07 (0.03)	0.10 (0.03)
Board involvement monitor	-0.16 [^] (0.03)	-0.13 (0.03)	-0.15 (0.03)	-0.10** (0.03)	-0.14 (0.03)
Board involvement resource	-0.27** (0.03)	-0.27** (0.03)	-0.30*** (0.03)	-0.28** (0.03)	-0.24** (0.03)
Acquirer experience ^a	-0.13 (0.10)	-0.08 (0.09)	-0.11 (0.10)	-0.14 (0.10)	-0.14 (0.10)
Trust * escalating momentum					0.02 (0.02)
Trust * tech dissimilarity	0.23** (0.03)				0.16 [^] (0.03)
Trust * board involvement monitor		-0.25** (0.03)			-0.21** (0.03)
Trust * board involvement resource			0.11 (0.03)		0.09 (0.03)
Trust * acquirer experience				-0.25** (0.09)	-0.15 (0.10)
F-Statistic	3.85***	4.05***	3.34***	3.93***	3.85***
R-Square	0.36	0.37	0.32	0.36	0.42
Change in R-Square	0.05**	0.06**	0.01	0.05**	0.11**

I then tested for the two hypothesized positive moderating effects. When testing the positive moderating effect of escalating momentum on the baseline relationship, I found in model 3 that neither the main effect nor the moderating effect is significant. Therefore hypothesis 2 is not supported. I then tested for the positive moderating effect of technology dissimilarity on the acquirer trust to premium relationship. As shown in model 4, findings reveal a positive and significant coefficient for the interaction term ($b=0.23$; $p<0.01$), thus supporting hypothesis 3. To further understand this result, we plotted the moderating effects of technology dissimilarity. As shown in Figure 1, when the technological dissimilarity increases between the target and the acquiring firm, the trust relationship is leveraged to a greater degree, further increasing the acquisition premium.

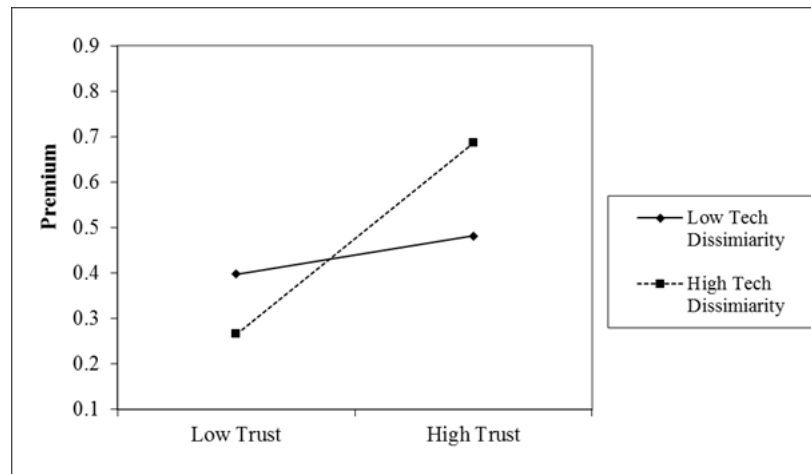


Figure 3. The moderating effects of technology dissimilarity

Next, I tested the two moderating effects hypothesized to attenuate the positive effects of acquirer trust on the acquisition premium. First, I tested for the attenuating effects of both measures of board involvement. As shown in model 5, the moderating effect of board involvement in monitoring is negative and significant ($b= -0.25$; $p<0.01$). In order to gain a greater understanding of this relationship, we plotted the moderating

effects of board monitoring involvement. The graphical representation shown in Figure 2 demonstrates that as the board of directors is more involved in the monitoring functions during deal negotiations, a lower premium is paid, thus minimizing the effects of increased acquirer trust. However, when testing the attenuating effects of board involvement in providing resources, we found in model 6 a negative independent effect on acquisition premiums ($b = -0.30; p < 0.001$), but the moderating effect is not significant. Thus, hypothesis 4 is partially supported. Additionally, it is worth noting that board resource involvement remained negative and significant throughout all of our models (models 2- 8: $b = -0.24 - -0.30, p < 0.01$), providing results that the involvement of the board of directors in the negotiation process has a direct negative influence on premiums.

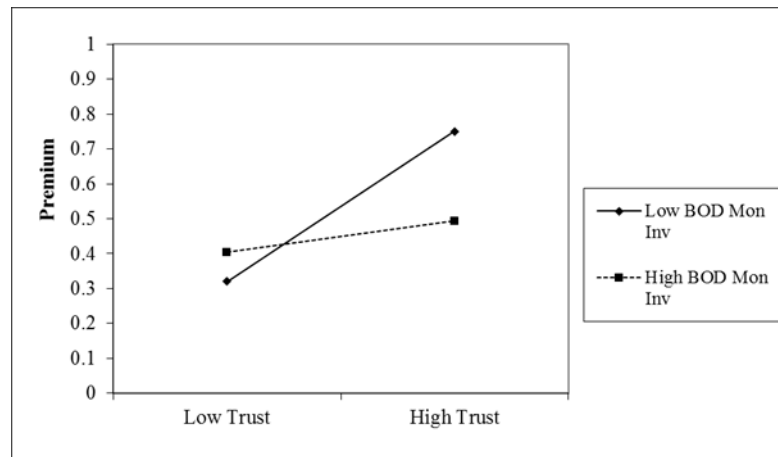


Figure 4. The moderating effects of board involvement in monitoring

Second, I tested whether acquirer experience serves to minimize the effects that acquirer trust has on the acquisition premium. As shown in model 7, acquirer experience has a negative and significant moderating effect ($b = -0.25; p < 0.01$), thus supporting hypothesis 5. The graphical plot of the moderation effect in Figure 3 further reveals that when acquirers have more experience with negotiations in prior deals, the

effects of acquirer trust are weakened, thereby resulting in lower premiums.

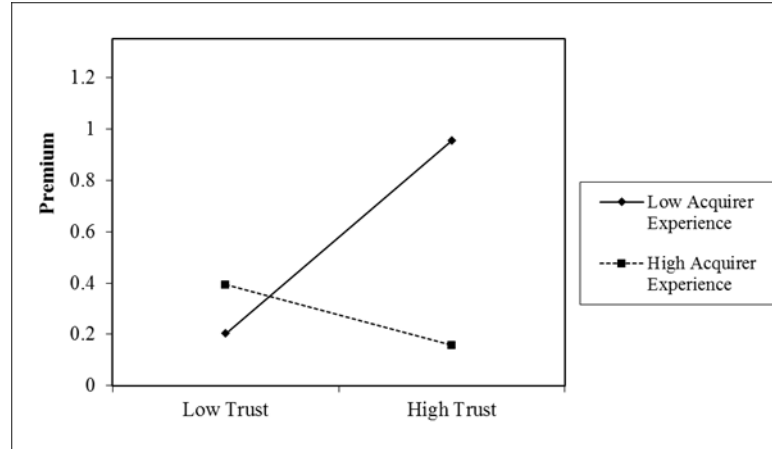


Figure 5. The moderating effects of acquirer experience

Finally, I tested a full model, which included all hypothesized independent and moderating terms. As reported in model 8, the results are consistent in both direction and overall significance, with the exception of the interaction term for acquirer experience which is no longer significant ($b = -0.15$; $p = 0.13$).

Robustness checks

In order to examine the stability of our results, I performed several robustness checks. First, I ran subsequent models where acquirer experience was measured as five years prior to the deal. Additionally, I ran models using a dichotomous variable for relatedness which was coded 1 if the two firms operated in the same four-digit primary SIC code and 0 otherwise. These subsequent tests yielded generally robust results to that of those reported in Table 2, though there were slight variations in some significance levels.

The measure for escalating momentum was not significant in any model. I looked deeper at the construct and used two alternative measures. First, I used a single item indicator, and measured escalating momentum as the degree to which respondents

considered negotiations to be expedited. All subsequent models using this new measure for escalating momentum resulted in similar results to those in Table 2. Second, I considered escalating momentum to encompass the speed of negotiations. In order to test our models using the speed of negotiations, we included a variable that captured the length of negotiations in months (gathered from a survey item). Again, the results of both the main effect and the interaction term were not significant, but all other relationships were found to be robust using these alternative measures.

Moreover, I considered that variables may be omitted from our model which may influence the results, thus creating endogeneity concerns. In order to control for this, I included a number of additional control variables not reported in Table 2 that may influence relational dynamics between the acquiring and target firms and acquisition premiums. These control variables included: the transaction cost (gathered from SDC), whether the target firm operated within a service or manufacturing industry (coded as a dichotomous variable and gathered from SDC), the target firm's R&D intensity one year prior to announcement (ratio of R&D expenditures to assets and gathered from Compustat), whether the target and acquirer had a previous relationship (gathered from our survey instrument), and expected complementarity (gathered from our survey instrument). None of these other potential control variables were significant and all relationships reported in Table 2 were generally robust, albeit with some slight variations in significance levels. Additionally, the data included only three deals in which 100 percent of the target firm was not acquired. I ran the analysis excluding these three deals and the results were consistent with those reported in Table 2. Moreover, only one deal in our sample included a competing bidder. Again, I conducted the

analysis excluding this deal and the results were consistent with those reported in Table 2.

Discussion

Although M&A negotiations are often fraught with risk and uncertainty, limited research has examined how relational dynamics among the acquiring and target firms minimize such conditions. I addressed this gap by considering the role of acquirer trust as a relational mechanism that on the one hand promotes a cooperative negotiation style allowing for greater synergies to be uncovered, but on the other hand consequently creates perceptions that have the potential to increase the acquiring firm's susceptibility to opportunistic behavior on the part of the target firm. The core finding revealed that as the acquirer's trust in the target firm increases, the negotiation process is affected in ways that result in higher premiums. This finding supports and extends aspects of both the social embeddedness perspective and agency theory by exposing the positive as well as the negative consequences of acquirer trust.

In order to better understand the positive and negative effects of acquirer trust on acquisition premiums, I also considered four factors that theoretically moderate the focal relationship. Two were contextual factors, technology dissimilarity and acquirer experience, and two were process factors, escalating momentum and board of director involvement. Accordingly, agency theory suggests that the greater the information asymmetries, the greater the risk of opportunism. Of the moderators considered, technology dissimilarity and escalating momentum are potential sources of information asymmetries and misunderstandings between the acquiring and target firms and thus were posited to strengthen the effects of acquirer trust. The results show that in the case

of technology dissimilarity, this is true. As the technology bases of the two firms became more dissimilar, the trust relationship was leveraged to a greater degree, leading to a higher premium for the target firm without a full understanding of its technological resources and capabilities. This finding extends recent work by Reuer et al. (2012) who focused on overcoming information asymmetries through external interorganizational relationships to show how interorganizational trust among the acquirer and target firms themselves becomes more valuable in determining acquisition premiums when differences in technological knowledge bases exists. Although agency theory also suggests that escalating momentum would enhance the trust to premium relationship, our results did not reveal this moderating effect. It is possible that escalating momentum is on the one hand a stimulating force that hastens negotiations thereby increasing the risk of opportunism as we argued, but on the other hand it could also cause some acquiring firms to walk away from the deal temporarily and then later return to the negotiation table with more bargaining power and additional information from the target thereby reduced the risk of opportunism (Graebner, 2009; Very & Schweiger, 2001). Such opposing effects may explain the insignificant finding. Also, this null finding may be due in part to the measurement of escalating momentum. While I attempted to create a new multi-item scale to capture this construct instead of relying on secondary data for the announcement and effective dates, which in many cases are listed as the same date and do not take into consideration the secret negotiations prior to actual deal announcement. Either way, more research is needed in terms of theorizing, measuring, and testing the effects of escalating momentum in M&A negotiations.

Not only does this study make contributions to agency theory and the social

embeddedness perspective, but also to the corporate governance literature. Answering calls from researchers to consider the role of the board in M&A studies (Haleblian et al., 2009) and analyze primary data about the board of directors (Zhu, 2013), I found that the board of directors plays a critical role during M&A negotiations. The findings, although consistent with prior studies based on secondary sources (Hayward & Hambrick, 1997; Zhu, 2013), go beyond previous research to examine primary data that highlights the effects of the multiple roles served by the board of directors (Johnson et al., 1996). Specifically, we found that as the board of directors increases its monitoring functions, the effects of trust are attenuated thereby minimizing the risk of overpayment. Additionally, as the board of directors increases involvement in M&A negotiations through providing expertise and access to resources, the premium paid is lower regardless of the trusting relationship. Together, these findings suggest the board serves a significant role as a restraining force in the negotiation process (Jemison & Sitkin, 1986). Also, it is not only the level of its involvement, but also the nature of board involvement that affects how much the acquirer pays for the target firm.

Finally, this study contributes to the overall M&A literature by examining the moderating effects of acquirer experience in the pre-deal stage. In particular, we responded to Graebner's (2009) call to consider how experience influences the role of trust in negotiations. Our findings indicate that prior acquisition experience, and with it familiarity with aspects of the negotiation process, minimizes the effects of trust on premiums, leading to lower premiums being paid even when a strong trusting relationship exists. Thus, it seems that prior acquisition experience allows acquirers to build negotiation capabilities (Very & Schweiger, 2001; Zollo & Singh, 2004) as well as

learn skills that may increase awareness of the risk of deception (Graebner, 2009) and help better manage information asymmetries. In turn, these factors allow acquiring managers to overcome the dangers of trust in order to avoid overpayment for the target firm.

From a practical perspective, the results suggest to acquiring managers that although trusting the target firm results in higher premiums paid, it is not necessarily an overpayment. Because greater information flow is provided when trust is present, more opportunities for synergistic gains can be found during the negotiations thereby justifying increased premiums. Also, leveraging this trust can reduce contractual and negotiation costs as well as due diligence efforts. The warning to acquiring managers is that leveraging the trust during negotiations may increase the potential risk of opportunism on the part of target firm managers. While this risk can be increased when there are greater differences in technology between the two firms, it can be minimized by prior M&A negotiation experience. Additionally, our findings reveal that involving the board of directors in the M&A negotiation process can minimize overpayment. Taking advantage of the board of directors' knowledge, experience, and resources minimizes the premium paid for target firms regardless of the level of trust, but when trust is high, involving the board of directors in a monitoring capacity can attenuate the effects of trust thereby reducing the risk of overpayment.

Limitations and future research. A core assumption in many interorganizational trust studies is that trust is reciprocal (Fulmer & Gelfand, 2012). However, based on case studies of a limited number or type of deals, this does not appear to be true in the context of M&A negotiations (Graebner, 2009; Lander & Kooning, 2013). Although the

theory addresses the role of acquirer trust, the interplay between the trust levels of both the acquiring firm and the target firm can also be expected to influence negotiations and related outcomes. As such, future research opportunities exist to extend the current research by considering the independent, joint, and relative effects of both acquirer trust and target trust during the M&A negotiation process.

I also focused the theoretical attention on acquirer trust during M&A negotiations given the limited studies on this vital stage of the M&A decision-making process. However, trust dynamics are likely to influence various outcomes linked to the integration and post-integration stages of the M&A process as well, such as TMT turnover, knowledge transfer, and synergy realization (Graebner, 2009; Janowicz-Panjaitan & Noorderhaven, 2009). Moreover, as noted by Lander and Kooning (2013) in their study of the KLM-AirFrance merger, trust evolves over time and is occasionally punctuated by periods of distrust. But, how the trust formation and evolution process unfolds, its triggers, and its consequences during M&As in general is unknown. As the data collected for this study is cross-sectional in nature, these changes were not captured. Thus, future research structured as a longitudinal study of a sample of deals is needed to enhance our understanding of trust dynamics throughout the M&A process.

Based on the research design, I only included domestic deals made by U.S.-based acquirers. Thus, it is not clear if our findings are generalizable within an international context. First, it may be expected that the extent to which acquirers are able to establish trust in target firms headquartered outside their home market may be lower, as similarity breeds trust (Gulati, 1995). Also, aspects of and differences in national culture associated with cross-border deals may influence if and how acquirer

trust forms (Cullen et al., 2000; Stahl et al., 2012). Moreover, initial evidence exists that cross-border deals introduce information asymmetries that may exceed those of domestic deals (Reuer et al., 2004). Thus, this deal characteristic may lead acquirers to rely even more on trust, especially when entering new international markets (Very & Schweiger, 2001) strengthening its effect on premiums paid for foreign target firms. These considerations would be interesting and important for future research.

Despite consistent evidence that trust plays a role in interfirm exchanges, limited research has addressed the role of trust in the M&A process. As acquiring firms continue to what is often viewed as excessive premiums for target firms, the role of trust becomes highlighted as an influential factor in the negotiation process. This study draws attention to acquirer trust as a driving factor in negotiations, increasing the perception of comfort with the target firm and potential susceptibility to target opportunism. I also emphasize specific boundary conditions as to when trust is more or less influential in determining acquisition premiums. I hope that other researchers will join us in examining the effects of trust and other process factors during M&A negotiations, a stage currently understudied in the literature.

CHAPTER 4 – RETAINING TARGET EXECUTIVES THROUGH NEGOTIATIONS: THE ROLE OF ACQUIRER TRUST

The success factors of mergers and acquisitions (M&As) are of great interest to executives and academics alike. With many deals failing to create value, (King et al., 2004), the management of the M&A process becomes increasingly important (Angwin & Meadows, 2009; Teerikangas, 2012). Both the role of acquiring executives and target executives are recognized as contributing to the value creation process, and target executives in particular are considered vital resources in the integration stage of a deal as their knowledge, involvement, and symbolic presence facilitate the combined firm's ability to achieve various post-deal outcomes (Bergh, 2001; Graebner, 2004; Ranft & Lord, 2002). Benefits such as decreased stress amongst surviving employees (Focarelli & Panetta, 2003), increased knowledge preservation (Ranft & Lord, 2002), and increased post-deal performance (e.g. Cannella & Hambrick, 1993; Krishnan, Miller, & Judge, 1997; Saxton & Dollinger, 2004) can be expected when target executives are retained.

Although target executives are often recognized as valuable resources, they frequently leave the acquired company after deal completion (Hambrick & Cannella, 1993; Walsh, 1988; 1989). Their departure is often due to feelings of disrespect, resentment, and exclusion resulting from autonomy removal and status removal (Buchholtz, Ribbens, & Houle, 2003; Hambrick & Cannella, 1993; Lubatkin et al., 1999).

This signals the importance of justice perceptions in the decision of target executive turnover. As such, managing the M&A process in a way that promotes fair treatment, increased communications, and respect is important for acquirers in order to increase positive justice perceptions and retention of target executives.

Target executives' perceptions of fair treatment begin to form as early as the negotiation stage (Hambrick & Cannella, 1993; Teerikangas, 2012). Considering the competitive nature of negotiations, the management of target executive perceptions may be a difficult task for acquiring managers. M&A negotiations are often described as a process where deceit, distrust, opportunistic behavior, and bluffing tactics reign, providing a context that increases defensive action (Graebner, 2009). Information asymmetries inherent in M&A negotiations increase the potential for opportunistic behavior. In order to cope with the increased challenges of information asymmetries, acquirers often rely on contractual arrangements, offer lower bid premiums, or negotiating with bluffing tactics (Coff, 1999; Datar et al., 2001; Graebner, 2009).

It is in this competitive environment where acquirers must manage the justice perceptions of the target executives, whilst simultaneously negotiating deal terms. Increasing justice perceptions can lead to greater levels of commitment, engagement, and ultimately retention (Colquitt, Scott, Rodell, Long, Zapata, Conlon, & Wesson, 2013; Lipponen, Olkkonen, & Moilanen, 2004). Recent research in the M&A context suggests that acquirers can govern negotiations through credible commitments and entice target executives to be retained (Wulf & Singh, 2011). Moreover, negotiations described as friendly, with frequent social visits and informal meetings, create positive perceptions of the deal (Graebner, 2009) and ultimately lead to target executive retention (Walsh, 1989).

As a result, cooperative actions that promote increased communications and shared decision making, rather than competitive actions, may elicit positive fairness perceptions from target executives, thus leading to greater retention.

One such situation where cooperative negotiations may thrive is in an embedded relationship. According to the social embeddedness perspective, interorganizational trust, rather than contractual arrangements, acts as a primary mechanism to control opportunistic expectations (Granovetter, 1985). Interorganizational trust, defined as the expectation that vulnerabilities will not be exploited even when faced with the opportunity to do so (Barney & Hansen, 1994; Krishnan et al., 2006), results from an embedded relationship. Trust promotes the timeliness, depth, and overall quality of communications (Gulati & Sych, 2007). Additionally, trust decreases the cost of information transfer (Larson, 1992) and monitoring (Granovetter, 1985) while increasing understanding (Gulati, 1995) and coordination between firms (Nielsen & Nielsen, 2009). Because of these benefits, when the acquiring firm trusts the target firm, the negotiation process can be expected to be managed in such a way that information flow is increased, the target executives' input is valued, and bluffing tactics are minimized. It is under these conditions that target executives' perceptions of disrespect and exclusion may be mitigated, thus reducing turnover.

Integrating the resource-based view (RBV) of the firm (Barney, 1991), the social embeddedness perspective (Granovetter, 1985), and organizational justice research (Bies & Moag, 1986; Colquitt, Conlon, Wesson, Porter, & Ng, 2001; Thibaut & Walker, 1975), I theoretically and empirically analyze the relationship between acquirer trust in their target firm and target executive retention. Not only is the role of acquirer trust examined,

but I also consider how acquirer trust leads to actions in the negotiation process designed to promote feelings of justice for the target executives. When trusting acquiring executives are able to manage the M&A negotiations in a way that increases the level and quality of communications, target executive involvement, and thus target executives' overall justice perceptions, the retention of target executives is likely enhanced.

Additionally, I consider two contextual factors in which acquirers are expected to leverage their trust and seek to gain greater cooperation and involvement from the target executives. Uncertainty about the target firm raises the risk of opportunistic behavior and defensive actions in deal negotiations (Coff, 1999). Two sources of uncertainty include when the target firm is described by intangible assets and when complementarities exist between the acquiring and target firms. The additional layers of uncertainty and discussion is expected to further increase communication and involvement of the target executives when they are trusted. As such, both target firm asset intangibility and level of complementarities are examined as moderators in the trust to justice relationship.

Three primary contributions are provided through this research. First, two contributions are made to the M&A process literature. The first occurs through the examining managerial actions and decisions that occur during different stages of the M&A process. In particular, emphasis is placed on actions unfolding during the negotiation stage that influence an outcome associated with the integration stage. Second, though many studies have alluded to interorganizational trust playing a role in the M&A process (e.g. Ellis et al., 2009; Lee, 2013; Teerikangas, 2012; Zaheer et al., 2010), few studies have directly analyzed its effects. Focusing on the negotiation process, support is gained that trust emerges as a key determinant in how the process is managed. Together,

these two contributions enhance the M&A process literature. Additionally, a contribution is made to the interorganizational trust literature. The role of individual embedded relationships in shaping justice perceptions is well recognized (Colquitt et al., 2013), but the role of organizational embeddedness in shaping justice perceptions is less understood. By examining the actions of the acquiring firm that stem from trust, this study finds a new understanding of how interorganizational trust affects not only the management of the negotiation process, but also justice perceptions and further retention of key executives.

Theoretical Background and Hypotheses

According to the RBV of the firm, a firm gains a competitive advantage when valuable, rare, inimitable, and non-substitutable resources are utilized (Barney, 1991). Managerial resources, defined as the skills and abilities of managers, are often considered such resources that enable firms to achieve greater profits (Castanias & Helfat, 1991). Thus, target executives are often viewed as an intrinsic component of the target firm (e.g. Bergh, 2001; Castanias & Helfat, 1991), and when retained have positive implications on post-deal performance (Canella & Hambrick, 1991; Saxton & Dollinger, 2004).

Target executives provide several unique skills and knowledge to assist in creating value in the M&A process. First, retaining their firm specific knowledge and human capital is important in order for knowledge retention and smoother integration (Graebner, 2004; Ranft & Lord, 2002; Wulf & Singh, 2011). Target executives hold critical information about the target firm's culture and past successes or failures of its strategic initiatives (Haspeslagh & Jemison, 1991). Second, target executives may possess important social capital that is vital to the firm maintaining relationships with key

customers, suppliers, or other external stakeholders (Spedale, Van Den Bosch, & Volberda, 2007). Third, target executives are able to manage both their employees' and customers' perceptions in order to curtail negative reactions, disruptions, and turnover (Graebner, 2004; Ranft & Lord, 2002; Teerikangas, 2012). These skills include becoming more involved in promoting the attractiveness of the deal by providing real time communications both pre-deal and post-deal as well as coordinating actions with the acquiring firm to speed integration (Graebner, 2004; Teerikangas, 2012).

Additionally, retaining target executives provides other intangible resources to the acquiring firm. Firm reputation can be preserved through signaling a value of leadership (Bergh, 2001; Cannella & Hambrick, 1993). Retaining target executives also reduces uncertainty and provides a symbol of stability in a time of change to the target employees and key stakeholders (Graebner, 2004; Focarelli & Panetta, 2003; Ranft & Lord, 2002). As such, the unique skills, abilities, and knowledge that target executives possess, coupled with the reputational and symbolic resources that their retention provides, highlights the importance of their remaining with the combined firm.

Although RBV explains why target executives are important to retain, the theory does not explain the relational dynamics between the target and acquiring firm that may induce retention. Target executives often depart the acquiring firm at high rates (Walsh, 1988; 1989), particularly within the first two years (Krug, 2003). Research shows that negative perceptions of autonomy removal (Buchholtz et al., 2003; Hambrick & Cannella, 1993; Lubatkin et al., 1999) and unequal status transfer (Hambrick & Cannella, 1993; Saxton & Dollinger, 2004) are the dominant reasons for turnover. Target executives' perceptions form not only through their access to power and titles in the

combined firm, but also through how they are treated in interactions with acquiring executives in terms of respect, inclusion, and openness, or conversely disrespect, exclusion, and coldness (Hambrick & Cannella, 1993). This suggests not only that the interactions and exchanges between the two firms' executives are important in negotiations, but also that organizational justice perceptions play a role in target executive management turnover following an acquisition. Moreover, because target executives have high identification with their firms (Boivie, Lange, McDonald, & Westphal, 2011), they are more likely to focus on change processes rather than change outcomes (Van Knippenberg, Martin, & Tyler, 2006) when forming initial justice perceptions. Change processes include communications, voice, and respect of opinions on change, further highlighting the particular roles of procedural justice, informational justice, and interpersonal justice.

Procedural justice perceptions refer to the extent to which procedures used in the change process are viewed as fair and just (Colquitt et al., 2001; Thibaut & Walker, 1975). Often considered having a "voice" in creating or changing procedures (Lind & Tyler, 1988), procedural justice has been linked to increased commitment, identification, and satisfaction (Colquitt et al., 2001; Lipponen, et al., 2004). Informational justice perceptions refer to the observation of explanations provided which convey information on why procedures were changed or why outcomes were performed in a certain way (Bies & Moag, 1986; Colquitt et al., 2001). Informational justice perceptions increase as information is shared frequently, timely, and accurately, which reduces uncertainty (Schweiger & DeNisi, 1991) and increases receptivity to change (Greenberg, 1993). Interpersonal justice perceptions refer to the degree to which people are treated with

dignity, respect, and politeness from third parties involved in executing procedures or determining outcomes (Bies & Moag, 1986; Colquitt et al., 2001).

Although justice perceptions are examined at the individual level, strategy research places emphasis on actions managers take in order to promote justice perceptions (e.g. Ellis et al., 2009; Kim & Mauborgne, 1991; Kim & Mauborgne, 1998). In the M&A context, managing the integration process in a way that promotes justice perceptions is found to increase value creation as target employees are well informed and encouraged to get involved (Ellis et al., 2009). Following this line of work, the justice dimensions (i.e. procedural justice, informational justice, and interpersonal justice) are defined as the extent to which the acquiring firm's managers engage in actions intended to assure fairness in managing the M&A process. For example, actions acquirers take to promote procedural justice include providing the target firm with the ability to refute decisions and autonomy in operational decision making while ensuring bilateral communications, consistency in decisions, and disclosure of details promotes informational justice (Citera & Rentsch, 1993).

Acquiring firm executives engage in actions that shape the initial perceptions of the target executives during the negotiation process. This process allows an opportunity for the two firms' executives to engage in extended discourse as they move toward reaching agreement on deal terms. Because M&A negotiations are often described as high stakes scenarios, where competition and opportunistic behavior thrive (Chi, 1994; Graebner, 2009), target executives are often exposed to an environment that elicits questionable actions that could result in unfavorable perceptions. As such, how the

acquiring firm manages the negotiation process will affect the justice perceptions formed by executives of the target firm.

Acquirer Trust and Target Executive Turnover

Given the nature of M&A negotiations, information asymmetries often dominate negotiations, resulting in increased potential for opportunistic behavior and moral hazards by both the target and acquiring firms (Chi, 1994; Graebner, 2009). Although information asymmetries may be controlled through actions such as increased contractual or procedural measures, relational mechanisms may also be implemented in order to reduce potential for opportunistic behavior. According to the social embeddedness perspective, social connections based on past experiences shape economic behavior (Granovetter, 1985). Emphasizing the social component of economic transactions, an embedded relationship is formed through repeated interactions and expectations of future transactions (Granovetter, 1985; Gulati, 1995; Poppo et al., 2008). These increased interactions and experiences provide social cues and a repository of reliable information allowing a shared context in which actions are interpreted to emerge (Gulati, 1995). The shared context reduces behavioral uncertainty as trust emerges. This trust, in turn, acts as the primary mechanism to reduce information asymmetries and opportunistic expectations in firm exchanges (Granovetter, 1985; Gulati, 1995; Uzzi, 1997).

Interorganizational trust is defined as the expectation held by one firm that another firm will not exploit its vulnerabilities when faced with the opportunity to do so (Barney & Hansen, 1994; Krishnan et al., 2006). Trust resulting from an embedded relationship often increases the likelihood that actors will operate on expectations of faith, rather than self-interests, even when there is no contract (Uzzi, 1997). Trust is

particularly leveraged in times of uncertainty and risk (Lewis & Weigert, 1985; Mayer et al., 1995) minimizing the need for measures to control opportunistic behavior. Therefore, interorganizational trust is the primary mechanism in embedded relationships that shapes a firm's economic behavior (Granovetter, 1985).

In the M&A negotiation context, interorganizational trust is expected to shape how the acquiring firm manages the negotiation process. First, broad and flexible contracts are utilized when trust is present (Faems et al., 2008), increasing the speed and reducing the costs of negotiations (Zaheer et al., 1998). Second, information is more easily transferred between trusting firms (Larson, 1992; Uzzi, 1999) thereby reducing information asymmetries and the threat of opportunistic behavior. Third, trusting firms engage in less monitoring, screening, and scrutinizing of information shared (Granovetter, 1985). Moreover, increased collaboration (Nielson & Nielson, 2009) and decreased potential for conflict (Zaheer et al., 1998) occurs between trusting firms.

As trusting acquirers manage the negotiation process in a way that promotes flexible contracts, increased information sharing, and decreased monitoring, not only are negotiation costs reduced (Zaheer et al., 1998), but these actions also facilitate the retention of target executives. Interorganizational trust increases the familiarity between the two firms, thus increasing acknowledgement of the importance of target executives (Buchholtz et al., 2003). Friendly negotiations are expected when between trusted firms, as an established protocol exists to govern exchanges among their executives.

Additionally, a shared context in which to interpret actions exists, leading to increased satisfaction from both parties (Gulati & Stych, 2007). The enhanced recognition and

interaction coupled with a cooperative negotiation style which stem from interorganizational trust, increases the retention of the target executives. Therefore:

Hypothesis 1: Acquirer trust in the target firm is positively related to post-deal target executive retention.

Acquirer Trust and Managing Negotiations with Justice

M&A negotiations governed by interorganizational trust create a negotiation context in which acquiring managers' actions and behaviors promote positive justice perceptions. Through the trusting relationship, acquiring managers are able to foster an environment where target managers are treated in a sensitive manner, their input is elicited and valued, and sound explanations are provided. As acquirers leverage trust in their target firms, the management of the negotiation process is managed in a more just and cooperative manner, as opposed to managing the process through increased contractual agreements or bluffing tactics. The resulting collaborative behaviors during negotiations may elicit positive impressions of involvement, sound justifications, and respect, further promoting positive procedural, informational, and interpersonal justice perceptions.

Trusting acquirers may involve the target firm managers to a greater degree, thus increasing procedural justice perceptions. Engaging in collaborative negotiations promotes integrative agreements, thus providing win-win agreements where both parties are involved and satisfied with the negotiations (Tomlinson, Dineen, & Lewicki, 2009). This may come in the form of increasing the target firm's autonomy in strategic decisions, or engaging in a collective effort in order to establish new procedures. Additionally, trust encourages firms to be more aware of internal processes and procedures (Gulati & Stych,

2008), therefore signaling the acquiring firm's willingness and commitment to learning about the target firm's practices. This familiarity also provides the acquirer with a stock of knowledge that facilitates a shared understanding between the two firms (Gulati, 1995), further increasing the acquiring firm's confidence in the target firm's management team. The mutual understanding coupled with increased confidence generates heightened levels of managerial discretion (Wulf & Singh, 2011), further promoting voice and participation of target firm executives during the negotiation process.

As acquirers gain trust in their target firms' executives, the quality, accuracy, and amount of information shared increases (Gulati & Stych, 2008). The increased knowledge flow that results from interorganizational trust is critical in M&A negotiations in order to reduce information asymmetries and promote informational justice perceptions. Rich forms of communications such as face-to-face meetings, travelling to corporate headquarters of the target firm, and conducting formal and informal conversations with members of the target executive team allow for increased knowledge transfer and further promote the shared understanding between firms. Moreover, trust enhances the exchange of private information (Uzzi, 1997), allowing for the uncovering of potential synergistic opportunities not yet discovered and the revelation of future potential integration issues. This high level of communication provides the target managers a detailed and timely account of different aspects of the M&A decision process and justifications for changes that are expected to occur. Thus, as acquirers leverage their trust to share detailed and private information, target managers receive additional insight and justifications for the focal deal thereby increasing informational justice perceptions.

Trusting acquirers are also expected to foster interpersonal justice during negotiations. Not only does trust create a negotiation environment where target executive input is encouraged, but also it creates an environment where the input is valued and respected, further promoting interpersonal justice (Luo, 2007). Trust builds commitment (Ring, 1996) and elicits positive interactions (Lado, Dant, & Tekleab, 2008), providing a context in which managers are able to act in ways that promote interactional courtesy (Gullett, Do, Canuto-Carranco, Brister, Turner, & Caldwell, 2009). Further, trust decreases the need for fact checking and monitoring efforts (Bromiley & Cummings, 1995; Granovetter, 1985), allowing acquiring managers to signal a level of confidence in the target executives. As such, information provided on the status of a particular product line, retention expectations of key R&D specialists, and similar matters are likely to be taken as reliable facts when trust is leveraged. Not only can trust reduce negotiation and due diligence costs in this instance, but these actions also encourage positive interpersonal justice perceptions from the target managers. The actions that trusting acquirers make during negotiations create an environment of respect and social sensitivity that improves interactions and further promotes positive perceptions of interpersonal justice.

Overall, trust is expected to promote acquiring managers to manage the negotiation process in a way that promotes positive procedural, informational, and interpersonal justice perceptions. These perceptions are important given target managers often turnover due to feelings of neglect, disrespect, and exclusion (Hambrick & Cannella, 1993). The intense organizational change expected after consummation enhances target executives' role conflicts, role ambiguity concerns, and identity issues

(Lipponen et al., 2004; Schweiger, Ivancevich, & Power, 1987). But perceptions of fair treatment in interactive situations fulfill needs of self-identity and self-esteem (Williams, 1988), while reducing role conflict and ambiguity (Korsgaard, Schweiger, & Sapienza, 1995). Thus the positive justice perceptions can attenuate negative expectations and anxiety of the deal and changes that may occur after the deal.

As the negotiation process unfolds, the actions that acquirers take signal the involvement, detailed communication, and treatment that can be expected throughout the entire acquisition process. Giving process control and voice to target executives, treating them with respect, and providing them with sound explanations during negotiations provides a pattern of behavior that is expected to continue (Graebner, 2009). These actions and behaviors in turn increase target executives' positive overall justice perceptions and entice them to stay with the combined firm post-deal. Positive justice perceptions have been found to increase identification, commitment, satisfaction, and trust (Colquitt et al., 2013; Lipponen et al., 2004) while negative justice perceptions have been linked to turnover (e.g. Colquitt et al, 2001; Kernan & Hanges, 2002). Given the importance of justice perceptions in the decision to turnover, trusting acquiring managers are able to leverage their trust to engage in actions geared toward increasing those justice perceptions, thereby decreasing turnover. In sum, it is expected that when the acquiring firm trusts the target, the negotiation process will be managed in a way that promotes justice perceptions, and the positive justice perceptions will lead to greater target executive retention. Therefore:

Hypothesis 2: The positive relationship between acquirer trust and target executive retention is positively mediated in part by (a) procedural justice, (b) informational justice, and (c) interpersonal justice.

The Moderating Effects of Contextual Factors

Complementarity. Target executives are often considered an intrinsic component of the firm, that when utilized will increase value creation (Bergh, 2001). One such instance where target executives are of particular importance is in deals where complementarity is a key to value creation. Complementarity refers to "rounding out" or bringing together different firm attributes that when combined are more valuable than the sum of each alone (Ansoff, 1965; Penrose, 1959). Complementarity may be found between product lines, technological developments/know-how, or geographic locations (Larsson & Finkelstein, 1999). The value enhancing potential of complementarities is typically unknown and difficult to estimate prior to the combination of the elements. Moreover, combining the elements normally requires significant coordination between the two firms. For example, product complementarity may be achieved through actions such as cross-training sales personnel, creating joint advertising campaigns, or determining optimal product bundles, all of which involve great coordination between marketing functions (Zaheer et al., 2013).

In deals characterized by high levels of complementarity, negotiations will concentrate on the expected value created through the combination of capabilities, product offerings, and geographic markets. Often times the value-enhancing differences between the elements are unfamiliar to the acquiring firm (Penrose, 1959), not only promoting the need to rely on target managers, but also shifting the negotiation power to

the target firm (Chi, 1994). Given this shift in negotiation power and the difficulties in estimating the value creation potential of complementarities, the level of potential opportunistic behavior, risk, and vulnerability is heightened in negotiations. In this heightened context, it is expected that the relationship between acquirer trust and justice (i.e. procedural, informational, and interpersonal) will be strengthened as the acquirer leverages the trust to a greater degree to compensate for the increased potential of opportunism.

Because of the difficulty in valuing complementary products and technologies, communication and collaboration between the two firms is vital. The heightened levels of opportunistic exploitation typically limit the potential for such communication and collaboration, as competitive negotiation styles are utilized. Trusting acquirers, though, are expected to place emphasis on involving target executives in the valuation and initial integration planning of the combined firm. This may come in the form of negotiating greater autonomy levels post-deal in order to capitalize on the target executives' knowledge and skills (Zaheer et al., 2013) or by accepting the target firm's information as fact in negotiations. Also, richer communications may be exchanged, as the acquirer shares private information in order to allow the target firm executives to gain a greater understanding of how the two firms may extract greater value from their complementarities.

Trusting acquirers are able to overcome the obstacle of potential opportunistic exploitation by engaging in behaviors that promote justice perceptions. Behaviors such as the greater involvement of, enhanced communication between, and more reliance on the target firm executives all are increased in deals characterized by high levels of

complementarity. It is through leveraging their trust that acquirers are able to maintain a cooperative negotiation style in a context where it is critical – the combination of firm operating in complementary markets. Therefore:

Hypothesis 3: The positive relationship between acquirer trust in their target firm and (a) procedural justice, (b) informational justice, (c) interpersonal justice is stronger in deals with higher perceived complementarity between the target and acquiring firm.

Target Intangible Assets. Similarly, target executives are of particular value when the target firm possesses a highly intangible asset base. Intangible assets, whether human capital, tacit knowledge, or R&D investments, are often times a primary motive for acquisitions, but pose additional challenges in both valuing and integrating the target's operations with those of the acquiring firm (Coff, 1999; Ranft & Lord, 2002). Intangible assets are often bundled with other resources (Nonaka, 1994), increasing the difficulty of understanding and communicating the value. Additionally, these assets are often firm specific, with no efficient market, and minimal governance reporting requirements (Aboody & Lev, 2000). These factors increase the information asymmetries between the two firms, increasing the potential for opportunistic exploitation and competitive behaviors (Chi, 1994).

In order to close the increased information asymmetry gap presented by intangible assets, acquirers may act defensively and lengthen negotiations or offer lower bid premiums (Coff, 1999). Trusting acquirers, though, are more likely to communicate and coordinate with the target executives in order to bridge the information gap. The increased uncertainty surrounding the deal increases decision makers' reliance on

decision heuristics and past experiences (Bazerman, 1998). Because trust affects decision heuristics (Uzzi, 1997), trusting acquirers are likely to leverage the relationship to a greater degree. When acquirers leverage their trust, the fear of opportunistic exploitation is reduced and negotiations shift toward collaborative behaviors in order to reduce the information asymmetries. Moreover, trusting acquirers are likely to foster negotiations in which increased participation from target executives is encouraged and valued. In addition, trusting acquirers are more likely to take risks and believe target executives' information regarding valuation of complex assets or complicated procedural routines. All of these behaviors are geared to not only increase the target executives' involvement in the negotiation process, but also increase the quality of interactions during negotiations. Thus, in the context of increased information asymmetries due to intangible assets, acquirers leverage their trust to a greater degree and manage the negotiation process in a way that encourages participation, sound justifications, and respect.

Therefore:

Hypothesis 4: The positive relationship between acquirer trust in their target firm and (a) procedural justice, (b) informational justice, (c) interpersonal justice is stronger in deals where the target firm has many intangible assets than deals where the target firm has few intangible assets.

Methods

Sample and Data Collection Process

The sample was generated from Thomson Reuter's Securities Data Corporation (SDC) Platinum database. The sample was restricted to deals announced between 2008 and 2014 meeting the specific criteria of: 1) both the target firm and acquiring firm were

based in the U.S., 2) both the target firm and acquiring firm were publicly traded, 3) at least 51% of the target firm was owned after deal completion to reflect the acquirer's majority control, and 4) the two firms' operations were considered to be related. Relatedness was based on a two-digit primary SIC code match or a four-digit SIC code match among the two firms' top six business lines (e.g. Ellis et al., 2011). This search resulted in an initial sample of 706 deals. After excluding multiple deals by the same acquiring firm (consistent with other studies only the most recent deal was retained) and those in which the acquiring firm was subsequently acquired, spun off, or ceased operations, 444 transactions remained.

Data collection

I collected both primary and secondary data. In particular, data for the dependent variable and various control variables were gathered from secondary sources that included Standard & Poor's Compustat database, the SDC Platinum database, and the U.S. Securities and Exchange Commission's (SEC) EDGAR online database (i.e., 10-K reports and proxy statements). Additionally, primary data were collected via the administration of a survey instrument. To pretest the survey, I received feedback from doctoral students and faculty members knowledgeable about the M&A literature or survey design, as well as corporate executives with direct involvement in the M&A negotiation process.

Consistent with prior M&A studies (e.g. Cording et al, 2008; Ellis et al., 2011; Heimeriks et al., 2012) as well as prior interorganizational trust studies (e.g. Guar, Mukherjee, Guar, & Schmid, 2011; Janowicz-Panjaitan & Noorderhaven, 2009; Krishnan et al., 2006), a key informant from each acquiring firm was contacted to complete the

survey. Key informants for each deal along with the nature of their involvement and their direct contact information were identified through a review of press releases, 10-K reports, Hoover's Company Reports, and company websites. Each key informant was a top management team (TMT) member at the time of the negotiations and found to be involved in the negotiation process. This position on the TMT provides multiple perspectives including the role of a boundary spanner for the firm (Lander & Kooning, 2013) increasing their responsibility to develop and spread the trust perceptions throughout the organization (Zaheer et al., 1998). Also, their high involvement in negotiation decisions and firm processes increases their level of information about multiple aspects of the deal thereby limiting response bias (Cording et al., 2008).

I employed several steps to contact the identified informants and confirm their willingness to participate in the study. First, I sent an email to each informant's direct email address, followed by reminder emails as necessary. Each email included a cover letter as well as a link to the survey. Second, I mailed a hard copy of the survey with the cover letter to the same key informants. Third, I contacted the key informants by phone. During these conversations, I confirmed their involvement in the deal negotiations, engaged in dialogue about the study, emphasized confidentiality of their responses, and requested their consent to participate in the survey. After consent was gained, I sent either a follow-up email with the survey link or another hard copy of the survey. The cover letter used for each form of contact each form of contact clearly specified the focal deal of interest and assured respondents of strict confidentiality. In total, I received 114 completed surveys, representing a 26% response rate. This rate is comparable to similar studies soliciting responses from TMT members as key informants (Cording et al., 2008;

Ellis et al., 2011). Three responses were excluded due to missing data, thus the final sample for hypotheses testing consisted of 111 acquisitions.

Although survey based research and the use of key informants is common in organizational studies, it exposes the data to different potential biases. I engaged in several procedural and empirical actions to address and remedy these concerns. First, I tested for respondent bias by comparing multiple types of responses along different dimensions. Results indicate there were no statistically significant differences between respondents and non-respondents, early and late respondents, and form of response received (mail versus on-line) based on the premium paid and the relative size between the firms. Thus, respondent bias is minimized, as the sample is representative of the population of interest.

Second, although M&As are considered large, complex events that are easily recalled, recall bias remains a concern. In an effort to minimize the effects of recall bias, I included open-ended questions on the survey to promote focus on the deal in question. For example, immediately before the scale assessing acquirer trust during the negotiation process, I asked the respondent to describe the negotiation process. Including this type of question helps prime the informant to recall details specific to the focal event in question (Miller et al., 1997) and enhances data reliability for the subsequent scale (Schwenk, 1985). Also, in situations where the acquiring firm engaged in multiple M&As, I selected the most recent deal for inclusion in the sample. Thus, the informant focused on the latest deal, which should function as an important recollection aid to reduce recall biases. Additionally, I compared responses of deals found early in the sample frame (i.e. 2008-2009) versus those later in the sample frame (i.e. 2013-2014) and found no statistically

different responses along several dimensions including complementarity, trust, and justice.

Third, in order to minimize the effects of single respondent bias of organizational level constructs, surveys were sent to additional TMT members of the acquiring firm involved in the negotiation process (Cording et al., 2008; Fulmer & Gelfand, 2012). I gathered evidence of involvement from secondary sources (primarily press releases and proxy statements) and when provided, from the primary survey respondents. For those identified from secondary sources, I followed a procedure similar to that described above to identify primary respondents. Additionally, a thank you email was sent to those respondents that completed the survey. In this email I requested that the respondent either forward a survey link to one additional top-level manager involved in the deal negotiations or provide me with that executive's contact information. After making several attempts to secure another respondent for each of the 114 deals for which an initial survey was completed, I received eight responses from secondary informants. Though fewer than desired, I was able to establish a high inter-rater reliability of 89.9% agreement in their responses.

Additionally, in an effort to minimize single respondent bias and common method bias, I employed several procedural remedies. First, I ensured strict confidentiality to minimize any socially desirable answers or acquiescence in responses (Podsakoff et al., 2003). Second, I separated various scale items on the survey, ensuring psychological separation of the trust, justice, and complementarity measures (Parkhe, 1993). Third, when possible I used established scales and avoided vague or ambiguously worded items to minimize confusion (Tourangeau, Rips, & Rasinski, 2000). Fourth, I included both

primary data and secondary data from multiple sources to measure variables in the regression models (Podsakoff et al., 2003). Finally, I included a four item scale on the survey to measure social desirability. The four items loaded onto a single factor ($\alpha=0.70$; Eigenvalue=2.11; 57% explained variance), and the resulting factor scores were included in a separate analysis as a robustness check for all subsequent regression analyses. Results remained consistent when controlling for social desirability, providing further evidence that respondent bias is not driving the findings.

Measures

Target Executive Retention. I measured target executive retention as the ratio of the number of target executives listed on the combined firm's 10-K statement (or proxy statement) the year following the effective date of the deal to the number of target executives listed on the target firm's 10-K statement (or proxy statement) in the year prior to the focal deal. For example, if four target executives were listed on the combined firm's TMT in the year after the deal, and 12 executives were listed on the target firm's TMT in the year before the deal, the value for executive retention would be 0.33. I gathered this data through SEC's EDGAR online database.

Acquirer Trust. Drawing on research from the alliance literature on interorganizational trust (e.g. Gulati & Stych, 2007; Zaheer et al., 1998), modifications were made to the scale developed by Zaheer et al. (1998) to reflect acquirer trust in the context of M&A negotiations. Changes included slight modifications to the wording of the original five items (e.g. "target firm" instead of "supplier") and based on pre-testing, I added one item to capture information sharing through due diligence (adapted from Gulati and Stych, 2007). Respondents were asked to assess each of the six items along a five-point Likert

scale ranging from “not at all” to “to a great extent.” One factor emerged ($\alpha=0.84$; Eigenvalue=3.43; 67% explained variance) from the exploratory factor analysis. The resulting factor scores were used in the regression models.

Justice. The justice dimensions were captured through the survey instrument, using scales adapted from Ellis, Reus, and Lamont (2009) and Luo (2007, 2008). Respondents were asked to rate along a five-point Likert scale the extent the following activities existed during the negotiation stage: 1.) bilateral communications, 2.) disclosure of details, 3.) consistency in procedures, 4.) target firm ability to refute decisions, 5.) full account provided to target firm, 6.) respect and courtesy of input, and 7.) politeness during interactions. Although three factors were expected to emerge, the exploratory factor analysis and review of the scree plot revealed only one factor ($\alpha=.87$; Eigenvalue=3.99; 57% explained variance). I labeled the resulting factor as justice, and used the resulting factor scores in the analysis.

Complementarity. Complementarity was assessed using the survey instrument. Following Zaheer et al. (2013), respondents are asked "Prior to the acquisition, to what extent did you expect the target to complement (i.e., round out) your firm, or vice versa, in the following?" on the dimensions of products, product portfolio, technology portfolio, geographic scope, and distribution channels. Responses were provided on a five-point Likert scale ranging from “not at all” to “to a great extent.” Two factors emerged from the exploratory factor analysis. The first three items of products, product portfolio, and technology portfolio loaded onto one factor ($\alpha=.90$; Eigenvalue=2.66; 50% explained variance), which I labeled product complementarity. The remaining items of geographic

scope and distribution channels loaded onto a second factor ($\alpha=.72$; Eigenvalue=1.15; 26% explained variance) which I labeled geographic complementarity.

Target Intangible Assets. Consistent with previous studies (Arikan & Capron, 2010; Lang, Stulz, & Walking, 1989; Villalonga, 2004), I measured intangible assets as the target firm's Tobin's Q (Tobin, 1969) the year prior to the deal. Tobin's Q is a market measure that represents the ratio of financial claims against the firm (total assets minus shareholder equity) to the book value of total assets (Humphery-Jenner, 2004). A high Tobin's Q signals a past track record of value creation (Gomper, Ishii, & Metrick, 2003) and reflects the economic value of the firm's intangible assets (Arikan & Capron, 2010). As the market value increases over the book value, a firm can be said to have an increasing amount of intangible assets (Arikan & Capron, 2010).

Control Variables. I included several control variables in the analysis collected through both primary sources and secondary sources. First, because culture clash is a primary determinant of target TMT turnover (Lubatkin et al., 1999), I controlled for *organizational fit* with a three-item scale collected from the survey. Respondents were asked to rate on a five-point Likert scale (1=not at all; 5=to a great extent) the extent to which the two firms were similar prior to the deal in the following areas: general management style, reward and evaluation systems, and core values, beliefs, and philosophy (Ellis et al., 2009). Exploratory factor analysis revealed one factor ($\alpha=.82$; Eigenvalue=2.22; 74% variance explained) with the resulting factor scores included in the analysis. Additionally, because loss of autonomy post-deal has been found to influence target managers decision to depart (e.g. Hambrick & Cannella, 1993), I controlled for *autonomy* through a scale ($\alpha=.95$; Eigenvalue=1.90; 94% variance

explained) created from two survey items. Given that differences have been noted between strategic autonomy and operational autonomy (e.g. Calori et al., 1994; Ranft & Lord, 2000), respondents were asked to assess the extent to which the target firm maintained autonomy in strategic decision-making and operational decision-making post-deal using a five-point Likert scale (1=not at all; 5=to a great extent).

Moreover, deal characteristics have been found to influence target executive retention. First, *relatedness* between the two firms was controlled for through an ordinal scale where deals involving matches among the two firms' four, three, and two digit primary SIC codes were coded as 4, 3, and 2 respectively. Relatedness was also coded as 1 if there is a four-digit SIC code match of the top six business lines (e.g. Ellis et al., 2011). Second, *relative size* was controlled for through the ratio of acquirer's assets to target's assets one year prior to the deal (Cording et al., 2008; Kim et al., 2011).

Additionally, in order to remain consistent with prior studies, I included several firm characteristics. First, because the target firm's prior performance may influence the retention of executives (Walsh, 1988), the *target's industry-adjusted prior performance* was measured as the difference between the target firm's ROA in the year prior to the announcement and the industry average ROA at the two-digit level excluding the target firm's ROA. Second, because target managers of high-tech firms may hold specialized knowledge and thus be more valuable (e.g. Graebner, 2004; Ranft & Lord, 2002), I controlled for the target firm's industry as either *high-tech* or not with a dichotomous variable, where 1 equals the target firm operated in a high-tech industry. Third, because experienced acquirers may benefit from retaining target executives (Ellis et al., 2011), I

controlled for *acquirer experience* by including the total count of domestic acquisitions the acquirer completed in the four years prior to the focal deal.

Analysis

The means, standard deviations, and bivariate correlations are reported in Table 3. Three variables (Tobin's Q, relative size, and acquirer experience) were log transformed in order to correct for kurtosis. All variables were mean centered before creating the interaction terms in order to minimize multicollinearity issues (Aiken & West, 1991). The subsequent VIF factors in all the models remained below 1.8, which is well under the threshold of 10 thus suggesting that multicollinearity is not influencing the results (Hair et al., 1998).

Table 3: Means, Standard Deviations, and Correlations of Relationships of Variables Relating Acquirer Trust to Target Executive Retention

		Mean	Std. Dev.	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Retention	.126	.173	--												
2	Relative Size ^a	.764	.726	-.088	--											
3	Relatedness	2.797	1.196	-.143	-.142	--										
4	Target High Tech	.301	.461	-.103	.098	.015	--									
5	Target Prior Performance	.461	.834	-.148	.001	-.074	.491**	--								
6	Acquirer Experience ^a	.387	.320	.132	-.053	.040	-.082	-.168	--							
7	Autonomy	0.00	1.00	.238*	.001	-.033	.090	.136	-.122	.974						
8	Org Fit	0.00	1.00	.132	-.136	.097	-.222*	-.065	-.048	.134	.865					
9	Product Complement	0.00	1.00	.030	.105	.121	.460**	.405**	-.074	.171	-.003	.900				
10	Geo Complement	0.00	1.00	-.038	-.020	.105	-.155	-.141	-.140	-.065	.169	.000	.721			
11	Intangible Asset ^a	.346	.099	.003	.046	-.050	.353**	.304**	.003	.223*	-.116	.128	-.098	--		
12	Trust	0.00	1.00	.278**	.081	.012	-.172	-.100	.122	.277**	.330**	-.066	.211*	.032	.728	
13	Justice	0.00	1.00	.223*	.078	.053	-.224*	-.037	-.054	.104	.415**	-.031	.277**	-.226*	.559**	.755

93

n=111

^a Log transformed

*** $p < .001$; ** $p < .01$; * $p < .05$

In order to assess discriminant validity, I tested that each construct shared more variance with its items than it shared with other constructs (Hulland, 1999). Following Fornell and Larcker (1981), I took the square root of the average variance extracted for each construct and compared it to the correlations shared between the other constructs and items. This statistic, found in the diagonal of the correlation matrix in Table 3, is greater than the correlations in the corresponding rows and columns, suggesting that discriminant validity is established (Fornell & Larcker, 1981).

In order to test the hypotheses, I used procedures discussed by Hayes (2013) using the PROCESS extension to SPSS. Given the sample size of 111 unique deals, PROCESS is an ideal statistical tool because it is able to test moderated mediation models and employ bootstrapping techniques to ensure that the results are not capitalizing on chance. The bootstrapping technique not only extends the Sobel test (Sobel, 1982) to analyze when a particular mediator is significant, but also can determine when a mediator is significant in the presence of moderation. Table 4 reports the results of the mediation analysis, Table 5 reports the results of the Sobel test, and Table 6 reports the results of the moderated mediation analysis with one-tail hypothesis testing which is appropriate given the directional nature of the theorized effects (Fisher, 1925).

Table 4: Regression Results of Mediation

	Model 1 Retention	Model 2 Justice	Model 3 Retention
Constant	.205** (.073)	.564^ (.345)	.182* (.072)
Relative Size	-.035 (.023)	.154 (.110)	-.041^ (.021)
Relatedness	-.030* (.014)	.057 (.065)	.028* (.066)
Target High Tech Industry	-.022 (.043)	-.186 (.206)	-.014 (.043)
Target Prior Performance	-.045* (.023)	.195^ (.111)	-.053* (.023)
Acquirer Experience	.049 (.051)	-.254 (.244)	.059 (.051)
Autonomy	.029^ (.018)	-.022 (.084)	.030^ (.017)
Organization Fit	.005 (.018)	.237** (.083)	-.005 (.018)
Product Complementarity	.026 (.019)	.001 (.089)	.026 (.019)
Geographic Complementarity	-.014 (.017)	.119 (.079)	-.019 (.017)
Intangible Assets	.121 (.172)	-2.248** (.816)	.213 (.176)
Trust	.037* (.018)	.476*** (.086)	.018 (.020)
Justice			.041** (.021)
F-Statistic	2.299**	8.014***	2.488**
R-Square	.205	.474	.235

n=111; Standard error in parentheses

*** $p < .001$, ** $p < .01$, * $p < .05$, ^ $p < .10$

The first two hypotheses suggest that the significant relationship between trust and target management retention is mediated by justice. Model 1 examines the full effect relationship between trust and retention. As can be seen in Table 4, the coefficient for trust is positive and significant ($\beta=.037$; $p<.05$), thereby supporting Hypothesis 1. Two criteria must be true in order to suggest mediation: 1.) trust is significantly related to justice and 2.) trust is no longer significantly related to retention in the presence of justice. First, I tested the relationship between trust and justice in Model 2, which provides a positive and significant coefficient for trust ($\beta=.476$; $p<.001$), supporting this relationship. Second, I tested the relationship between justice and retention, in the presence of trust. Model 3 shows that justice is positively and significantly related to retention ($\beta=.041$; $p<.01$), while trust is no longer significant, providing support for Hypothesis 2. Further, I conducted a bootstrapping analysis and Sobel test using the PROCESS extension macro in SPSS (Hayes, 2013). Using a bootstrap sample of 2000, the results are consistent with those reported in Table 4, and are reported in Table 5. The Sobel test statistic is significant ($z=1.82$; $p<.10$), providing further support for mediation.

Table 5: Bootstrap Mediation Effects

	β	Std. Error	Bootstrap Confidence Interval
Total Effect of Trust on Retention	.037*	.018	.0073 / .0671
Direct Effect of Trust Retention	.018	.020	-.0162 / .0515
Indirect Effect of Trust on Retention (Justice)	.020**	.011	.0059 / .0409

*** $p < .001$, ** $p < .01$, * $p < .05$, ^ $p < .10$

Hypotheses 3 and 4 suggest a moderated mediated relationship. Table 6 reports the results of the moderated mediation models using the PROCESS SPSS extension (Hayes, 2013). First, Hypothesis 3 suggests that complementarity moderates the relationship between trust and justice. Models 3 and 4 consider the moderating role of product complementarity while Models 5 and 6 consider the moderating role of geographic complementarity. As can be seen in Table 5, the mediating relationship remains significant, but the interaction term for product complementarity is not statistically significant. When considering geographic complementarity, the interaction term in Model 5 is positive and significant ($\beta = .096$; $p < .10$), and the mediating relationship in Model 6 remains significant. Therefore, Hypothesis 3 is partially supported. Hypothesis 4 suggests that the target firm's asset intangibility moderate the relationship between trust and justice. As can be seen in Model 7, the interaction term is not significant, although the mediation relationship remains significant (Model 8). Therefore, hypothesis 4 is not supported.

Table 6: Regression Results of Moderated Mediation

	Model 4 Justice	Model 5 Retention	Model 6 Justice	Model 7 Retention	Model 8 Justice	Model 9 Retention
	Prod Comp	Prod Comp	Geo Comp	Geo Comp	Int Asset	Int Asset
Constant	.563 (.347)	.165* (.072)	.523 (.345)	.180** (.073)	-.219 (.265)	.242** (.053)
Relative Size	.154 (.111)	-.037^ (.023)	.165 (.110)	-.039^ (.023)	.152 (.111)	-.036 (.023)
Relatedness	.057 (.065)	-.030* (.014)	.056 (.065)	-.034* (.014)	.056 (.066)	-.031* (.013)
Target High Tech Industry	-.186 (.207)	.005 (.041)	-.181 (.205)	-.011 (.043)	-.183 (.203)	-.007 (.043)
Target Prior Performance	.195^ (.111)	-.044* (.023)	.189^ (.110)	-.049* (.023)	.195^ (.111)	-.046* (.023)
Acquirer Experience	-.253 (.249)	.062 (.051)	-.240 (.244)	.070 (.050)	-.256 (.246)	.059 (.051)
Autonomy	-.022 (.084)	.035* (.018)	-.048 (.086)	.033* (.017)	-.021 (.084)	.034* (.017)
Organization Fit	.237** (.084)	-.003 (.018)	.236** (.083)	-.005 (.018)	.238** (.084)	-.005 (.018)
Product Complementarity	.001 (.090)	--	.013 (.090)	.024 (.018)	.001 (.090)	.025 (.019)
Geographic Complementarity	.119 (.080)	-.017 (.017)	.135^ (.080)	--	.119 (.080)	-.018 (.017)
Intangible Assets	-2.248** (.821)	.202 (.176)	-2.221** (.814)	.202 (.176)	-2.316 (.961)	--
Trust	.476*** (.086)	.016 (.020)	.494*** (.087)	.015 (.020)	.475*** (.086)	.022 (.020)
Justice	--	.041* (.021)	--	.037* (.021)	--	.034* (.020)
Trust*ProdComp	.002 (.080)	--	--	--	--	--
Trust*GeoComp	--	--	.096^ (.074)	--	--	--
Trust*Intangible Assets	--	--	--	--	.126 (.930)	--
F-Statistic	7.271***	2.505**	7.538***	2.585**	7.724***	2.568**
R-Square	.474	.219	.483	.225	.474	.224

Additionally, I conducted a bootstrap analysis on the moderated mediation model. Using a bootstrap sample of 2000 and bias estimated confidence intervals, all results are robust to those reported in Table 6.

Robustness Checks:

In order to test the stability of the results, I ran several robustness checks. First, I reran the models measuring target TMT retention as a dichotomous variable where 0 equals no retention and 1 equals at least one member was retained. Second, I reran each of the models measuring target TMT retention with primary data. Respondents were asked to estimate the percentage of acquired top management employees that are currently still with the firm, on a five point scale with anchors of 1%, 25%, 50%, 75%, and 100%. Results of these additional tests were generally robust, although there were some changes in the levels of significance.

Additionally, I considered other ways in which to proxy target firm intangible assets. I reran the models measuring Tobin's Q as a dichotomous variable where 1 = intangible assets, and 0 = limited intangible assets (Arikan & Capron, 2010). I also measured the target firm's R&D intensity (R&D expenditures to assets) as a proxy for intangible assets and reran all models. Both of these alternative measures yielded results similar to those reported in Table 4 and Table 6.

Post-Hoc Analysis

Contrary to my expectations, the seven justice items loaded onto a single factor instead of three separate factors. The three forms of justice hypothesized – procedural, informational, and interactional – have been measured and tested in various ways across various levels over the last several decades (Colquitt et al., 2001). Several researchers

argue that interpersonal and informational justice comprise a type of justice referred to as interactional justice (Bies, 1987; Bies & Moag, 1986). Moreover, other researchers argue that informational justice and interpersonal justice are elements of procedural justice (Cropanzano & Randall, 1993; Sheppard, Lewicki, & Milton, 1992; Tyler & Lind, 1992). This perspective suggests that the overall justice construct measured in our study represents procedural justice. Colquitt and colleagues' (Colquitt et al., 2001) findings that these three types of justice are separate and provide more explained variance when measured individually are based primarily of studies assessing employee-level justice perceptions.

In the strategic context where the focus tends to be more on firm-level actions designed to generate or influence justice perceptions, both Ellis et al. (2009) and Luo (2008) were able to show the existence of different forms of justice. Luo (2008) considered distributive, procedural, and interactional justice in alliances while Ellis et al. (2009) considered procedural justice and informational justice during the integration stage of an M&A. It appears that in the context of M&A negotiations, the speed and pressures present in negotiations may not afford the time for different forms of justice to be expressed. This echoes Kass' (2008) findings that during negotiations, the separate effects of individual informational and interpersonal justices could not be determined, while the effects of interactional justice explained negotiation outcomes. Kass (2008) recommends that when considering justice in the context of negotiations, that interactional justice should be considered over that of informational and interpersonal justice separately.

Table 7: Regression Results of Mediation with Interactional Justice

	Model 1 Retention	Model 2 Justice	Model 3 Retention
Constant	.205** (.073)	.417 (.348)	.187* (.072)
Relative Size	-.035 (.023)	.145 (.111)	-.041^ (.023)
Relatedness	-.030* (.034)	.099 (.065)	-.034* (.014)
Target High Tech Industry	-.022 (.043)	-.198 (.208)	-.013 (.043)
Target Prior Performance	-.045* (.023)	.194^ (.112)	-.053* (.023)
Acquirer Experience	.049 (.051)	-.213 (.246)	.058 (.051)
Autonomy	.029^ (.018)	-.044 (.084)	.031^ (.017)
Organization Fit	.005 (.018)	.239** (.084)	-.006 (.018)
Product Complementarity	.026 (.019)	.030 (.090)	.025 (.019)
Geographic Complementarity	-.014 (.017)	.110 (.080)	-.019 (.017)
Intangible Assets	.121 (.172)	-2.184** (.823)	.214 (.175)
Trust	.037* (.018)	.470*** (.086)	.017 (.020)
Justice			.042* (.021)
F-Statistic	2.299*	7.729***	2.524**
R-Square	.205	.465	.238

Table 8: Regression Results of Moderated Mediation with Interactional Justice

	Model 4 Justice	Model 5 Retention	Model 6 Justice	Model 7 Retention	Model 8 Justice	Model 9 Retention
	Prod Comp	Prod Comp	Geo Comp	Geo Comp	Int Asset	Int Asset
Constant	.417 (.350)	.171* (.071)	.378 (.348)	.185* (.072)	-.341 (.267)	.246*** (.053)
Relative Size	.145 (.112)	-.037^ (.023)	.155 (.111)	-.039^ (.023)	.142 (.112)	-.035 (.023)
Relatedness	.099 (.066)	-.032* (.014)	.098 (.065)	-.035* (.014)	.097 (.066)	-.032* (.014)
Target High Tech Industry	-.198 (.209)	.005 (.041)	-.194 (.207)	-.010 (.043)	-.193 (.210)	-.006 (.043)
Target Prior Performance	.194^ (.112)	-.045* (.023)	.188^ (.111)	-.049* (.023)	.194^ (.112)	-.046* (.023)
Acquirer Experience	-.214 (.251)	.061 (.051)	-.201 (.246)	.069 (.050)	-.217 (.248)	.058 (.051)
Autonomy	-.044 (.085)	.035* (.017)	-.069 (.087)	.034* (.017)	-.043 (.085)	.035* (.017)
Organization Fit	.239** (.084)	-.003 (.018)	.237** (.084)	-.006 (.018)	.239** (.084)	-.056 (.018)
Product Complementarity	.030 (.091)	--	.041 (.090)	.023 (.019)	.031 (.091)	.024 (.019)
Geographic Complementarity	.110 (.081)	-.017 (.017)	.125 (.080)	--	.110 (.080)	-.018 (.017)
Intangible Assets	-2.184** (.828)	.205 (.176)	-2.159** (.821)	.204 (.175)	-2.285* (.969)	--
Trust	.469*** (.087)	.015 (.020)	.487*** (.087)	.014 (.020)	.468*** (.087)	.021 (.020)
Justice	--	.043* (.021)	--	.039* (.021)	--	.034* (.020)
Trust*ProdComp	-.001 (.080)	--	--	--	--	--
Trust*GeoComp	--	--	.091^ (.075)	--	--	--
Trust*Intangible Assets	--	--	--	--	.188 (.937)	--
F-Statistic	7.013***	2.564**	7.243***	2.627	7.019***	2.605**
R-Square	.465	.224	.473	.228	.465	.226

In line with Kass' (2008) recommendations, I reran the models by measuring interactional justice. To do this, I removed one item from the justice scale (ability to refute) that represented procedural justice. The remaining six items loaded onto one factor ($\alpha=.86$; Eigenvalue=3.53; 58% variance explained), and the resulting factor scores were used in the regression models. Results are consistent with those reported in Table 4 and Table 6, with both the mediation being significant and geographic complementarity acting as a moderator of the trust and interactional justice relationship. As such, it appears that interactional justice is the driving force between trust and retention.

Discussion

Despite the consistent recognition of the benefits of retaining target executives after M&As, research has failed to consider how the management of the negotiation process can influence retention. In order to fill this gap, I examine the role of trust during the negotiation process, as a mechanism that promotes actions designed to influence justice perceptions which leads to the retention of target executives. Because target managers often leave a company due to feelings of disrespect and exclusion (Buchholtz et al., 2003; Lubatkin et al., 1999), and these feelings begin as early as negotiations (Hambrick & Cannella, 1993; Teerikangas, 2012), managing justice perceptions during this initial stage of the M&A process is increasingly important. Consistent with the hypotheses, I found that acquirer trust in the target firm leads to greater levels of justice promoting actions during negotiations. This finding signals the importance for acquirers to leverage the trust relationship during negotiations in a way that promotes favorable perceptions of fairness in order to retain target executives.

Additionally, I considered conditions in which the effects of trust are maximized, to promote greater levels of justice during negotiations. Although the interacting effects of product complementarity and intangible assets were not significant, geographic complementarity was found to have a positive moderating effect on the relationship between trust and justice. Acquiring managers may find the need to further discuss and understand the new geographic markets gained through the acquisition to more accurately estimate the potential synergistic benefits. In order to gain this information, acquiring managers are able to leverage the trust relationship to a greater degree to engage in actions that foster positive justice perceptions of the target managers. Further, these positive justice perceptions encourage retention of the target managers as feelings of disrespect and exclusion are minimized.

Several contributions are made to the existing literature through this study. First, a contribution is made to the M&A process literature. Through the consideration of acquirer trust in the negotiation stage as a driving force that creates an environment where target managers are retained post deal, an important connection is made between pre-deal factors and post-deal outcomes. This study builds on observations of Jemison and Sitkin (1986) and Teerikangas (2012) to offer empirical evidence with a large sample of deals of the critical importance of M&A process management with emphasis placed on the negotiation stage. This answers several calls for more research focused on the initial pre-deal stage of the M&A process (Haspeslagh & Jemison, 1991; Teerikangas, 2012). Also, this study provides evidence that actions and decisions made during this early stage of the process affect the combined firm's ability to achieve desired post-deal outcomes such as target executive retention. This extends the work of Greenwood et al., (1994) and

Teerikangas (2012) to enhance our understanding of the complex relationship between pre-deal actions and post-deal outcomes.

Second, not only are extensions to the effects of interorganizational trust found, but the social embeddedness perspective is applied in a new context. First, acquirer trust in the negotiation stage promotes a more comfortable environment for discussing the possibility of engaging in an acquisition along with related details and issues. This differs from an environment that is typically described as competitive, deceitful, and wrought with opportunistic behaviors (e.g. Graebner, 2009). This finding extends the classic assumption that retention is higher in friendly rather than hostile deals (Walsh, 1989) to show that acquirer trust promotes actions during negotiations that increase communication, respect, and inclusion to foster positive justice perceptions and thus greater retention.

Additionally, a contribution is made to the organizational justice literature in general and to recent studies examining justice in the M&A context in particular. The findings suggest that during M&A negotiations, the separate forms of procedural, informational, and interpersonal justice do not surface. The results indicated that the mechanism driving the retention of target executives through trust is overall justice. The acquiring managers developing trust in the target firm leaders fosters an environment in which acquiring executives act in ways to involve, communicate with, and respect target executives during negotiations. Such action to promote overall justice perceptions in turn influence target retention. Moreover, in consideration of multiple facets of the negotiation context and Kass' (2008) suggestions, the post-hoc analysis revealed that interactional justice (the combination of informational and interpersonal justice) mediates the

relationship between acquirer trust and target executive retention. The feelings of inclusion and respect may be heightened in negotiations while the need to voice opinion about procedural changes in the organization may be increasingly heightened when the actual changes take place in the integration stage of the deal.

From a practical perspective, the findings suggest that acquiring managers should not underestimate the effects of managing the negotiation process on post-deal outcomes such as the retention of target executives. Acquiring executives can leverage their trusting relationship to encourage an open flow of communication, inclusion, and respect during negotiations. Additionally, as acquiring executives are faced with operating in new geographic markets, being in unfamiliar terrain can bring about an increased opportunity to leverage their trusting relationship in order to retain those executives of the target firm.

Future research and limitations

As with any study, there are inherent limitations that offer several avenues for future research. First, given the theoretical framework and research design, distributive justice was not measured. Because target executive turnover is often due to feelings of disrespect and exclusion, procedural, informational, and interpersonal justices are theoretically linked to executive turnover. Distributive justice, on the other hand, highlights the importance of equity in outcomes (Colquitt et al., 2001) which differs from how the change process itself is managed. Additional theoretical perspectives beyond the social embeddedness perspective, such as politics and power (Emerson, 1962), may suggest that distributive justice plays a role in executive turnover during negotiations. Recent research from Monin and colleagues (Monin, Noorderhaven, Vaara, & Kroon, 2013) provides anecdotal evidence that target managers are concerned with equitable

outcomes during M&A negotiations, finding that additional “fairness principle” contracts were drafted to ensure equality post-deal. This case highlights the importance of managing the M&A process from the beginning with equitable fairness in mind (Monin et al., 2013), and the implications may go beyond post-deal performance to include target executive turnover. As such, it would be interesting to examine the role of distributive justice during M&A negotiations as a mechanism to enhance target executive retention.

Second, the sample for this study included public acquirers gaining control of public targets in the U.S. domestic market. The antecedents of executive turnover in deals involving small, private, and international firms may be different. The information asymmetries are greater in deals of private firms (Capron & Shen, 2007) and international firms (Reuer et al., 2004), creating a context in which a greater level of communication and interaction may be necessary. Trusting acquirers may be able to leverage their trust to a greater degree, eliciting even stronger justice perceptions in these contexts. On the other hand, trust may not promote positive justice perceptions in different contexts and even further justice may not influence turnover. For example, although a general concern for justice appears to exist across contexts, the propensity to act on fairness perceptions does not exist across different countries (Chhokar, Zhuplev, Fok, & Hartman, 2001). The effects of power distance (Brockner et al., 2001) and collectivism (Brockner, De Cremer, van den Bos, & Chen, 2005) of a particular nation have effects on the ways that justice perceptions are both formed and acted upon. As such, both international deals and deals involving private firms would be interesting contexts in which to examine the trust, justice, and executive turnover relationship.

Another important limitation of the study is the cross-sectional nature of the data. Because trust perceptions and equitable treatment perceptions can change over the course of negotiations (Lander & Kooning, 2013), studies designed to capture longitudinal data are needed. A longitudinal design may also help tease out the effects of causality between trust and justice in the M&A negotiation context. Theoretically, justice can lead to increased trust as impressions of fair treatment may lead to greater levels of trust. The causality between justice and trust is often determined by context (Fulmer & Gelfand, 2012), and longitudinal data can provide insights into the causality in the M&A negotiation context.

Moreover, future research could seek to capture additional reasons for target executive turnover. In the current study, an assumption is made that target executives would remain with the firm had it not been acquired, but there may be multiple reasons for target executive turnover. Executives may be seeking retirement or an exit strategy as a motivation for selling the firm (DeTienne, 2010). Future research should seek to integrate these decisions and how equitable treatment during negotiations may shift these initial motivations.

Despite evidence to show that target executives are important to M&A success, they still often exit the combined firm after the deal is consummated. Although M&A research has highlighted the role of deal context and status removal, examining how the management of the negotiation process affects target executive turnover has been neglected. The findings in this study highlight not only the important role of acquirer trust, but also the important role of managing justice perceptions during deal negotiations.

As such, I hope this study serves as motivation for other scholars to examine M&A negotiations and the role of trust in the M&A process.

CHAPTER 5 - CONCLUSIONS

The focus of this research was to examine the effects of acquirer trust during M&A negotiations. Two primary research questions were presented: 1.) “What is the role of acquirer trust in the determination of acquisition premiums?” and 2.) “Does acquirer trust during negotiations increase target executive retention?” Based on arguments supported primarily by both the social embeddedness perspective and the M&A process perspective, acquirer trust was found to affect the two dependent constructs considered, the acquisition premium and target executive retention. Additionally, several contextual and process factors were confirmed as moderating and mediating effects that interact with or emerge from acquirer trust. The key findings of this research agenda lead to several theoretical and practical implications.

Implications for Theory

Across both studies, acquirer trust was found to have a significant influence in M&A negotiations. Not only does trust lead to increased acquisition premiums, but also the retention of target executives. These findings suggest that as an acquirer gains trust in the target firm, the negotiation process is managed in a way that not only increases justice perceptions through increased communications and inclusion, but also increases acquirer vulnerability. As such, contributions and extensions are made to both the social embeddedness perspective (Granovetter, 1985) and the process perspective of M&As (Jemison & Sitkin, 1986).

First, the social embeddedness perspective is extended by empirically testing the primary predictions in a new context. M&A negotiations provide an interesting context to test both the positive and negative consequences of social embeddedness due to the asymmetric trust levels that exist between the acquiring firm and the target firm (Graebner, 2009; Lander & Kooning, 2013). The results across the two studies demonstrate both the positive and negative implications of social embeddedness.

In terms of positive predictions, the social embeddedness perspective suggests that open communications (Gulati & Sych, 2007), increased respect (Granovetter, 1985) and reduced conflict (Zaheer et al., 1998) can be expected when trust is present. The findings in Essay Two support this, in that trusting acquirers were able to act in ways that promote positive justice perceptions during negotiations. Actions such as increasing communication, demonstrating respect, and providing disclosure of details were present in negotiations involving trusting acquirers. These findings contribute to the literature on justice and value creation in the M&A process. For example, Ellis et al., (2009) found that acquiring executives engaging in actions to promote procedural justice and informational justice perceptions added to value creation during the integration stage. Building on this, Essay Two revealed that acquirers can begin to demonstrate strategic actions to increase justice perceptions as early as the negotiation stage. These actions in turn influence target executive retention, which can facilitate value creation in the integration stage (Graebner, 2004; Teerikangas, 2012).

Alternatively, the social embeddedness perspective also suggests that firms can become vulnerable to opportunistic exploitation when trust is present (Poppo et al., 2008). The findings in Essay One demonstrate these potential detriments of trusting

acquirers. Echoing Graebner's (2009) finding that misrepresentations are a critical factor in M&A negotiations, the results indicate that as acquirers leverage trust, the potential for opportunistic exploitation increases, leading to higher premiums being paid. Although this finding could be due to the positive expectations of trust such as increased synergy identification through open communications, the moderating effect of the board of directors' involvement suggests that opportunistic exploitation may play a role as well. This finding is similar, but extends, existing research on the role of the board of directors in premium development. For example, Hambrick and Hayward (1998) found that premiums paid by overconfident CEOs can be minimized by an involved board of directors while Zhu (2013) found that the board of directors can suffer group biases and actually increase the premium. The results of Essay One are unique, in that primary data is analyzed in order to account for both the monitoring and advising roles of the board. Interestingly, the results show that as the board of directors takes a more active role in monitoring the negotiation process, the vulnerability of the acquiring firm is limited, reducing the target firm's chances to act opportunistically and minimizing the effects of trust on the premium. Overall, the findings from Essay One and Essay Two contribute to the social embeddedness perspective by providing support for both the positive effects and the negative consequences of participating in a trusting interorganizational relationship.

Second, several contributions are made to the M&A process perspective. The process perspective suggests that M&As require a series of decisions that have a cascading influence throughout the entire process (Jemison & Sitkin, 1986; Pablo et al., 1996; Shrivastava, 1986). Several findings from Essay Two are particularly interesting in

consideration of this process perspective. For example, the pre-deal factor of trust during the negotiation stage, was found to affect the post-deal outcome of target executive retention. Specifically, results indicate that acquirer trust affects the management of the negotiation process, in a way that promotes positive justice perceptions. Further, this decision to leverage the trusting relationship has indirect consequences on target executives' decisions after the deal is closed through the justice perceptions. Although similar cascading influences have been examined in qualitative studies (e.g. Greenwood et al., 1994; Teerikangas, 2012) and discussed theoretically (Jemison & Sitkin, 1986; Pablo et al., 1996), the results from Essay Two provide empirical evidence based on a large sample of M&As of how decisions made in the pre-deal stages affect post-deal outcomes. To the best of my knowledge, this is one of the first studies to empirically link executive behaviors and actions of the acquirer associated with the negotiation stage to target executive retention measured a year after deal completion. As such, this study addresses calls by several M&A scholars to focus more on different outcomes of M&As such as target executive turnover (e.g. Haleblan et al., 2009; Krug, Wright, & Kroll, 2015) as well as the role of strategic leaders in various stages throughout the M&A process (Teerikangas, 2012).

The M&A process perspective additionally suggests that the management of the M&A process is important to value creation (Jemison & Sitkin, 1986). Through the consideration of how trust affects the management of the M&A process, findings in both Essay One and Essay Two support this prediction. In particular, acquirer trust was found to increase communication and respectful interactions during negotiations. Specifically, the findings of Essay Two suggest that managerial actions not only assisted in increasing

the justice perceptions of target executives, but ultimately led to the retention of target executives. This finding is consistent and builds upon Stahl et al.'s (2011) findings of surviving employee reactions to trust in management during integration. Stahl et al. (2011) found that when surviving employees received increased quality communications from acquiring managers, that their intent to stay, cooperate, and share information increased. The findings in Essay Two build on this line of literature to include how those dynamics differ, but also are similar, in regards to the influence of strategic leadership during negotiations, and how target executives react to actions that can be linked to justice perceptions.

Additionally, and perhaps most important, the examination of the negotiation process offers a contribution to the overall M&A literature. Although often cited as critical to the success or failure of a deal, the negotiation process has been relatively neglected in M&A studies (Cartwright & Schoenberg, 2006; Marks & Mirvis, 2001). The current research agenda highlights the importance of not only the effects of negotiations on overpayment of a target firm (Essay One), and the effects of negotiations on target executive retention, an understudied post-deal outcome (Essay Two), but also how the negotiation process can be used to uncover critical information and create expectations of behaviors that will continue in the integration stage. Although trust was the primary factor of interest, the role of the board of directors, acquirer experience, technological dissimilarity, complementarity, and other factors were also found to affect decisions and actions throughout the negotiation process. These findings offer important initial insights into the role that negotiations play in influencing several outcomes not often considered in the literature, but that can have a major impact on value creation in the M&A process.

Implications for Practice

From a practical perspective, acquiring firms are urged to consider social dynamics during negotiations. Traditionally, negotiations are centered upon legal and financial issues (Haspeslagh & Jemison, 1991) and competitive actions (Coff, 1999), whereas the findings in Essay One and Essay Two highlight the importance of the relational dynamics between the two firms. Specifically, acquiring managers can leverage the benefits of not only selecting a trusted target firm, but also managing negotiations through cooperative actions. By engaging in actions such as increased communication, timely disclosures of information, and respectful behaviors during negotiations acquiring managers may be able to uncover new synergistic opportunities and retain target executives.

Additional boundary conditions revealed through the two essays have important implications for practitioners. For example, acquiring managers should ensure that the board of directors is involved in the negotiation process, both in a monitoring role and an advisory role. Acquirers can benefit from paying lower premiums through the board's involvement of providing resources, and should particularly ensure the board is involved in negotiations in a monitoring capacity when a trusting relationship is present. Additionally, acquiring managers should leverage its firm's negotiation experience in decisions about when to rely on the trusting relationship, what types of information to trust, and when to pay a lower premium in the presence of trust. Moreover, target firm managers can work to increase the premiums by shifting the negotiations to synergy identification, particularly when dissimilar technologies exist between the two firms. Overall, when acquirer trust is present, many benefits can be established during

negotiations, but ensuring the board of directors' involvement and learning from experience can help acquirers realize the benefits while limiting the potential for opportunistic exploitation.

Limitations and Future Research

The interesting findings of this research agenda should be interpreted with the limitations of the research design in mind. First, the data is cross-sectional in nature, providing evidence of associated relationships at a discrete point in time. It is understood that trust changes over time, specifically during M&A negotiations (Lander & Kooning, 2013). The data set collected was gathered at one point in time, and after negotiations had been completed. Although numerous procedural and statistical attempts were made to prevent retrospective bias, the possible fluctuations that existed in the level of trust during negotiations were not captured. This provides a ripe opportunity for future research to create a research design that combines both qualitative and quantitative data collection methods in order to capture the changing levels of trust.

Second, for the vast majority of the deals, a single respondent provided the data used to test the hypothesized effects. Although this is a common practice in M&A process studies (e.g. Cording et al., 2008; Ellis et al., 2009), the potential for single respondent bias exists. Several attempts were made to reduce this bias, including attempts to contact multiple respondents. Although fewer than desired secondary responses were received, high interrater agreement was observed amongst those deals in which two respondents completed the survey instrument. This is particularly important for organizational factors such as interorganizational trust and the management of justice perceptions. An opportunity remains for researchers to replicate and build upon this

initial study of the role of acquirer trust in M&A negotiations through the use of multiple respondents in order to offer more robust evidence.

Further, the sample restrictions create limitations of this study, but also create opportunities for future research. First, the sample was restricted to related deals. The benefits of trust are particularly important in negotiations of related deals, because trust increases openness and communication potentially leading to the identification of new synergistic opportunities. These actions though, may not be as important in deals involving unrelated firms, as product market-based synergies are not the primary goal. Trust may though act as an important mechanism to promote other factors in unrelated deals, such as autonomy and decentralized decision-making. Additionally the sample was restricted to domestic deals. There is great need to understand the role of acquirer trust during international M&A negotiations as the basis of trust, as well as the reactions stemming from trust, may vary by cultural context (Bachmann, 2010; Dyer & Chu, 2000; Fang, 2011). An opportunity exists for future research to tease out the differential cultural effects of trust during M&A negotiations.

Moreover, although it is common practice amongst interorganizational trust studies to assume trust symmetries (Fulmer & Gelfand, 2012), M&As provide a context in which trust may be more asymmetric between the acquiring firm and the target firm (Graebner, 2009; Lander & Kooning, 2013). Despite extensive efforts to assess trust from both firms' perspective, only acquirer trust was examined in this research agenda. Although results offer important insights on how trust affects the acquiring firm's actions, limited details on the target firm's actions can be assumed. Research provides evidence that target firms choose acquirers that are trusted (Graebner & Eisenhardt,

2004) and trust is built through continuous positive interactions (Granovetter, 1985), suggesting that trusting acquirers should be able to quickly gain trust from the target firms in order to reap even greater negotiation benefits. Considering the dynamics between both the target and acquiring firm creates a fruitful opportunity for future research.

Overall, the primary finding that trust affects the management of the negotiation process enlists numerous additional questions and future research opportunities. For example, does acquirer trust increase the likelihood of greater concessions in negotiations? How does acquirer trust affect decisions of autonomy, integration levels, or speed of integration? What is the effect of acquirer trust during negotiations on knowledge creation, actual synergy realization, and integration performance? Although this research agenda has provided some novel findings of the role of acquirer trust in negotiations, there is much still to learn.

In conclusion, although M&As are often executed in order to create value, value creation is difficult to achieve as the M&A process is multifaceted and complex. As such, this research placed primary emphasis on actions and decisions associated with the negotiation stage, which is the least examined and understood of the stages of the M&A process. Building upon the social embeddedness perspective and the M&A process perspective, this research agenda provides theoretical and empirical evidence of the role of acquirer trust in the M&A negotiations. Specifically, trusting acquirers seem willing to pay higher premiums to overcome technological information asymmetries, but can reduce premiums paid through prior experience and encouraging the board of directors' involvement in negotiations. Additionally, this research considered how acquirer trust in

the negotiation stage influenced actions and outcomes linked to the integration stage of the M&A process. In particular, acquirers can leverage the trusting relationship to engage in actions that elicit positive justice perceptions, thereby promoting target executive retention. These novel findings provide interesting insight into the role of acquirer trust in the negotiation stage, and its indirect effects on target executive retention during the integration stage furthering our understanding of the complex M&A process.

APPENDICES

Appendix A. Informed Consent

Appendix B. Survey

Appendix A: Informed Consent



THE ROLE OF INTERORGANIZATIONAL TRUST IN THE MERGER AND ACQUISITION PROCESS

Heather R. Parola, Doctoral Candidate

Kimberly M. Ellis, PhD., CPA

The purpose of this research study is to uncover the common issues and success factors common throughout negotiation and integration of mergers and acquisitions. To participate in this study, you will complete a short survey on your involvement and knowledge of a recent merger or acquisition. **The survey will take about 20 minutes to complete.** Participation is completely voluntary, and your results will be kept confidential. Because of this confidentiality, the risks to participation are minimal. For your participation in the study, you can request an executive summary of the results. This summary will include major findings of both positive and negative performance implications.

Your data will be submitted to an FAU server using a secure, encrypted website. Only the researchers working with the study will see your data. **All data provided will be kept confidential.** For related problems or questions regarding your rights as a research subject, contact the Florida Atlantic University Division of Research at (561) 297-0777. For other questions about the study, you should call the principal investigators Heather Parola or Dr. Kimberly Ellis at (561) 701-4936.

I have read the information describing this study. All my questions have been answered to my satisfaction. I am 18 years of age or older and freely consent to participate. I understand that I am free to withdraw from this study at any time without penalty. By checking the "I consent" box below, I am giving my consent to participate in this research study.

I consent

I do not consent

INSTRUCTIONS

Considering the acquisition mentioned in the cover letter, please describe the experiences of your company in the pages that follow by writing in a number, checking a box, or circling a number.

Please return your completed questionnaire in the enclosed postage-paid envelope or by fax at (561) 297-2675 *at your earliest convenience (within 10 business days if possible).*

Appendix B: Survey

Prior to the acquisition, to what extent were your firm and the target firm similar in the following areas?					
	Not at all	To a limited extent	To some extent	To a considerable extent	To a great extent
1. General management style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Reward and evaluation systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Core values, beliefs, and philosophy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Major products / services offered	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Types of customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Technology used in production and/or operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Distribution channels utilized	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Geographic markets served	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Prior to the acquisition, to what extent did you expect the target to complement (i.e. round out) your firm, or vice versa, in the following?					
	Not at all	To a limited extent	To some extent	To a considerable extent	To a great extent
1. Products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Product Portfolio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Technology Portfolio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Geographic Scope	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Distribution Channels	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Did your firm and the target firm participate in any of the following collaborative efforts with each other prior to the current acquisition? Please check all that apply.				
Joint Venture	Marketing Agreement	Buyer / Supplier Agreement	Industry Consortia	Other, please specify: _____ _____
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

What issues was the most contentious during negotiations of this deal? Please provide a brief description.

Focusing on the negotiation process, please indicate to what extent you agree or disagree with the following statements:					
	Not at all	To a limited extent	To some extent	To a considerable extent	To a great extent
1. The target firm was evenhanded in its negotiations with us.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The target firm used opportunities that arose during the negotiations to profit at our company's expense.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. We did not with complete confidence rely on the target firm to keep promises made to us.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. We were hesitant to agree to terms of the deal with the target firm when specifications were vague.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The target firm was trustworthy during negotiations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The target firm generally responded to due diligence requests by accurately and completely disclosing the required information.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. The premium negotiated for the target firm was exactly right.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. All employees were happy about the acquisition announcement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

To what extent was your firms board of directors involved in the following activities during negotiation?					
	Not at all	To a limited extent	To some extent	To a considerable extent	To a great extent
1. Provide expertise in negotiating the terms of the agreement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Provide counsel and advice in evaluating the agreement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Provide access to legal resources.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Provide access to financial resources.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Monitor the CEO's progress (i.e. actions, tactics, decisions, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Monitor the negotiation process (i.e. keeping abreast)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Help decide the composition of the new strategic leadership team (i.e. TMT, board of directors).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Evaluate the CEO's negotiation performance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

To what extent does each of the following describe the environment in which negotiations took place?					
	Not at all	To a limited extent	To some extent	To a considerable extent	To a great extent
1. Confidential	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Expedited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Debate about strategic fit issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Debate about organizational fit issues (i.e. culture clash)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Resistance from target firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Commitment to finishing negotiations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

About how long did it take to negotiate the terms of the deal?: _____ Months

To what extent did each of the following activities exist during the negotiation?					
	Not at all	To a limited extent	To some extent	To a considerable extent	To a great extent
1. Extensive bilateral communications/information sharing between executives of both firms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Consistent procedures applied in making decisions and reaching consensus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Full account of final decision provided to target firm executives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Acquiring firm executives were well informed with the target firm's operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ability of the target firm executives to challenge or refute deal terms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Attention to understanding the positions and opinions of executives of both firms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Input from members of both firms executive teams respected and valued	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Describe the greatest challenged encountered during the integration process:

Focusing on the integration process, please indicate to what extent you agree or disagree with the following statements:					
	Not at all	To a limited extent	To some extent	To a considerable extent	To a great extent
1. Sometimes the target firm changes facts slightly in order to get what they wanted.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The target firm promised to do things without actually doing them later.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The target firm has given us truthful and valuable information even when it did not form part of the contract set forth in the negotiations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The target firm was trustworthy during the integration stage.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Sometimes the target firm failed to perform in accordance with expectations that were set in negotiations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please indicate the degree to which the following items or areas were integrated or combined as a result of the acquisition.					
	Not at all	To a limited extent	To some extent	To a considerable extent	To a great extent
1. Organizational Structure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Organizational Culture	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Personnel (HR) management practices	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Production	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Supply sources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Distribution channels	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Sales / after-sales service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Marketing programs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Strategic planning systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Financial and budget systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Management information systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

To what extent did each of the following activities exist during the M&A integration process?					
	Not at all	To a limited extent	To some extent	To a considerable extent	To a great extent
1. Extensive bilateral communications / information-sharing between members of both firms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Consistent procedures applied in making decisions and carrying them out	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Full account of final decisions provided to members of target firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Acquiring firm well informed and familiar with operations of the target firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ability of target firm to challenge or refute decisions of acquiring firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Target firm maintained autonomy in strategic decision making (i.e. competitive strategy, portfolio of businesses, goals)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Target firm maintained autonomy in operational decision making (i.e. administrative, marketing, production, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Attention to understanding the positions and opinions of members of both firms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Input from members of both firms respected and valued	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Generation of positive media about the target firm's role in the combined firm's overall strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Frequent visits to the target firm's offices and facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Support offered for travel for the target firm's managers and employees to visit your firm's facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. Investments in target firm's training and development programs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Managers of both firms always agree on integration decisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. The integration of the accession was very easy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Approximately how long did the integration process take? (Please provide an estimate if integration efforts are not yet completed)					
6 months or less	7 - 12 months	13 - 18 months	19 - 24 months	25 - 36 months	more than 36 months
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Compare the two firms prior to the deal. How have the following performance indicators of the combined firm changed?					
	Significant Decrease	Some Decrease	About the Same	Some Increase	Significant Increase
1. Sales Growth	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Market Share	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Profitability	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Stock Price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Innovation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Research and Development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	(a) At the time of the acquisition, please indicate how important it was for the parent firm to retain acquired employees in the following categories:					(b) Please estimate the percentage of acquired employees from each category that are currently still with the firm:				
	Not Important	Limited Importance	Important	Considerable Importance	Extremely Important	0%	25%	50%	75%	100%
1. Top management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Middle management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Research and development	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Manufacturing and operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Marketing, sales, and distribution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Finance, legal, and other staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please estimate what percentage of individuals that were top management team member in the target firm's operations BEFORE the acquisition that are now:	
1. Working with TMT status of the combined firm:	_____%
2. Working in the combined firm without TMT status:	_____%
3. Serving on the Board of Directors:	_____%
4. Serving as a consultant to the combined firm:	_____%
5. No longer affiliated with the combined firm:	_____%
6. Total:	_____%

To what extent did your firm's target trust in the target firm change from the negotiation stage to the integration stage?				
Significant Decrease	Some Decrease	About the Same	Some Increase	Significant Increase
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Overall, how successful has the acquisition been for your firm?				
Not Successful	Limited Success	Average	Considerable Success	Very Successful
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

What is your current job title as it appears on your business correspondence?				
CEO / Chair	CFO / COO	Chief Strategy Officer	Head of Mergers and Acquisitions	Other
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/> _____

Thank you.

Many thanks for your participation in our study. Your responses will be kept confidential.

If you would like to receive an executive summary of the results, please provide your email address in the space below.

Again, thank you for participating.

Email Address to which results should be sent: _____
--

REFERENCES

- Aboody, D., & Lev, B. (2000). Information asymmetry, R&D, and insider gains. *The Journal of Finance*, 55(6), 2747-2766.
- Aiken, L. S., & West, S. G. (1991). *Multiple regression: Testing and interpreting interactions*. Thousand Oaks, CA: Sage.
- Akerlof, G. A. (1970). The market for "lemons": Quality uncertainty and the market mechanism. *Quarterly Journal of Economics*, 84(3), 488-500.
- Angwin, D. N., & Meadows, M. (2009). The choice of insider or outsider top executives in acquired companies. *Long Range Planning*, 42(3), 359-389.
- Ansoff, H. I. (1965). *Corporate strategy: An analytic approach to business policy for growth and expansion*. New York, NY: McGraw-Hill.
- Arikan, A. M., & Capron, L. (2010). Do newly public acquirers benefit or suffer from their pre-IPO affiliations with underwriters and VCs? *Strategic Management Journal*, 31(12), 1257-1289.
- Bachmann, R. (2010). Towards a context-sensitive approach to researching trust in inter-organizational relationships. In M. N. K. Saunders, D. Skinner, G. Dietz, N. Gillespie, & R. J. Lewicki (Eds.), *Organizational trust: A cultural perspective* (pp. 87-106). Cambridge, UK: Cambridge University Press.
- Balakrishnan, S., & Koza, M. P. (1993). Information asymmetry, adverse selection and joint-ventures: Theory and evidence. *Journal of Economic Behavior & Organization*, 20(1), 99-117.

- Barkema, H. G., & Schijven, M. (2008). How do firms learn to make acquisitions? A review of past research and an agenda for the future. *Journal of Management*, 34(3), 594-634.
- Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of management*, 17(1), 99-120.
- Barney, J. B., & Hansen, M. H. (1994). Trustworthiness as a source of competitive advantage. *Strategic Management Journal*, 15(S1), 175-190.
- Bazerman, M. (1998). *Judgment in managerial decision making*. New York, NY: Wiley.
- Beckman, C. M., & Haunschild, P. R. (2002). Network learning: The effects of partners' heterogeneity of experience on corporate acquisitions. *Administrative Science Quarterly*, 47(1), 92-124.
- Bergh, D. D. (2001). Executive retention and acquisition outcomes: A test of opposing views on the influence of organizational tenure. *Journal of Management*, 27(5), 603-622.
- Bies, R. J. & Moag, J. F. (1986). Interactional justice: Communication criteria of fairness. In R. J. Lewicki, B. H. Sheppard, & M. H. Bazerman (Eds.), *Research on negotiations in organizations* (pp. 43-55). Greenwich, CT: JAI Press.
- Bloomberg. (2013). Global financial advisory: Mergers and acquisitions rankings Q3 2013. <http://www.bloomberg.com/professional/files/2013/10/M-and-A.pdf>
- Boivie, S., Lange, D., McDonald, M. L., & Westphal, J. D. (2011). Me or we: The effects of CEO organizational identification on agency costs. *Academy of Management Journal*, 54(3), 551-576.

- Brockner, J., Akerman, G., Greenberg, J., Gelfand, M. J., Francesco, A. M., Chen, Z. X., Leung, K., Bierbrauer, G., Gomez, C., Kirkman, B. L., & Shapiro, D. (2001). Culture and procedural justice: The influence of power distance on reactions to voice. *Journal of Experimental Social Psychology, 37*(4), 300-315.
- Brockner, J., De Cremer, D., van den Bos, K., & Chen, Y. R. (2005). The influence of interdependent self-construal on procedural fairness effects. *Organizational Behavior and Human Decision Processes, 96*(2), 155-167.
- Bromiley, P., & Cummings, L. L. (1995). Transactions costs in organizations with trust. In R. Bies, B. Sheppard, & R. Lewicki (Eds.), *Research on negotiation in organizations* (pp. 219-250). Greenwich, CT: JAI Press.
- Bruton, G. D., Oviatt, B. M., & White, M. A. (1994). Performance of acquisitions of distressed firms. *Academy of Management Journal, 37*(4), 972-989.
- Buchholtz, A. K., Ribbens, B. A., & Houle, I. T. (2003). The role of human capital in postacquisition CEO departure. *Academy of Management Journal, 46*(4), 506-514.
- Buono, A. F., & Bowditch, J. L. (1989). *The human side of acquisitions*. San Francisco, CA: Jossey-Bass.
- Calori, R., Lubatkin, M., & Very, P. (1994). Control mechanisms in cross-border acquisitions: An international comparison. *Organizational Studies, 15*(3), 361-379.
- Cannella, A. A., & Hambrick, D. C. (1993). Effects of executive departures on the performance of acquired firms. *Strategic Management Journal, 14*(S1), 137-152.
- Capron, L., Dussauge, P., & Mitchell, W. (1998). Resource redeployment following horizontal acquisitions in Europe and North America, 1988-1992. *Strategic Management Journal, 19*(7), 631-661.

- Capron, L., & Shen, J. C. (2007). Acquisitions of private vs. public firms: Private information, target selection, and acquirer returns. *Strategic Management Journal*, 28(9), 891-911.
- Carow, K., Heron, R., & Saxton, T. (2004). Do early birds get the returns? An empirical investigation of early-mover advantages in acquisitions. *Strategic Management Journal*, 25(6), 563-585.
- Cartwright, S., & Cooper, C. L. (1992). *Mergers and acquisitions: The human factor*. Oxford: Butterworth-Heinemann.
- Cartwright, S., & Schoenberg, R. (2006). Thirty years of mergers and acquisitions research: Recent advances and future opportunities. *British Journal of Management*, 17(S1), S1-S5.
- Castanias, R. P., & Helfat, C. E. (1991). Managerial resources and rents. *Journal of Management*, 17(1), 155-171.
- Chatterjee, S. (1986). Types of synergy and economic value: The impact of acquisitions on merging and rival firms. *Strategic Management Journal*, 7(2), 119-139.
- Citera, M., & Rentsch, J. R. (1993). Is there justice in organizational acquisitions? The role of distributive and procedural fairness in corporate acquisitions. In R. Cropanzano (Ed.) *Justice in the workplace: Approaching fairness in human resource management* (pp. 211-230). Hillsdale, NJ: Lawrence Erlbaum.
- Chi, T. (1994). Trading in strategic resources: Necessary conditions, transaction cost problems, and choice of exchange structure. *Strategic Management Journal*, 15(4), 271-290.

- Chhokar, J. S., Zhuplev, A., Fok, L. Y., & Hartman, S. J. (2001). The impact of culture on equity sensitivity perceptions and organizational citizenship behavior: A five-country study. *International Journal of Value-Based Management*, *14*(1), 79-98.
- Choi, D. (1991). Toehold acquisitions, shareholder wealth, and the market for corporate control. *Journal of Financial and Quantitative Analysis*, *26*(3), 391-408.
- Coff, R. W. (1999). How buyers cope with uncertainty when acquiring firms in knowledge-intensive industries: Caveat emptor. *Organization Science*, *10*(2), 144-161.
- Colquitt, J. A., Conlon, D. E., Wesson, M. J., Porter, C. O. L. H., & Ng, K. Y. (2001). Justice at the millennium: A meta-analytic review of 25 years of organizational justice research. *Journal of Applied Psychology*, *86*(3), 425-445.
- Colquitt, J. A., Scott, B. A., Rodell, J. B., Long, D. M., Zapata, C. P., Conlon, D. E., & Wesson, M. J. (2013). Justice at the millennium, a decade later: A meta-analytic test of social exchange and affect-based perspectives. *Journal of Applied Psychology*, *98*(2), 199-236.
- Cording, M., Christmann, P., & King, D. R. (2008). Reducing causal ambiguity in acquisition integration: Intermediate goals as mediators of integration decisions and acquisition performance. *Academy of Management Journal*, *51*(4), 744-767.
- Cording, M., Christmann, P., & Weigelt, C. (2010). Measuring theoretically complex constructs: The case of acquisition performance. *Strategic Organization*, *8*(1), 11-41.

- Cropanzano, R., & Randall, M.L. (1993). Injustice and work behavior: A historical review. In R. Cropanzano (Ed.). *Justice in the workplace: Approaching fairness in human resource management* (pp. 3-20). Hillsdale, NJ: Erlbaum.
- Cullen J. B., Johnson J. L., Sakano T. (2000). Success through commitment and trust: The soft side of strategic alliance management. *Journal of World Business*, 35(3), 223-240.
- Datar, S., Frankel, R., & Wolfson, M. (2001). Earnouts: The effects of adverse selection and agency costs on acquisition techniques. *Journal of Law Economics & Organization*, 17(1), 201-238.
- Datta, D. K. (1991). Organizational fit and acquisition performance: effects of post-acquisition integration. *Strategic Management Journal*, 12(4), 281-297.
- Datta, D. K., Pinches, G. E., & Narayanan, V. K. (1992). Factors influencing wealth creation from mergers and acquisitions: A meta-analysis. *Strategic Management Journal*, 13(1), 67-84.
- DeTienne, D. R. (2010). Entrepreneurial exit as a critical component of the entrepreneurial process: Theoretical development. *Journal of Business Venturing*, 25(2), 203-215.
- DiFonzo, N., & Bordia, P. (1998). A tale of two corporations: Managing uncertainty during organizational change. *Human Resource Management*, 37(3-4), 295-303.
- Dikova, D., Sahib, P. R., Van Witteloostuijn, A. (2010). Cross-border acquisition abandonment and completion: The effect of institutional differences and organizational learning in the international business service industry, 1981-2001. *Journal of International Business Studies*, 41(2), 223-245.

- Dyer, J. H., & Chu, W. (2003). The role of trustworthiness in reducing transaction costs and improving performance: Empirical evidence from the United States, Japan, and Korea. *Organization Science*, *14*(1), 57-68.
- Eisenhardt, K.M. (1989). Agency theory: An assessment and review. *Academy of Management Review*, *14*(1): 57-74.
- Ellis, K. M., Reus, T. H., & Lamont, B. T. (2009). The effects of procedural and informational justice in the integration of related acquisitions. *Strategic Management Journal*, *30*(2), 137-161.
- Ellis, K. M., Reus, T. H., Lamont, B. T., & Ranft, A. L. (2011). Transfer effects in large acquisitions: How size-specific experience matters. *Academy of Management Journal*, *54*(6), 1261-1276.
- Emerson, R. M. (1962). Power dependence relations. *American Sociological Review*, *27*(1), 31-41.
- Faems, D., Janssens, M., Madhok, A., & Van Looy, B. (2008). Toward an integrative perspective on alliance governance: Connecting contract design, trust dynamics, and contract application. *Academy of Management Journal*, *51*(6), 1053-1078.
- Fang, E. (2011). The effect of strategic alliance knowledge complementarity on new product innovativeness in China. *Organization Science*, *22*(1), 18-172.
- Fisher, R. A. (1925). *Statistical methods for research workers*. New York, NY: Haffner Press.
- Focarelli, D., & Panetta, F. (2003). Are mergers beneficial to consumers? Evidence from the market for bank deposits. *The American Economic Review*, *93*(4), 1152-1172.

- Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(2), 39-50.
- Fulmer, C. A., & Gelfand, M. J. (2012). At what level (and in whom) we trust: Trust across multiple organizational levels. *Journal of Management*, 38(4), 1167-1230.
- Ghosh, A., & Ruland, W. (1998). Managerial ownership, the method of payment for acquisitions, and executive job retention. *Journal of Finance*, 53(2), 785-798.
- Gompers, P., Ishii, J., & Metrick, A. (2003). Corporate governance and equity prices. *Quarterly Journal of Economics*, 118(1), 107-155.
- Graebner, M. E. (2004). Momentum and serendipity: How acquired leaders create value in the integration of technology firms. *Strategic Management Journal*, 25(8-9), 751-777.
- Graebner, M.E. & Eisenhardt, K.M. (2004). The seller's side of the story: Acquisition as courtship and governance as syndicate in entrepreneurial firms. *Administrative Science Quarterly*, 49(3), 366-403.
- Graebner, M. E. (2009). Caveat venditor: Trust asymmetries in acquisitions of entrepreneurial firms. *Academy of Management Journal*, 52(3), 435-472.
- Granovetter, M. (1985). Economic action and social structure: The problem of embeddedness. *American Journal of Sociology*, 91(3), 481-510.
- Greenberg, J. 1993. The social side of fairness: Interpersonal and informational classes of organizational justice. In Cropanzano, R. (Ed). *Justice in the Workplace: Approaching Fairness in Human Resource Management* (pp. 79-103). Hillsdale, NJ: Lawrence Erlbaum.

- Greenwood, R., Hinings, C. R., & Brown, J. (1994). Merging professional service firms. *Organization Science*, 5(2), 239-257.
- Guar, A. S., Mukherjee, D., Guar, S. S., & Schmid, F. (2011). Environmental and firm level influences on inter-organizational trust and SME performance. *Journal of Management Studies*, 48(8), 1756-1781.
- Gulati, R. (1995). Does familiarity breed trust? The implications of repeated ties for contractual choice in alliances. *Academy of Management Journal*, 38(1), 85-112.
- Gulati, R., & Stych, M. (2007). Dependence asymmetry and joint dependence in interorganizational relationships: Effects of embeddedness on a manufacturer's performance in procurement relationships. *Administrative Science Quarterly*, 52(1), 32-69.
- Gullett, J., Do, L., Canuto-Carranco, M., Brister, M., Turners, S., & Caldwell, C. (2009). The buyer-supplier relationship: An integrative model of ethics and trust. *Journal of Business Ethics*, 90(3), 329-341.
- Hair, J. F., Anderson, R. E., Tatham, R. L., & Black, W. C. (1998). *Multivariate Data Analysis* (5th ed.). Upper Saddle River, NJ: Prentice-Hall, Inc.
- Haleblian, J., Devers, C. E., McNamara, G., Carpenter, M. A., & Davison, R. B. (2009). Taking stock of what we know about mergers and acquisitions: A review and research agenda. *Journal of Management*, 35(3), 469-502.
- Hambrick, D. C., & Cannella, A. A. (1993). Relative standing: A framework for understanding departures. *Academy of Management Journal*, 36(4), 733.
- Haspeslagh, P. C., & Jemison, D. B. (1987). Acquisitions myths and reality. *Sloan Management Review*, 28(Winter), 53-58.

- Haspeslagh, P. C., & Jemison, D. B. (1991). *Managing acquisitions: Creating value through corporate renewal*. New York, NY: Free Press.
- Hayes, A. F. (2013). *Introduction to mediation, moderation, and conditional process analysis: A regression-based approach*. New York, NY: Guilford Press.
- Hayward, M. L., & Hambrick, D. C. (1997). Explaining the premiums paid for large acquisitions: Evidence of CEO hubris. *Administrative Science Quarterly*, *42*(1), 103-127.
- Haunschild, P. R. (1994). How much is that company worth?: Interorganizational relationships, uncertainty, and acquisition premiums. *Administrative Science Quarterly*, *39*(2), 391-411.
- Heimeriks, K. H., Schijven, M., & Gates, S. (2012). Manifestations of higher-order routines: The underlying mechanisms of deliberate learning in the context of post-acquisition integration. *Academy of Management Journal*, *55*(3), 703-726.
- Hitt, M. A., Ireland, R. D., & Harrison, J. S. (2001). Mergers and acquisitions: A value creating or value destroying strategy (pp. 384-408). In M. A. Hitt, R. E. Freeman, & J. S. Harrison (Eds.), *Blackwell handbook of strategic management*, Oxford, UK: Blackwell Publishers.
- Hulland, J. (1999). Use of partial least squares (PLS) in strategic management research: a review of four recent studies. *Strategic Management Journal*, *20*(2), 195-204.
- Humphery-Jenner, M. (2004). Takeover defenses, innovation, and value creation: Evidence from acquisition decisions. *Strategic Management Journal*, *35*(5), 668-690.

- Janowicz-Panjaitan, M., & Noorderhaven, N. G. (2009). Trust, calculation, and interorganizational learning of tacit knowledge: An organizational roles perspective. *Organization Studies*, 30(10), 1021-1044.
- Jemison, D. B., & Sitkin, S. B. (1986). Corporate acquisitions: A process perspective. *Academy of Management Review*, 11(1), 145-163.
- Jensen, M.C., & Meckling, W. (1976). Theory of the firm: managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3(4), 305-360.
- Johnson J. L., Daily C. M., Ellstrand A. E. (1996). Boards of directors: A review and research agenda. *Journal of Management*, 22(3), 409-438.
- Kapoor, R., & Lim, K. (2007). The impact of acquisitions on the productivity of inventors at semiconductor firms: A synthesis of knowledge-based and incentive-based perspectives. *Academy of Management Journal*, 50(5), 1133-1155.
- Kass, E. (2008). Interactional justice, negotiator outcome satisfaction, and desire for future negotiations: Respect at the negotiating table. *International Journal of Conflict Management*, 19(4), 319-338.
- Kernan, M. C. & Hanges, P. J. (2002). Survivor reactions to reorganization: Antecedents and consequences of procedural, interpersonal, and informational justice. *Journal of Applied Psychology*, 87(5), 916-928.
- Kim, J. Y. J., & Finkelstein, S. (2009). The effects of strategic and market complementarity on acquisition performance: Evidence from the U.S. commercial banking industry, 1989-2001. *Strategic Management Journal*, 30(6), 617-646.

- Kim, J. Y. J., Haleblan, J. J., & Finkelstein, S. (2011). When firms are desperate to grow via acquisition: The effect of growth patterns and acquisition experience on acquisition premiums. *Administrative Science Quarterly*, 56(1), 26-60.
- Kim, W.C. & Mauborgne, R.A. (1991). Implementing global strategies: The role of procedural justice. *Strategic Management Journal*, 12(Summer special issue), 125-143.
- Kim, W.C. & Mauborgne, R.A. (1998). Procedural justice, strategic decision making, and the knowledge economy. *Strategic Management Journal*, 19(April special issue), 323-338.
- King, D. R., Dalton, D. R., Daily, C. M., & Covin, J. G. (2004). Meta-analyses of post-acquisition performance: Indications of unidentified moderators. *Strategic Management Journal*, 25(2), 187-200.
- Korsgaard, A. Schweiger, D. M., & Sapienza, H. (1995). Building commitment, attachment, and trust in strategic decision-making teams: The role of procedural justice. *Academy of Management Journal*, 38(1), 60-84.
- Krishnan, H. A., Miller, A., & Judge, W. O. (1997). Diversification and top management team complementary: Is performance improved by merging similar or dissimilar teams? *Strategic Management Journal*, 18(5), 361-375.
- Krishnan, R., Martin, X., & Noorderhaven, N. G. (2006). When does trust matter to alliance performance? *Academy of Management Journal*, 49(5), 894-917.
- Krug, J. A. (2003). Executive turnover in acquired firms: An analysis of resource-based theory and upper echelons perspective. *Journal of Management & Governance*, 7(2), 117-143.

- Krug, J. A., & Hegarty, W. H. (1997). Research notes and communications postacquisition turnover among U.S. top management teams: An analysis of the effects of foreign vs. domestic acquisitions of U.S. targets. *Strategic Management Journal*, 18(8): 667-676.
- Krug, J. A., Wright, P., & Kroll, M. J. (2015). Top management turnover following mergers and acquisitions: Solid research to date but still much to be learned. *The Academy of Management Perspectives*, 28(2), 30-46.
- Laamanen, T. (2007). On the role of acquisition premium in acquisition research. *Strategic Management Journal*, 28(13), 1359-1369.
- Lado, A. A. Dant, R. R., & Tekleab, A.G. (2008). Trust-opportunism paradox, relationalism, and performance in interfirm relationships: Evidence from the retail industry. *Strategic Management Journal*, 29(4), 401-423.
- Lander, M. W., & Kooning, L. (2013). Boarding the aircraft: Trust development amongst negotiators of a complex merger. *Journal of Management Studies*, 50(1), 1-30.
- Lang, L. H. P., Stultz, R. M., & Walking, R. A. (1989). Managerial performance, Tobin's q , and the gains from successful tender offers. *Journal of Financial Economics*, 24(1), 137-154.
- Larson, A. (1992). Network dyads in entrepreneurial settings: A study of the governance of exchange relationships. *Administrative Science Quarterly*, 37(1), 76-104.
- Larsson, R., & Finkelstein, S. (1999). Integrating strategic, organizational, and human resource perspectives on mergers and acquisitions: A case survey of synergy realization. *Organization Science*, 10(1), 1-26.

- Lee, J. (2013). Dancing with the enemy? Relational hazards and the contingent value of repeat exchanges in M&A markets. *Organization Science*, 24(4), 1237-1256.
- Lewis, J. D., & Weigert, A. (1985). Trust as a social reality. *Social Forces*, 63(4), 967-985.
- Lind, E. A., & Tyler, T. R. (1988). *The social psychology of procedural justice*. New York, NY: Plenum Press.
- Lipponen, J., Olkkonen, M.E., & Moilanen, M. (2004). Perceived procedural justice and employee responses to an organizational merger. *European Journal of Work and Organizational Psychology*, 13(3), 391-413.
- Lubatkin, M. (1983). Mergers and the performance of the acquiring firm. *Academy of Management Review*, 8(2), 218-225.
- Lubatkin M., Florin J., Lane P. J. (2001). Learning together and apart: A model of reciprocal interfirm learning. *Human Relations*, 54(10), 1353-1382.
- Lubatkin, M., Schweiger, D., & Weber, Y. (1999). Top management turnover in related M&As: An additional test of the theory of relative standing. *Journal of Management*, 25(1), 55-73.
- Luo, Y. 2007. The independent and interactive roles of procedural, distributive, and interactional justice in strategic alliances. *Academy of Management Journal*, 50(3), 644-664.
- Luo, Y. 2008. Procedural fairness and interfirm cooperation in strategic alliance. *Strategic Management Journal*, 29(1), 27-46.
- Malhotra, S., Zhu, P., & Reus, T. H. (In-press). Anchoring on the acquisition premium decisions of others. *Strategic Management Journal*. DOI: 10.1002/smj.2314.

- Marks, M. L., & Mirvis, P. H. (2001). Making mergers and acquisitions work: Strategic and psychological preparation. *Academy of Management Executive*, 15(2), 80-92.
- Marks, M. L., & Mirvis, P. H. (2011). Merge ahead: A research agenda to increase merger and acquisition success. *Journal of Business and Psychology*, 26(2), 161-168.
- Mayer, R.C., Davis, J.H., & Schoorman, F.D. (1995). An integrative model of organizational trust. *Academy of Management Review*, 20(3), 709-734.
- McDermid, B. (2014). Mergers and acquisitions review financial advisors. Thomson Reuters,
http://dmi.thomsonreuters.com/Content/Files/4Q2014_Global_MandA_Financial_Advisory_Review.pdf.
- McDonald, M.L., Westphal, J.D., & Graebner, M.E. (2008). What do they know? The effects of outside director acquisition experience on firm acquisition performance. *Strategic Management Journal*, 29(11), 1155-1177.
- McEvily, B., Perrone, V., & Zaheer, A. (2003). Trust as an organizing principle. *Organization Science*, 14(1), 91-103.
- McNamara, G.M., Halebian, J., & Dykes, B.J. (2008). The performance implications of participating in an acquisition wave: Early mover advantages, bandwagon effects, and the moderating influence of industry characteristics and acquirer tactics. *Academy of Management Journal*, 51(1), 113-130.
- Miller, C.C., Cardinal, L.B., & Glick, W.H. (1997). Retrospective reports in organizational research: a reexamination of recent evidence. *Academy of Management Journal*, 40(1), 189-204.

- Moeller, S.B. (2005). Let's make a deal! How shareholder control impacts merger payoffs. *Journal of Financial Economics*, 76(1), 167-190.
- Monin, P., Noorderhaven, N., Vaara, E., & Kroon, D. (2013). Giving sense to and making sense of justice in postmerger integration. *Academy of Management Journal*, 56(1), 256-284.
- Nadolska, A., & Barkema, H.G. (2013). Good learners: How top management teams affect the success and frequency of acquisitions. *Strategic Management Journal*, 35(10), 1483-1507.
- Nielsen, B., & Nielsen, S. (2009). Learning and innovation in international strategic alliances: An empirical test of the role of trust and tacitness. *Journal of Management Studies*, 46(6), 1031-1056.
- Nikolaou, I., Vakola, M., & Bourantas, D. (2011). The role of silence on employees' attitudes "the day after" a merger. *Personnel Review*, 40(6), 723-741.
- Nonaka, I. (1994). A dynamic theory of organizational knowledge creation. *Organization Science*, 5(1), 14-37.
- Nunally, J. C. (1967). *Psychometric theory*. New York, NY: McGraw-Hill.
- Nunally, J. C. (1978). *Psychometric theory*. New York, NY: McGraw-Hill.
- Officer, M. S. (2003). Termination fees in mergers and acquisitions. *Journal of Financial Economics*, 69(3): 431-467.
- Ozag, D. (2006). The relationship between the trust, hope, and normative and continuance commitment of merger survivors. *Journal of Management Development*, 25(9), 870-883.

- Pablo, A. L. (1994). Determinants of acquisition integration level: A decision-making perspective. *Academy of Management Journal*, 37(4), 803-836.
- Pablo, A. L., Sitkin, S. B., & Jemison, D. B. (1996). Acquisition decision-making processes: The central role of risk. *Journal of Management*, 22(5), 723-746.
- Park, C. (2003). Prior performance characteristics of related and unrelated acquirers. *Strategic Management Journal*, 24(5), 471-480.
- Parkhe, A. (1993). "Messy" research, methodological predispositions, and theory development in international joint ventures. *Academy of Management Review*, 18(2), 227-268.
- Penrose, E. (1959). *The theory of the growth of the firm*. Oxford, UK: Basil Blackwell.
- Podsakoff, P. M., MacKenzie, S. B., Lee, J. Y., & Podsakoff, N. P. (2003). Common method biases in behavioral research: a critical review of the literature and recommended remedies. *Journal of Applied Psychology*, 88(5), 879-903.
- Porrini P. (2004). Can a previous alliance between an acquirer and a target affect acquisition performance? *Journal of Management*, 30(4), 545-562.
- Poppo, L., Zhou, K.Z., & Ryu, S. (2008). Alternative origins to interorganizational trust: An interdependence perspective on the shadow of the past and the shadow of the future. *Organization Science*, 19(1), 39-55.
- Pruitt, D.G. (1981). *Negotiation behavior*. New York, NY: Academic Press.
- Ranft, A. L., & Lord, M. D. (2000). Acquiring new knowledge: The role of retaining human capital in acquisitions of high-tech firms. *Journal of High Technology Management Research*, 11(2), 295-319.

- Ranft, A. L., & Lord, M. D. (2002). Acquiring new technologies and capabilities: A grounded model of acquisition implementation. *Organization Science*, 13(4), 420-441.
- Reuer, J. J., Shenkar, O., & Ragozzino, R. (2004). Mitigating risk in international mergers and acquisitions: The role of contingent payouts. *Journal of International Business Studies*, 35(1), 19-32.
- Reuer, J., Tong, T. W., & Wu, C. (2012). A signaling theory of acquisition premiums: Evidence from IPO targets. *Academy of Management Journal*, 55(3), 667-683.
- Ring, P. S. (1996). Fragile and resilient trust and their roles in economic exchange. *Business & Society*, 35(2), 148-175.
- Ring, P.S., & Van de Ven, A.H. (1992). Structuring cooperative relationships between organizations. *Strategic Management Journal*, 13(7), 483-498.
- Rumelt, R. P. (1974). *Strategy, structure, and economic performance*. Boston, MA: Division of Research, Graduate School of Business Administration, Harvard University.
- Saxton, T., & Dollinger, M. (2004). Target reputation and appropriability: Picking and deploying resources in acquisitions. *Journal of Management*, 30(1), 123-147.
- Schildt, H.A. & Laamanen, T. (2006). Who buys whom: Information environments and organizational boundary spanning through acquisitions. *Strategic Organization*, 4(2), 111-133.
- Schwenk, C. R. (1995). Strategic decision making. *Journal of Management*, 21(3), 471-493.

- Schweiger, D. M., & DeNisi, A. S. (1991). Communication with employees following a merger: A longitudinal field experiment. *Academy of Management Journal*, 34(1), 110-135.
- Schweiger, D. M., Ivancevich, J. M., & Power, F. R. (1987). Executive actions for managing human resources before and after acquisition. *Academy of Management Executive*, 1(2), 127-138.
- Sears, J. & Hoetker, G. (2013). Technological overlap, technological capabilities, and resource recombination in technological acquisitions. *Strategic Management Journal*, 35(1), 48-67.
- Seth, A. (1990). Sources of value creation in acquisitions: An empirical investigation. *Strategic Management Journal*, 11(6), 431-446.
- Sheppard, B. H., Lewicki, R. J., & Milton, J. W. (1992). *Organizational justice: The search for fairness in the workplace*. New York, NY: Lexington Books.
- Shrivastava, P. (1986). Postmerger integration. *Journal of Business Strategy*, 7(1), 65-76.
- Sirover, M. L. (1997). *The synergy trap: How companies lose the acquisition game*. New York, NY: Free Press.
- Sobel, M. E. (1982). Asymptotic confidence intervals for indirect effects in structural equation models. In S. Leinhardt (Ed), *Sociological methodology* (pp. 290-312). San Francisco, CA: Jossey-Bass.
- Song, M.H., & Walkling, R.A. (1993). The impact of managerial ownership on acquisition attempts and target shareholder wealth. *Journal of Financial and Quantitative Analysis*, 28(4), 439-457.

- Spedale, S., Van Den Bosch, F. A., & Volberda, H. W. (2007). Preservation and dissolution of the target firm's embedded ties in acquisitions. *Organization Studies*, 28(8), 1169-1196.
- Stahl, G. K., Larsson, R., Kremershof, I., & Sitkin, S. B. (2011). Trust dynamics in acquisitions: A case survey. *Human Resource Management*, 50(5), 575-603.
- Stahl, G. K., & Sitkin, S. B. (2005). Trust in mergers and acquisitions. In G. K. Stahl & M. Mendenhall (Eds.), *Mergers and acquisitions: Managing culture and human resources* (pp. 82-102). Palo Alto, CA: Stanford University Press.
- Stahl, G., Chua, C. H., Pablo, A. L. (2012). Does national context affect target firm employees' trust in acquisitions? *Management International Review*, 52(3), 395-423.
- Teerikangas, S. (2012). Dynamics of acquired firm pre-acquisition employee reactions. *Journal of Management*, 38(2), 599-639.
- Thibaut, J. & Walker, L. (1975). *Procedural justice: A psychological analysis*. Hillsdale, NJ: Erlbaum.
- Tobin, J. (1969). A general equilibrium approach to monetary theory. *Journal of Money, Credit, and Banking*, 1(1), 15-29.
- Tomlinson, E. C., Dineen, B. R., & Lewicki, R. J. (2009). Trust congruence among integrative negotiators as a predictor of joint-behavioral outcomes. *International Journal of Conflict Management*, 20(2), 173-187.
- Tourangeau, R., Rips, L. J., & Rasinski, K. (2000). *The psychology of survey response*. Cambridge, England: Cambridge University Press.

- Tyler, T. R., & Lind, E. A. (1992). A relational model of authority in groups. In M. Zanna (Ed.), *Advances in experimental social psychology* (pp. 115-191). New York, NY: Academic Press.
- Uhlenbruck, K., Hitt, M. A., & Semadeni, M. (2006). Market value effects of acquisitions involving Internet firms: A resource-based analysis. *Strategic Management Journal*, 27(10), 899-913.
- Uzzi, B. (1996). The sources and consequences of embeddedness for the economic performance of organizations: The network effect. *American Sociological Review*, 61(4), 674-698.
- Uzzi, B. (1997). Social structure and competition in interfirm networks: The paradox of embeddedness. *Administrative Science Quarterly*, 42(1): 35-67.
- Van Knippenberg, B., Martin, L., & Tyler, T. (2006). Process-orientation versus outcome-orientation during organizational change: The role of organizational identification. *Journal of Organizational Behavior*, 27(6), 685-704.
- Varaiya, N. P. (1988). The 'winner's curse' hypothesis and corporate takeovers. *Managerial and Decision Economics*, 9(3), 209-219.
- Varaiya, N. P., & Ferris, K. R. (1987). Overpaying in corporate takeovers: The winner's curse. *Financial Analysts Journal*, 43(3), 64-70.
- Very, P., & Schweiger, D. M. (2001). The acquisition process as a learning process: Evidence from a study of critical problems and solutions in domestic and cross-border deals. *Journal of World Business*, 36(1), 11-31.
- Villalonga, B. (2004). Intangible resources, Tobin's q, and sustainability of performance differences. *Journal of Economic Behavior & Organization*, 54(2), 205-231.

- Walsh, J. P. (1988). Top management turnover following mergers and acquisitions. *Strategic Management Journal*, 9(2), 173-184.
- Walsh, J. P. (1989). Doing a deal: Merger and acquisition negotiations and their impact upon target company top management turnover. *Strategic Management Journal*, 10(4), 307-322.
- Walsh, J. P., & Ellwood, J. W. (1991). Mergers, acquisitions, and the pruning of managerial deadwood. *Strategic Management Journal*, 12(3): 201-217.
- Williams, B. (1988). Formal structures and social reality. In D. Gambetta (Ed.), *Trust: Making and breaking of cooperative relations* (pp. 3-13). Oxford, U.K.: Blackwell.
- Wulf, J., & Singh, H. (2011). How do acquirers retain successful target CEOs? The role of governance. *Management Science*, 57(12), 2101-2114.
- Yang, H., Lin, Z. J., & Peng, M. W. (2011). Behind acquisitions of alliance partners: exploratory learning and network embeddedness. *Academy of Management Journal*, 54(5), 1069-1080.
- Zaheer, A., McEvily, B., & Perrone, V. (1998). Does trust matter? Exploring the effects of interorganizational and interpersonal trust on performance. *Organization Science*, 9(2), 141-159.
- Zaheer, A., Hernandez, E., & Banerjee, S. (2010). Prior alliances with targets and acquisition performance in knowledge-intensive industries. *Organization Science*, 21(5), 1072-1091.
- Zaheer, A., Castaner, X., & Souder, D. (2013). Synergy sources, target autonomy, and integration in acquisitions. *Journal of Management*, 39(3), 604-632.

- Zhu, D. H. (2013). Group polarization on corporate boards: Theory and evidence on board decisions about acquisition premiums. *Strategic Management Journal*, 34(7), 800-822.
- Zollo, M., & Singh, H. (2004). Deliberate learning in corporate acquisitions: post-acquisition strategies and integration capability in US bank mergers. *Strategic Management Journal*, 25(13), 1233-1256.
- Zollo, M., & Reuer, J. J. (2010). Experience spillovers across corporate development activities. *Organization Science*, 21(6), 1195-1212.