

## Family firms as acquirers

### *How SEW shapes acquisition motives of family-owned businesses and makes them successful buyers*

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#### **Abstract**

I combine literature on mixed gambles and agency relationships within family firms (FFs) to analyze the acquisition behavior of businesses owned by a dominant clan (as compared to businesses with a dispersed ownership structure). My theory suggests that FFs – while getting generally involved in less transactions in numbers and volumes than their non-family counterparts – will be more likely to engage in deals motivated by *synergies*, and less likely to engage in deals driven by *agency* or *hubris*. I argue that this is the case, as some acquisition strategies are particularly desirable from a family shareholder's perspective (as they reliably increase both *long-term* financial and socioemotional wealth (SEW) and, hence, frame the mixed gamble of acquisitions more positive for FFs than for non-family firms (NFFs)), while this family shareholder is at the same time (as compared to dispersed stockholders) better positioned to curb executive misbehavior. Since FFs carry out a larger share of takeovers aimed at creating value, as well as ensure that the family-specific benefits outweigh the family-specific costs of M&A at each stage of the transaction process, I expect them to be better acquirers. I test my hypotheses by asking 426 FF and NFF representatives to rate both the pre-deal motive and post-deal performance of their companies' latest acquisitions and find that my sample offers strong support for my theoretical explanations.

#### **Keywords**

Expansion strategies; family control; M&A performance; mixed gambles

#### **Introduction**

Exploring the motives in the pre-merger phase is a long-standing issue in acquisition research (e.g., Halebian, Devers, McNamara, Carpenter & Davison, 2009; Martynova & Renneborg, 2008). While scholars have put forward a set of explanatory approaches on why *managers* engage in transactions (e.g., Berkovitch & Narayanan, 1993; Malmendier & Tate, 2008; Trautwein, 1990), the interplay of *managers'* and *owners'* acquisition motives, and how it translates into firm action and performance, is largely unexplored (Worek, 2017).

Concurrently, recent academic and popular articles call attention to the fact that companies owned by a dominant clan are actively involved in mergers & acquisitions (M&A), occasionally carrying out large, eye-catching deals, such as Messer's takeover of Linde's and Praxair's

activities in North and South America in 2018 or Merck's hostile bid for Versum in 2019. This notion stands against the general perception of FFs being more reluctant to engage in "high-risk-high-return" activities – as compared to their peers with dispersed ownership (Caprio, Croci & Del Giudice, 2011; Gomez-Mejia, Patel & Zellweger, 2018; Miller, Le Breton-Miller & Lester, 2010).

Still research on FF decision-making with regard to acquisitions, divestures and mergers – that might be able to bridge these gaps – is scarce and contradictory. Most studies existing to date deal with M&A propensity, i.e., examining the frequency with which FFs engage in M&A, and performance, i.e., concentrating on deal performance and value creation in M&A as compared to NFFs (Worek, 2017).

The majority of studies finds that FFs make fewer acquisitions than NFFs (in terms of numbers and volumes) (e.g., Bauguess & Stegemoller, 2008; Palmer & Barber, 2001). This behavior has been mostly attributed to families' risk-aversion as well as willingness to keep control of the firm and wish to pass it on to their offspring. FFs' lower acquisition activity is, however, also explained by other features, such as their preference to grow organically (Bernini, Coli & Mariani, 2014). Further, (family) executives' interests in family-controlled businesses are suggested to be much more aligned with those of the (controlling) shareholders. Family-owned enterprises also leave less room for CEOs' self-interests – as a result, these firms engage in less acquisitions mainly benefiting managers employed (who can, for instance, expand their compensation package by increasing the overall size of the company) (De Cesari, Gonenc & Ozkan, 2016). Lastly, researchers disagree whether their specific characteristics cause FFs to make diversifying acquisitions (Gomez-Mejia et al., 2018; Miller et al., 2010).

Scholars are divided over whether FFs or NFFs are more successful buyers. Some studies suggest that shareholder value creation is higher for FFs in a deal (e.g., Andre, Ben-Amar & Saadi, 2014; Basu, Dimitrova & Paeglis, 2009; Feldman, Amit & Villalonga, 2016), while others find that FFs destroy value when they acquire (e.g., Bauguess & Stegemoller, 2008; Ben-Amar &

Andre, 2006). Some works find no effect of family ownership on M&A performance (Caprio et al., 2011; Miller et al., 2010). Studies documenting a better M&A performance for FFs usually argue that both agent-agent- and principal-agent-conflicts exert less of an impact on the decision-making and implementation of acquisitions for these types of firms. The latter being due to the fact that large family shareholders can provide better monitoring – ensuring that managers scrutinize M&A opportunities (e.g., bargaining more intensively to achieve an attractive price) and refrain from value-destroying transactions. This may also explain, why some researchers observe that family managers undertake better M&A than hired managers – with founder CEOs further outperforming descendant CEOs (Feldman, Amit & Villalonga, 2019). In turn, studies documenting that FFs destroy value when they acquire argue that (entrenched) family owners – having invested a high amount of wealth and feeling the need to keep the firm for later generations – make sub-optimal investment decisions, either because they adopt risk-reducing strategies leading them to forgo profitable, but risky investment projects, or poorly diversify to lessen the family-specific portfolio risk, while keeping control of the business (Aktas, Centineo & Croci, 2016). Authors analyzing the value-creation in the post-merger-period (e.g., Adhikari & Sutton, 2016; Bouzgarrou & Navatte, 2013) find that the long-run post-deal performance of FFs is significantly better than that of NFFs (which is once again attributed to reduced agency-problems enabling FFs, for example, to tighter monitor the PMI process). Further, they prove that FFs do not lose value in diversifying acquisitions, suggesting that FFs do not pursue acquisitions simply to diversify the personal portfolios of the founding family, but, for instance, to leverage on the reduced costs of capital resulting from diversification.

The vast majority of studies adopts agency theory (AT) as the theoretical basis. Some strategic management theories, such as the resource-based-view (e.g., Geppert, Dörrenbächer, Gammelgaard & Taplin, 2013), and family business theories, such as the SEW approach, have only recently been introduced (e.g., Gomez-Mejia et al., 2018). Researchers have thus called for the use of alternative theoretical frameworks. It has been problematized in the FF literature

previously that AT (ignoring non-financial goals (Chrisman, Chua, Pearson & Barnett, 2012)) may fail to capture the heterogeneity of FFs. A more advanced theoretical construct, such as the mixed gamble perspective should hence be applied to contribute to a more holistic understanding of M&A in FFs, especially considering family-related, non-financial goals. Two studies going down this path have recently been contributed by Gomez-Mejia et al. (2018) as well as Hussinger and Issah (2019); however, arriving at contradictory findings: Gomez-Mejia et al. (2018) suggest that family-controlled companies refrain from acquisitions under low vulnerability, and if they acquire, prefer related targets, while under high vulnerability, they are more likely to acquire unrelated targets. These authors argue that FFs only engage in the mixed gamble of M&A (entailing uncertain financial gains and rather certain non-financial losses) if financial and non-financials goals are aligned (i.e., under high vulnerability). In turn, Hussinger and Issah (2019) find that FFs are more likely to undertake related acquisitions than NFFs, especially when they are performing *above* aspiration levels. This is argued to be the case, as family-owned entities – while maybe suffering non-financial losses in the short-run – can create non-financial gains from deals in the long-run, put a higher weight on the long-term and are better endowed with resources in healthy situations.

Despite their increased explanatory power, the last studies presented (like preceding research) still fail to discuss acquisition determinants in detail, so that doubts remain over *why exactly* FFs engage in acquisitions and *how exactly* this translates into M&A success.

This work hopes to reconcile prior authors' theoretical arguments and empirical facts by taking two novel steps.

First, I combine mixed gamble reasoning on family principal decision-making put forward by Gomez-Mejia et al. (2018) with literature on principal-agent-relationships in FFs (Gomez-Mejia, Neascu & Martin, 2019) to elaborate on the sets of motives driving FFs and NFFs to follow different acquisition strategies. I expect FFs to be more likely than NFFs to engage in takeovers “driven by synergies” that involve SEW gains that are fairly certain (e.g., buying

innovation-oriented resources). In turn, firms owned by a dominant clan will fall prey to agency or hubris less frequently, since their principals are better placed to curb CEO misbehavior (Gomez-Mejia et al., 2019). Furthermore, I argue that – due to their specific particularities – FFs will better exploit their M&A projects (i.e., create more value in the post-merger period). Hence, in line with parts of the preceding literature (e.g., Bouzgarrou & Navatte, 2013; Feldman et al., 2016), I suggest that takeovers carried out by family-owned entities turn out to be more successful than those done by their peers with dispersed ownership.

Second, I develop new data to test my propositions by capturing underlying deal motives and resulting transaction performance directly from representatives of the buying companies.

## **Theory and Hypotheses**

### *Motives in Mergers & Acquisitions*

“There are probably almost as many motives for M&As as there are bidders and targets” (Mukherjee, Kiymaz & Baker, 2004). Scholars agree that M&A activity is driven by a complex set of logics, and that oftentimes more than one reason is needed to explain why a certain deal was carried out (Trautwein, 1990). Yet, research distinguishes between three main motives for takeovers: Value creation through some form of *synergy*, *agency* or managerialism, as well as *hubris* (e.g., Berkovitch & Narayanan, 1993; Martynova & Renneborg, 2008).

At first, the synergy hypothesis suggests that M&A occur because of economic gains that result by merging the resources of two firms – thus ultimately maximizing acquiring shareholders’ wealth (Berkovitch & Narayanan, 1993). Synergies are commonly defined as increases in competitiveness and resulting cash-flows beyond what the merging companies are expected to accomplish independently (Sirower, 1997). Generally, scholars distinguish between financial (reducing capital costs), operational (increasing revenues, reducing costs, adding new innovation-oriented resources) and managerial synergies (resolving agency-problems) (Trautwein, 1990).

Synergies have been repeatedly shown to be the predominant explanation for acquisitions in influential empirical studies (e.g., Seth, Song & Pettit, 2000).

While the synergy hypothesis assumes that managers are motivated by owners' interests to maximize shareholder wealth, and have the abilities to judge accurately the value potential of the combined firm, large schools of thought argue that M&A decisions are outcomes of agency conflicts or processes governed by individuals possessing limited information processing capabilities that may ultimately lead to value-destroying transactions or a transfer of wealth from the bidder to the bidder management or the target (e.g., Cyert & March, 1963; Glambosky, Jory & Ngo, 2020).

Hence, the second major motive for takeovers, which is frequently referred to, is *agency*. The agency hypothesis suggests that M&A occur, as they help to maximize the acquirer management's own utility. Self-interested managers diversify to decrease their companies' earnings volatility, which enhances corporate survival and protects their own positions. Likewise, they increase the size of the firm to boost their compensation, power and prestige, which is frequently tied to the amount of assets under their control (empire-building) (Nagasawa & Nagasawa, 2020). Lastly, executives may acquire assets that increase the firm's dependence on their specific skills – thereby defeating rivals who are better than themselves at running some parts of the firms' operations (managerial entrenchment) (Amihud & Lev, 1981; Jensen, 1986; Shleifer & Vishny, 1989, 1991). Evidence of managerialism has been frequently found in subsamples of takeovers that reflected negative gains (e.g., Seth et al., 2000).

Lastly, the hubris hypothesis suggests that bidder managers make mistakes in evaluating target firms (e.g., due to asymmetric information between acquirer and target). However, they believe that their valuations are correct and thus engage in acquisitions at excessive premiums (i.e., managers inadvertently, not knowingly overpay for targets). CEOs are irrational individuals making random errors when engaging in transactions. As they are, in addition, overly optimistic and overestimate both potential synergies and their ability to run the acquired firm, their errors

are upward biased, which leads them to make bids that would not be made by rational acquirers (Berkovitch & Narayanan, 1993; Roll, 1986; Walter & Barney, 1990). Hubris has been uncovered as a driver of M&A in numerous empirical studies (e.g., Goergen & Renneborg, 2004).

### *Mixed Gambles as a Lens to Explain the Acquisition Behaviors of Family Firms*

The SEW approach has long been established as “the dominant paradigm” (Berrone, Cruz & Gomez-Mejia, 2012) to explain the behavior of family-controlled firms, whose unique features had been inadequately captured by “foreign” formulations borrowed from financial economics and strategic management, such as AT (e.g., Schulze, Lubatkin, Dino & Buchholz, 2001). SEW is an extension of the behavioral-agency-model (BAM) (e.g., Wiseman & Gomez-Mejia, 1998), which draws upon elements of prospect theory (e.g., Kahneman & Tversky, 1979) and the behavioral theory of the firm (e.g., Cyert & March, 1963) to overcome the limitations of traditional AT. In particular, BAM relaxes the narrow view that dominant principals exhibit risk-aversion across contingencies when judging business opportunities (McConaughy, Matthews & Fialko, 2001; Mishra & McConaughy, 1999). By incorporating the concepts of framing and loss-aversion (Kahneman, Knetsch & Thaler, 1991), the theory suggests that decision-makers’ risk-bearing (perceived endowment at risk) is the primary driver of their risk-taking preferences. Strategic options are framed as gains or losses compared to reference points (usually the firm’s accruals or target level of performance); loss-averse actors are more concerned to avoid losses than to obtain gains and will thus favor risk-avoiding behaviors in gain domains and risk-seeking behaviors in loss domains (March & Shapira, 1992; Tversky & Kahneman, 1986, 1991).

Scholars applying BAM to the special case of FFs argue that dominant owners frame business decisions as effects on their socioemotional endowment. SEW is conceptualized as the stock of affect-related value a family derives from its ownership position in a firm; it is a broad construct encompassing non-financial aspects of the business, such as the opportunity to fulfill the need

for belonging and identification, to preserve the family dynasty and its values, as well as to be altruistic towards family members (Deephhouse & Jaskiewicz, 2013; Lubatkin, Ling & Schulze, 2007; Zellweger, Kellermanns, Chrisman & Chua, 2012). SEW is “inextricably tied to the organization” (Gomez-Mejia, Haynes, Nunez-Nickel, Jacobson & Moyano-Fuentes, 2007); safeguarding SEW thus requires continued control over the firm. That is, key decision-makers in FFs are in a loss mode once their controlling position is threatened.

Following the reasoning of BAM and the conceptualization of SEW, scholars manage to explain why family principals are not willing to take venturing risks but accept risks that incur performance hazards: Actors in FFs generally make conservative choices, deliberately foregoing the possibility of future financial gains, to preserve their current stock of SEW. However, SEW depends on the economic survival of the firm. FFs will thus be more likely to choose high-risk-high-return investments and to tolerate a greater probability of failure, to prevent a loss of their entire affective wealth, in the event of financial peril (Chua, Chrisman & De Massis, 2015; Gomez-Mejia, Cruz, Berrone & De Castro, 2011).

Extant empirical studies confirm the SEW logic using BAM in its original conceptualization (e.g., Cennamo, Berrone, Cruz & Gomez-Mejia, 2012; Gomez-Mejia, Makri & Larraza-Kintana, 2010). However, this array of research tends to simplify decisions faced by actors in FFs as “pure gambles”, focusing solely on SEW loss outcomes. Hence, a refinement of BAM has integrated the concept of “mixed gambles” (Gomez-Mejia, Campbell, Martin, Hoskisson, Makri & Sirmon, 2014; Martin, Gomez-Mejia & Wiseman, 2013); this perspective captures the fact that strategic choices rarely involve only gain *or* loss outcomes, but the possibility of *both* gain and loss outcomes (Bromiley, 2010).

Decision-makers may need to put something of value at stake in an effort to gain something else. Yet, the incentive to pursue *prospective wealth* may reduce their concerns for the protection of *current wealth* (Martin et al., 2013). FFs may, hence, not only take risks to avoid potential SEW losses (e.g., when facing performance hazards), but also to attain potential gains, or



to grow their existing stock of SEW (Gomez-Mejia et al., 2014). That is, FFs' entrepreneurial activity is not only a protective reaction to an adverse situation (affective wealth at risk), but a deliberate practice.

The complexity of the mixed gamble, however, differs for FFs and NFFs, since they prioritize different reference points. FFs face a dilemma in their decision-making process, as they use two reference points – financial wealth (FW) and SEW – and weigh potential financial gains and losses against potential socioemotional gains and losses. In turn, NFFs' reference point when making strategic decisions is solely FW (in particular, maximizing current and near-term future earnings) (Berrone et al., 2012). In addition, FW and SEW are not fully fungible and normally trade off against each other (Combs, Penney, Crook & Short, 2010; Leitterstorf & Rau, 2014). Building on mixed gamble literature, Gomez-Mejia et al. (2019) shed additional light on agency relationships within FFs, discussing in detail how risk-bearing of dominant family owners influence agent risk-taking. These authors argue that family owners face higher risk-bearing in case of excessive CEO risk behavior (given vulnerability to *both* socioemotional and financial losses) than NFF shareholders. Further, they are better placed to oversee the actions of senior executives, which are often directly appointed by the family. Hence, family principals have both the capacity and motivation to provide boundaries to discretionary CEO behaviors, which would create performance risks and could place the firm at long-term competitive disadvantages (Fama, 1980; Holmstrom, 1979; Teece, Pisano & Shuen, 1997). As a result, FFs are less likely to exhibit excessive risk-aversion or risk-seeking, and their consequences, than NFFs.

Takeovers are strategic choices entailing inherently uncertain gains and losses, which invites evaluating the impact of acquisitions on FFs (and, hence, family owners' decision-making-basis) using a mixed gamble approach.

I generally agree with the reasoning of Gomez-Mejia et al. (2018) that acquisitions based on economic rationales (synergies), on average, pose an uncertain upside in terms of future wealth and a fairly certain downside in terms of current wealth for FFs ("little to gain, much to lose"):

At first, most takeovers require some sort of external funding. Further, management attention is drawn from routine activities (“keeping the business running”) to supervising the complex transaction and PMI processes; external managers and advisors (possessing the skills not available within the firm) may need to be hired to support these tasks. Acquisition-related costs (e.g., banking or advisory fees), hence, lower current FW for certain; current SEW is most definitely harmed as well, as the firm is straying away from its historical foundations and well-established networks need to be opened to former outsiders, which ultimately dilutes the family’s control, as well as waters down its identity.

While future financial gains through increased performance (i.e., higher earnings) are probable, and will positively affect future SEW (as long-term competitiveness and survival of the firm is assured), further future SEW gains *per se* are rather unlikely. On the contrary, some expansion strategies (e.g., deals motivated by cost and revenue synergies) necessitate wealth to be expropriated from stakeholders that are very dear to the family, such as employees (through lay-offs) or customers (through price increases). A heavy deterioration of the firm’s and the family’s reputation and public image may be the consequence (in particular, if the acquisition eventually fails to be successful) (Berrone et al., 2012; Chatterjee, 1986; Rabier, 2017).

Hence, FFs will generally get involved in less acquisitions than their NFF counterparts, whose more diversified shareholders can easily speculate on (just) future FW, in particular, resulting from scale-and-scope-business combinations.

However, some types of transactions are particularly desirable from a family shareholder’s perspective, as they reliably increase long-term FW *and* SEW. For instance, takeovers aiming at purchasing innovation-oriented resources do not only promise steep upsides in earnings (e.g., through joint innovation projects leading to technological breakthroughs), but allow FFs to refine their time-proven methods and age-old know-how, which guarantees long-lasting success for their core business without major restructuring needs or threats to familial control (Sirmon & Hitt, 2003). Further, deals motivated by financial synergies come with small, but rather

certain effects on post-acquisition FW (and, hence, limited down-side potential) (Rabier, 2017). Since these types of takeovers are oftentimes explicitly intended to reduce variability in earnings (e.g., through diversification of internal capital markets), they are additionally likely to translate into supplementary SEW benefits, as they increase the firm's transgenerational sustainability.

As a result, FF – considering two utility dimensions – will engage more frequently in some types of deals that are less attractive from a NFF's point of view – despite making fewer acquisitions in numbers and volumes.

Lastly, scholars agree that transactions based on *agency* or *hubris* are detrimental to both current and future FW and SEW. Due to their higher capacity and motivation to monitor their executives FF principals will be less likely to fall prey to these triggers of excessive agent risk-taking, while NFF stockholders (having weaker governance and incentive systems in place) will have difficulties to prevent agents' irrational or self-optimizing behaviors (e.g., De Cesari et al., 2016; Gomez-Mejia et al., 2019). Thus,

***Hypothesis 1 (H1):*** Family control increases the share of acquisitions motivated by synergies and reduces the share of acquisitions motivated by agency or hubris.

Finally, I have reason to believe that FFs will also better execute deals: They will more selectively choose targets (as only some acquisition strategies allow them to reliably increase long-term SEW and FW (e.g., De Cesari et al., 2016)), they will bargain more intensively (as purchase prices have to reflect potential SEW losses (e.g., Feldman et al., 2019)), and they will realize more synergies during PMI (as they provide better monitoring and put a higher weight on the long-term (e.g., Adhikari & Sutton, 2016)). Since FFs carry out a larger share of takeovers aimed at creating shareholder value and ensure the family-specific benefits exceed the family-specific costs of the deal at each stage of the transaction process, this author – in line

with parts of the preceding literature – expects FFs to be better acquirers, once they engage in M&A (e.g., Feldman et al., 2016; Hussinger & Issah, 2019). Thus,

***Hypothesis 2 (H2):*** Family control increases the share of successful acquisitions.

## **Research Methodology**

### *Methodology and Data Collection*

To verify the previously expounded arguments the study covers acquisitions of German family- and non-family-controlled, public and private companies across various sectors that were announced between Jan, 1, 2010 and Dec, 31, 2020.

The German economy of the 2010s provides an interesting research setting due to its high number of “globally recognized” FFs (De Massis, Audretsch, Uhlaner & Kammerlander, 2018). Further, many of the country’s key industries have undergone considerable consolidation over the past decade fueled by industrial shocks (e.g., overcapacities) as well as economic recovery following the financial crisis. German M&A gained momentum, in particular, in the second half of the 2010s – culminating in disputed mega-deals such as the acquisition of Monsanto by Bayer in 2018.

I hand-selected 100 FFs and 100 NFFs through purposive sampling. Companies, which carried out a transaction within the last three years, were preferred, since the deal was recent enough to reduce the risk of retrospective bias, employees witnessing the deal were still with the acquirer and PMI had started or was near completion (Homburg & Bucerius, 2006; Krishnan, Miller, Judge, 1997; Reus & Lamont, 2009).

Consistent with prior research, I defined FFs as companies, in which a family or a private person holds a controlling ownership stake (“ultimate ownership definition”) (Faccio & Lang, 2002; LaPorta, Lopez-de-Silanes & Shleifer, 1999). A threshold level of 25% of the voting rights was

applied, as this is generally needed to exercise a significant influence on a corporation in Germany (e.g., Franks, Mayer, Volpin & Wagner, 2012).

Ex-ante acquisition motives and ex-post deal performance were both assessed using a bilingual (German and English), Likert-scale-based questionnaire answered by three representatives of each firm, a Head of Operations (HO), a Head of Human Resources (HHR) as well as a Head of Sales (HS), which all were asked to rate their company's most recent acquisition. A total of 25 items were used to both assess the success of the acquisition as well as the perceived underlying motives (each item offering answering options ranging from "1 – very negative/not responsible" to "5 – very positive/very responsible") (see Figure 1). The scales taken were informed from prior studies and conceptual work (e.g., Bauer & Matzler, 2014; Berkovitch & Narayanan, 1993; Martynova & Renneborg, 2008; Trautwein, 1990), as well as tested by a reference group consisting of three corporate managers from a major German FF and several academics with expertise in the area. In addition, sociodemographic (e.g., age) and firm-specific data (e.g., industry) were collected to further enhance the understanding of the acquirer and the respondent, as well as to be able to consider control variables.

By following this approach, I was able to consider the wide range of possible merger logics grouped as synergies, agency or hubris (e.g., enhancing revenues, reducing costs or strengthening the bargaining position) and the various aspects of M&A success (e.g., development of the financials, the return on capital or the innovative capacity) as put forward by prior research (e.g., Halebian et al., 2009; Harford, 1999; Mukherjee et al., 2004), as well as to foster the understanding of the relationship between motives leading up to the transaction and its outcomes (Koi-Akrofi, 2016; Rabier, 2017).

Perceptions of multiple company representatives per firm were taken into consideration, as "actual" motives are assumed to be only partially known to different employees, and interpretation of these is highly subjective. Hence, combining the perspectives of the HHR (the closest link between the firm and its internal stakeholders), the HS (the closest link between the firm and

its external stakeholders) and the HO (who is most deeply involved with the firm's core business) should yield a more holistic depiction of why a certain deal is carried out, and whether pre-set goals are reached.

Both the average rating of the respondents, as well as the spread of the answers (measured by standard deviation (SD) and interrater-reliability (IR)) were analyzed (McHugh, 2012): A high score as well as a high overlap should imply a clear, unambiguous ex-ante acquisition motive and bring about a strong ex-post deal performance – which is, once again, assessed using average ratings and spreads (Angwin, Mellahi, Gomes & Peter, 2016). Subsequently, correlations between the constructs were computed, so that a set of dominant and distant acquisition motives (explanatory variable) could be linked to a set of financial and non-financial measures of M&A success (dependent variable) (Haleblian et al., 2009; Rabier, 2017).

Before detailed analyses were conducted, scale reliability was tested using Cronbach's Alpha (e.g., Cronbach & Shavelson, 2004; Hassan, Ghauri & Mayrhofer, 2018; LeBreton & Senter, 2008).

From the 600 respondents (200 companies) initially identified, 456 completed the survey (following one reminder e-mail or call). 447 questionnaires were properly filled. 21 surveys had to be excluded, as not all three participants of the respective firms had answered. The final sample covers 426 respondents (142 companies), the response rate equals 71%.

### *Sample Description*

Table 1, Panel A provides descriptive statistics for the 142 sample firms (of which 71 are classified as FFs). The mean family ownership in the portrayed FFs is 91.5%; in turn, all the sample's NFFs have a dispersed shareholder structure (with no strategic investor holding more than 10% of the equity). 94.4% FFs are privately owned; 83.1% NFFs are listed. Consistent with prior research, I find that the selected family-controlled entities are older (105.9 vs. 66.4 years) and smaller (16,100 vs. 17,639 employees) than their non-family-controlled peers (e.g., Duran,

Lozano & Yaman, 2016; Santos, Moreira & Vieira, 2014). The selected FFs mainly operate in the Materials (18.3%), Industrials (15.5%) as well as Consumer Staples & Retail (15.5%) sectors, while the selected NFFs are mainly present in the Industrials (31.0%), Materials (12.3%) and Financial Services (11.3%) segments.

Table 1, Panel B provides descriptive statistics for the 426 firm representatives. In both FFs and NFFs, respondents are mostly male (87.8% vs. 91.1%). The average representative's age is 47.6 years (FF: 46.3; NFF: 49.0). Respondents had, on average, 19.7 years of work experience in the industry (FF: 19.2; NFF: 20.2), worked with their present employers for 15.8 years (FF: 15.6; NFF: 15.9), and had been for 7.1 years in their present positions (FF: 7.4; NFF: 6.7). In both FFs and NFFs, most panelists earned a masters degree before starting their professional career (63.8% vs. 67.1%).

***[Insert Table 1 here]***

## **Results**

### *Empirical Analysis*

The tests of construct validity – carried out first – bring about promising results: Cronbach's Alpha for ex-post deal performance exceeds 0.9 for all three groups of firm representatives (HO: 0.949; HHR: 0.955; HS: 0.923), indicating an excellent scale reliability. Ex-ante acquisition motives were divided into *synergies* (*S*) as well as *agency or hubris* (*AH*); while Cronbach's Alpha for *S* ranges around 0.7 (HO: 0.693; HHR: 0.702; HS: 0.733) – representing a decent internal consistency of scale – the Alpha value for *AH*, once again, exceeds 0.9 (HO: 0.927; HHR: 0.906; HS: 0.906). The abundance of (not always complementary) strategies underlying the central motive of value creation (e.g., “enhancing innovative capacity” and “reducing costs”), makes measuring *S* as a construct more complex than *AH*, as well as (financial and non-financial) M&A performance (Epstein, 2005). However, reliability can, in total, be

considered to be acceptable for all three concepts, so that the data gathered forms a good basis for further analyses.

The mean and SD of transaction antecedents and outcomes indicators are summarized in Table 2.

***[Insert Table 2 here]***

The items measuring *S*, on average, exceed 3.0; in turn, the indicators for *AH* received an average rating below 3.0 (for each of the three respondent groups in both cases). Hence, the participants perceive the deals carried out by their firms to be generally motivated by the attempt to create value, and less strongly driven by managerial misconduct. The relative importance of *S*, as well as *AH*, however, varies across firm-type. While the FF representatives rate the significance of *S* as drivers of their companies' acquisition behavior at 3.819 (HO), 3.778 (HHR) and 3.930 (HS), respondents working for NFFs only award a score of 3.404 (HO), 3.500 (HHR) and 3.657 (HS) for the respective items. In particular, assessments deviate with regard to the indicators "diversification" (e.g.,  $HHR_{FF}$ : 4.718;  $HHR_{NFF}$ : 3.451), "buy a mispriced target" (e.g.,  $HO_{FF}$ : 3.338;  $HO_{NFF}$ : 2.338), "reduce costs" (e.g.,  $HHR_{FF}$ : 2.746;  $HHR_{NFF}$ : 3.648), as well as "enhance innovative capacity" (e.g.,  $HHR_{FF}$ : 4.296;  $HHR_{NFF}$ : 3.592). These results broadly support my theoretical reasoning that entities with a dispersed ownership structure preferably carry out scale-and-scope-deals, targeting primarily revenue and cost synergies, whereas family-owned businesses aim for particular acquisition strategies, such as broadening their streams of earnings, making a bargain or adding missing pieces to their technological portfolio (e.g., Adhikari & Sutton, 2016; Gomez-Mejia et al., 2018; Shim & Okamuro, 2011).

The differences between FFs and NFFs are even more pronounced for *AH*: While survey participants employed by FFs score the relevance of personal motives at 1.627 (HO), 1.784 (HHR) and 1.491 (HS), the respective averages are much higher for NFF representatives (2.509 (HO),



2.357 (HHR), 1.917 (HS)). Respondents from non-family-owned companies award a greater relevance to *each single* indicator of *AH* as compared to their peers from family-owned businesses. Hence, I found strong evidence that FFs are less likely to fall prey to excessive agent risk-taking (e.g., De Cesari et al., 2016; Gomez-Mejia et al., 2019). Further, the results support the transgenerational planning horizons characterizing family businesses (in particular, as compared to NFFs) (“Overall: Short-term motives”:  $HO_{FF}$ : 1.746;  $HHR_{FF}$ : 1.606;  $HS_{FF}$ : 1.634;  $HO_{NFF}$ : 3.070;  $HHR_{NFF}$ : 2.944;  $HS_{NFF}$ : 2.887) (e.g., Zellweger & Astrachan, 2008).

Lastly, the SD of transaction antecedent items is higher for the sample’s NFFs as compared to the sample’s FFs, whereas the IR – while being generally very high – is lower for the NFFs than for the FFs, in particular with regard to *S* (*S*: 0.941 vs. 0.851, *AH*: 0.932 vs. 0.915). Both measures indicate that the underlying motives of certain transactions are less transparent to employees of companies with a dispersed shareholder structure, as compared to staff of firms owned by a dominant clan. In other words, respondents cannot clearly distinguish if a particular deal is, for instance, motivated by revenue synergies or if the management is growing the firm to “build an empire”. In sum, I suggest that H1 holds for the sample under consideration – family control increases the share of acquisitions motivated by synergies and reduces the share of acquisitions motivated by agency or hubris.

The deals carried out by the sample firms are regarded successful by all three respondent groups, as the mean score (“Overall\_Perception”) for each group exceeds 3.0. The perceived acquisition performance of FFs, however, significantly surpasses that of NFFs – with mean scores of 3.868 ( $HO_{FF}$ ), 4.016 ( $HHR_{FF}$ ) and 4.061 ( $HS_{FF}$ ) standing against mean scores of 3.222 ( $HO_{NFF}$ ), 3.370 ( $HHR_{NFF}$ ) and 3.657 ( $HS_{NFF}$ ). Assessments deviate, in particular, with regard to non-financial indicators like “reaction of other stakeholders to the acquisition” (e.g.,  $HHR_{FF}$ : 4.085;  $HHR_{NFF}$ : 2.803), “development of the reputation of the company” (e.g.,  $HO_{FF}$ : 4.183;  $HO_{NFF}$ : 2.944), or “development of the fluctuation” (e.g.,  $HHR_{FF}$ : 4.169;  $HHR_{NFF}$ : 3.127), for which FFs score considerably higher. The results, once again, support my theoretical reasoning:

Family-owned businesses are interested to grow their stock of SEW through takeovers, e.g., by intensifying relations with long-time employees, or further improving the firm's public image post-deal (e.g., Berrone et al., 2012), their non-family-controlled peers, in turn, are mostly geared towards short-term FW – which is reflected in their (at least slightly) higher evaluation of some items, such as “development of the financials (sales, EBITDA, cashflow)” (e.g.,  $HS_{FF}$ : 3.746;  $HS_{NFF}$ : 3.817), “development of the return on capital (RoA, RoIC)” (e.g.,  $HS_{FF}$ : 3.394;  $HS_{NFF}$ : 3.535) and “Overall: Influence on the short-term success of the company” (e.g.,  $HHR_{FF}$ : 2.901;  $HHR_{NFF}$ : 3.155). The results also suggest a better alignment of principals and agents at family-controlled entities (“shareholder reaction to the acquisition”:  $HO_{FF}$ : 4.127;  $HHR_{FF}$ : 4.127;  $HS_{FF}$ : 4.197;  $HO_{NFF}$ : 3.056;  $HHR_{NFF}$ : 3.113;  $HS_{NFF}$ : 3.394) (e.g., Gomez-Mejia et al., 2019).

Lastly, the SD of transaction outcome items is lower for FFs as compared to NFFs, suggesting that those companies' deal success comes with a fair degree of certainty, while their non-family-controlled peers show a larger variance in M&A performance. The IR is on a high level for both the sample's FFs and NFFs (0.953 vs. 0.946), indicating that both FF and NFF representatives are generally in agreement whether a transaction can be regarded successful or not.

Correlations are reported in Table 3.

***[Insert Table 3 here]***

Generally, I find a positive and significant effect of  $S$  ( $HO$ : 0.522,  $p=0.000$ ;  $HHR$ : 0.578,  $p=0.000$ ;  $HS$ : 0.502,  $p=0.000$ ), as well as a negative and significant effect of  $AH$  ( $HO$ : -0.835,  $p=0.000$ ;  $HHR$ : -0.805,  $p=0.000$ ;  $HS$ : -0.711,  $p=0.000$ ) on a strong ex-post deal performance (Overall\_Perception) for all three respondent groups. However, the coefficient of  $AH$  is higher than the one of  $S$ , suggesting that the negative impact of personal motives on M&A performance is rather certain, while the positive influence of value creation-motives on transaction success

is only likely. For FFs, I find that the coefficient of  $S$  (with only one exception) exceeds 0.5; the relationship is highly significant in all cases ( $p=0.000$ ). In turn, for NFFs, I determine low coefficients, in particular for HO and HS, with no significance at the  $p<0.05$ -level.

The results from the regression and from the additional tests substantiate my reasoning – family control increases the share of successful acquisitions, since family-owned firms (i) acquire more often for synergies (which are *per se positively* correlated with M&A performance) and less often for agency or hubris (which are *per se negatively* correlated with M&A performance) (see H1), (ii) more successfully execute their transactions (i.e. achieving even better results (a higher correlation) from a deal based on synergies). In sum, my sample also supports H2.

### *Robustness Tests*

I carried out different types of robustness checks to further support the soundness of my main results. First, I tested my findings under alternate specifications of family control (Miller, Le Breton-Miller, Lester & Cannella, 2007). I used different ownership cut-offs for the categorization of FF ownership with more than 10% as well as 50% of the voting rights (e.g., Chrisman & Patel, 2012; Gomez-Mejia et al., 2010). Further, I defined FFs as companies in which the founder or a member of his family was a shareholder, (“founding family definition”) (e.g., Feldman et al., 2016, 2019). Lastly, a firm was only considered a FF when the founder or later generations played an active role in management or governance (Boellis, Mariotti, Minichilli & Piscitello, 2016). For all three classifications, results are essentially the same.

In addition, I examined the relationship between acquiring firm size, age and industry (cf. De Massis, Chirico, Kotlar & Naldi, 2014; Kotlar, Signori, De Massis & Vismara, 2018) as well as respondents’ age, tenure and formal education (cf. Finkelstein, Hambrick & Cannella, 2009) and ex-post deal performance. The respective coefficient estimates are not statistically significant at the conventional levels.

## Conclusions, Limitations and Future Research

### *Contributions*

This author sets forth theory to argue that family control leads firms to consider two utility dimensions, SEW and FW, when choosing whether to engage in M&A. SEW and FW are non-fungible and often involve a trade-off. FFs are thus caught in a dilemma of weighting potential gains and losses from their strategic options in these two currencies (mixed gamble). I propose that FFs – while getting generally involved in less transactions than NFFs – will be more likely to engage in deals with the ultimate aim to create value (*synergies*) and less likely to acquire due to managerial misconduct (*agency* or *hubris*). I argue that this is the case, as some acquisition strategies (e.g., buying innovation-oriented resources, broadening the firm's streams of earnings) translate into supplementary SEW benefits that NFFs do not experience, and are, hence, more desirable from family owners' points of view. Further, these companies have superior governance mechanisms in place more effectively curbing managers' excessive risk-taking behavior (Gomez-Mejia et al., 2019; Gomez-Mejia et al., 2018).

As a result of their differing acquisition motives, companies owned by a dominant clan will exhibit a better (financial and non-financial) ex-post deal performance as compared to their non-family-controlled peers. For instance, as agency – manifesting itself, among others, in decision-makers' desire to manage larger companies – will play a minor role for FFs, deal success – expressing itself, among others, through a positive reaction of shareholders to the acquisition – will not be impaired to the same extent as in NFFs, in which managerialism is more prevalent. In addition, the characteristics of family businesses driving their merger logics also lead them to better implement the transactions they choose. For example, they more carefully select targets, as they try to safeguard an increase in both *long-term* SEW and FW, or realize more synergies, as their principals monitor the PMI more closely (e.g., Praet, 2013).

Empirical results confirm my predictions. Scores of the 426 FF and NFF representatives, who make up my final sample, indicate that the relevance of synergies as an acquisition motive is

higher for family-owned businesses (as compared to companies with dispersed ownership), whereas the relevance of agency or hubris is lower; FFs' ratings of deal performance exceed those of NFFs. While I find a negative and significant effect of agency or hubris on deal performance for both types of businesses, I determine a strong and significant positive correlation between synergies and deal performance only for FFs.

This work contributes to research on FF decision-making and acquisitions in several ways.

First, I am the first to develop a deeper understanding of the influence of ownership type on transaction antecedents. I take a first step towards unravelling the complex set of factors driving acquisition decisions at FFs and NFFs, as well as shed some light on the generally still under-explored pre-merger-phase (Connelly, Hoskisson, Tihanyi & Certo, 2010). I do so, as I consider pre-set targets to be the main determinant of deal success (Payer-Langthaler & Hiebl, 2013).

Second, this study is one of the few yet to apply an alternative theoretical framework in a field almost exclusively operating through an AT lens. Thereby, I am able to derive for *which reasons* FFs get involved in transactions, and link this to *why* they are successful acquirers. I advance previous work, which was not able to observe the objective of acquisitions, simply assuming that firms' actions on the market for corporate control corresponded to their pre-set goals (e.g., Anderson & Reeb, 2003). Hence, the theoretical layer I have introduced may help to bridge the (seemingly) contradictory findings whether family-owned businesses are superior (e.g., Andre et al., 2014) or inferior buyers (e.g., Bauguess & Stegemoller, 2008). Lastly, I can better explain empirical facts regarding the acquisition behaviors of FFs, i.e., that these companies rather carefully engage in the market for corporate control, in general, but occasionally get involved in large, eye-catching transactions (e.g., MESSER/CVC-Linde-2018).

Third, by assembling a larger sample of pre-deal logics and post-transaction outcomes based on scores from different groups of firm representatives, I expand the empirical toolbox of research on M&A (that used to rely on indirect proxies such as Cumulative Abnormal Returns (CAR) (e.g., Halebian et al., 2009)). As suggested by prior studies, I find this method to be

very suitable to examine the decision-making processes underlying acquisition behavior (in particular, the role of SEW), as well as the various aspects of (financial and non-financial) acquisition success (e.g., Berrone et al., 2012; Geppert et al., 2013).

Lastly, despite the high international recognition of German family-owned firms, this work is – to my best knowledge – the only one yet to analyze the German institutional context. Thereby, I answer the call of multiple scholars to broaden the regional scope of studies on acquisition behavior (e.g., Craninckx & Huyghebaert, 2015).

### *Limitations and Future Research*

This paper is not free of limitations; these may be points of departure for further research.

First, I work with a rather small sample of businesses. While this analysis brings about some significant results, I see scope for a similar study done with a much larger sample. For instance, I restrict myself to acquisitions done by German firms, so that the context of the German economy represents a boundary condition for my reasoning. Hence, future studies may want to investigate further to what extent – and how – a particular institutional setting, legal environment, or culture can influence M&A motives and outcomes (e.g., Feito-Ruiz & Menendez-Requejo, 2010; Geppert et al., 2013). For example, in a liberal market economy, such as the US, acquisitions may have less uncertainty and more favorable financial and socioemotional outcomes, which would increase the occurrence of acquisitions by FFs (Capron & Guillen, 2009).

Second, using questionnaires has important trade-offs. In particular, my study could suffer from respondents' decreasing capacity to recollect events, as well as tendency to make more positive assessments in the long-run or to rationalize decisions post-hoc (Barr, Stimpert & Huff, 1992; Sudman & Bradburn, 1973). To work against this effect, I asked informants to rate their firm's *latest* acquisition only. Although, I hand-selected a sample of companies that completed their latest transaction preferably within the last three years, the desired level of target-integration (heavily influencing representatives' evaluation of deal performance) could vary substantially

(e.g., Ellis, Reus & Lamont, 2009; Zollo & Meier, 2008). Hence, I would encourage future studies to also test my hypotheses in a longitudinal setting. Further, in-depth qualitative research (e.g., using interviews with key personnel of buyers *or* targets involved in the pre-merger or post-merger stages) may complement my work and shed further light on the decision-making processes leading to M&A projects (and their implementations) in FFs (e.g., Feldman et al., 2019; Graebner & Eisenhardt, 2004).

Third, by measuring synergies by a variety of indicators, I seek to triangulate on the general phenomenon of value creation in M&A, and indeed this yields some interesting results. However, it may be the case that studying *specific* ex-ante acquisition motives (e.g., cost synergies, purchasing innovation-oriented resources) allows for much greater construct validity than studies done, like this one, at the aggregate level. Further, as the logics underlying an engagement in M&A – outlined in this work – all stem from the financial economics and strategic management literature, researchers may want to introduce FF-specific acquisition antecedents, for instance, motives primarily aimed at nurturing SEW (Gomez-Mejia et al., 2018; Graebner & Eisenhardt, 2004). In turn, scholars should consider evaluating ex-post deal success *also* using “objective” performance measures (e.g., CAR), so that various indicators can be compared and correlations between the indicators can be determined.

Lastly, I apply a binary measure of FF ownership. This has been common to the majority of FF studies due to the difficulty of obtaining a continuous measure of family involvement (e.g., Gomez-Mejia et al., 2014). Further, I focused on showing the differences of ownership types (FFs vs. NFFs) on acquisition behavior. However, it becomes apparent in the sample that FFs are not homogeneous, and that family involvement can take different forms (having implications on the perceptions of risk to SEW and, hence, the prioritization of economic and non-economic goals) (e.g., Boellis et al., 2016; Kappes & Schmid, 2013; Kotlar & De Massis, 2013). Future studies may investigate differences among FFs, and their effects on M&A propensity and performance (Alessandri, Cerrato & Eddleston, 2018).

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**When answering the following questions, please refer to the most recent acquisition your company made.**

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*How do you rate the acquisition with regard to the following aspects?*

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	1 – very negative	2 – negative	3 – neutral	4 – positive	5 – very positive
Logic of the acquisition (strategic fit of the target)					
Development of the financials (sales, EBITDA, cashflow)					
Synergies realized and integration expenses spent					
Development of the return on capital (RoA, RoIC)					
Development of the balance sheet structure (equity ratio, net debt)					
Development of the risk profile					
Development of the customer satisfaction					
Development of the market position					
Development of the employee figures					
Development of the fluctuation					
Development of the corporate culture and identity					
Integration of the target					
Development of the reputation of the company					
Development of leadership skills and corporate management					
Development of innovative capacity					
Satisfaction of decision-makers with the acquisition					
Shareholder reaction to the acquisition					
Public reaction to the acquisition					
Reaction of other stakeholders to the acquisition					
Related acquisitions and divestures					
Overall: Achieving the acquisition targets					
Overall: Influence on the competitiveness of the company					
Overall: Influence on the enterprise value					
Overall: Influence of the short-term success of the company					
Overall: Influence of the long-term success of the company					

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<i>To what extent do you believe that the stated motives were responsible or partially responsible for the acquisition?</i>					
	1 –	2 –	3 –	4 –	5 –
	not res- possible	hardly res- possible	neutral	res- possible	very res- possible
Respond to changes in the business environment					
Enhance revenues					
Strengthen bargaining position					
Reduce costs					
Enhance innovative capacity					
Diversification					
Buy a mispriced target					
Dismiss or discipline ineffective managers					
Increase in competitiveness					
Increase in enterprise value					
Synergy potentials					
Decision-makers desiring to manage a larger company					
Decision-makers desiring to manage a more successful company					
Decision-makers desiring to be regarded successful					
Confidence of decision-makers in synergy potentials					
Confidence of decision-makers that the target justifies the purchase price					
Confidence of decision-makers in their management skills					
Other personal motives of the decision-makers					
Mimic successful acquisitions activities					
Respond to increased M&A activities in the business environment					
Availability of (excessive) funds					
Overall: Short-term motives					
Overall: Long-term motives					
Overall: Strategic and financial motives					
Overall: Personal motives					

**Figure 1. Questionnaire (excerpt).**

**Panel A: Firm characteristics**

	<b>FFs</b>	<b>NFFs</b>	<b>Total</b>
# of firms	71	71	142
<b>Legal form</b>			
<i>GbR/ e.K./ OHG</i>	1.4%	0.0%	0.7%
<i>KG/ GmbH &amp; Co. KG</i>	49.3%	0.0%	24.6%
<i>GmbH</i>	14.1%	0.0%	7.0%
<i>AG</i>	21.1%	76.1%	48.6%
<i>SE</i>	14.1%	22.5%	18.3%
<i>Other</i>	0.0%	1.4%	0.7%
<b>Age</b>			
<i>&lt;=20</i>	0.0%	26.8%	13.4%
<i>21-50</i>	18.3%	31.0%	24.6%
<i>51-75</i>	14.1%	7.0%	10.6%
<i>76-100</i>	15.5%	7.0%	11.3%
<i>101-150</i>	39.4%	14.1%	26.8%
<i>&gt;150</i>	12.7%	14.1%	13.4%
<b>Employees</b>			
<i>&lt;=1,000</i>	2.8%	5.6%	4.2%
<i>1,001-5,000</i>	25.4%	32.4%	28.9%
<i>5,001-10,000</i>	25.4%	15.5%	20.4%
<i>10,001-25,000</i>	33.8%	26.8%	30.3%
<i>25,001-50,000</i>	5.6%	12.7%	9.2%
<i>50,001-100,000</i>	4.2%	2.8%	3.5%
<i>&gt;100,000</i>	2.8%	4.2%	3.5%
<b>Industry</b>			
<i>Automobiles &amp; components</i>	7.0%	1.4%	4.2%
<i>Consumer durables &amp; retail</i>	14.1%	2.8%	8.5%
<i>Consumer staples &amp; retail</i>	15.5%	4.2%	9.9%
<i>Energy &amp; utilities</i>	2.8%	7.0%	4.9%
<i>Financial services</i>	1.4%	11.3%	6.3%
<i>Healthcare</i>	7.0%	8.5%	7.7%
<i>Industrials</i>	15.5%	31.0%	23.2%
<i>Information Technology</i>	2.8%	7.0%	4.9%
<i>Materials</i>	18.3%	12.3%	15.5%
<i>Media &amp; telecommunication</i>	11.3%	7.0%	9.2%
<i>Real estate</i>	4.2%	7.0%	5.6%

<b>Panel B: Respondent characteristics</b>			
	<b>FFs</b>	<b>NFFs</b>	<b>Total</b>
# of respondents	213	213	426
Gender			
<i>Male</i>	87.8%	91.1%	89.4%
<i>Female</i>	12.2%	8.9%	10.6%
Age			
<=30	0.9%	0.0%	0.5%
31-40	18.8%	6.1%	12.4%
41-50	56.8%	55.9%	56.3%
51-60	23.5%	37.6%	30.4%
>60	0.0%	0.5%	0.2%
Education (highest degree)			
<i>Industrial training</i>	4.7%	0.5%	2.6%
<i>Commercial training</i>	7.0%	0.0%	3.5%
<i>Bachelor</i>	3.8%	0.0%	1.9%
<i>Master/ Diploma</i>	63.8%	67.1%	65.5%
<i>MBA</i>	4.7%	6.6%	5.6%
<i>PhD</i>	14.6%	25.4%	20.0%
<i>Other</i>	1.4%	0.5%	0.9%
Years in the Industry			
<=2	1.9%	1.9%	1.9%
3-5	7.0%	8.0%	7.5%
6-10	5.6%	4.7%	5.2%
11-15	10.3%	5.2%	7.7%
16-25	58.7%	58.2%	58.5%
>25	16.4%	22.1%	19.2%
Years in the Company			
<=2	7.5%	4.7%	6.1%
3-5	13.6%	19.2%	16.4%
6-10	9.4%	9.4%	9.4%
11-15	15.0%	8.0%	11.5%
16-25	45.5%	46.0%	45.8%
>25	8.9%	12.7%	10.8%
Years in the current Position			
<=2	14.1%	6.6%	10.3%
3-5	23.0%	36.2%	29.6%
6-10	38.0%	39.4%	38.7%
11-15	18.8%	16.0%	17.4%
>15	6.1%	1.9%	4.0%

**Table 1. Sample description: Company data and sociodemographic data of respondents by firm type.**

			Mean	Standard deviation	N
Total	HO	Synergies	3.611	0.440	142
		Agency_Hubris	2.068	0.878	142
		Overall_Perception	3.545	0.570	142
	HHR	Synergies	3.638	0.428	142
		Agency_Hubris	2.070	0.815	142
		Overall_Perception	3.693	0.595	142
	HS	Synergies	3.793	0.394	142
		Agency_Hubris	1.704	0.722	142
		Overall_Perception	3.859	0.451	142
FFs	HO	Synergies	3.819	0.399	71
		Agency_Hubris	1.627	0.630	71
		Overall_Perception	3.868	0.329	71
	HHR	Synergies	3.778	0.374	71
		Agency_Hubris	1.784	0.672	71
		Overall_Perception	4.016	0.339	71
	HS	Synergies	3.930	0.352	71
		Agency_Hubris	1.491	0.658	71
		Overall_Perception	4.061	0.336	71
NFFs	HO	Synergies	3.404	0.380	71
		Agency_Hubris	2.509	0.874	71
		Overall_Perception	3.222	0.579	71
	HHR	Synergies	3.500	0.436	71
		Agency_Hubris	2.357	0.672	71
		Overall_Perception	3.370	0.622	71
	HS	Synergies	3.657	0.388	71
		Agency_Hubris	1.917	0.724	71
		Overall_Perception	3.657	0.463	71

**Table 2. Perceived pre-acquisition motives and post-acquisition performance by respondent group and firm-type.**

			<b>HO_ Overall_ Perception</b>	<b>HHR_ Overall_ Perception</b>	<b>HS_ Overall_ Perception</b>
Total	HO_ Synergies	Pearson Correlation	0.522	0.490	0.460
		Sig. (2-tailed)	0.000	0.000	0.000
		N	142	142	142
	HO_Agency_ Hubris	Pearson Correlation	-0.835	-0.782	-0.729
		Sig. (2-tailed)	0.000	0.000	0.000
		N	142	142	142
	HHR_ Synergies	Pearson Correlation	0.567	0.578	0.563
		Sig. (2-tailed)	0.000	0.000	0.000
		N	142	142	142
	HHR_Agency_ Hubris	Pearson Correlation	-0.751	-0.805	-0.725
		Sig. (2-tailed)	0.000	0.000	0.000
		N	142	142	142
FFs	HO_ Synergies	Pearson Correlation	0.462	0.458	0.502
		Sig. (2-tailed)	0.000	0.000	0.000
		N	142	142	142
	HS_Agency_ Hubris	Pearson Correlation	-0.684	-0.700	-0.711
		Sig. (2-tailed)	0.000	0.000	0.000
		N	142	142	142
	HO_ Synergies	Pearson Correlation	0.565	0.574	0.493
		Sig. (2-tailed)	0.000	0.000	0.000
		N	71	71	71
	HO_Agency_ Hubris	Pearson Correlation	-0.665	-0.653	-0.641
		Sig. (2-tailed)	0.000	0.000	0.000
		N	71	71	71
	HHR_ Synergies	Pearson Correlation	0.561	0.597	0.612
		Sig. (2-tailed)	0.000	0.000	0.000
		N	71	71	71
	HHR_Agency_ Hubris	Pearson Correlation	-0.575	-0.647	-0.633
		Sig. (2-tailed)	0.000	0.000	0.000
		N	71	71	71
	HS_ Synergies	Pearson Correlation	0.533	0.605	0.617
		Sig. (2-tailed)	0.000	0.000	0.000
		N	71	71	71
	HS_Agency_ Hubris	Pearson Correlation	-0.646	-0.666	-0.670
		Sig. (2-tailed)	0.000	0.000	0.000
		N	71	71	71

NFFs	HO_ Synergies	Pearson Correlation	0.247	0.192	0.188
		Sig. (2-tailed)	0.038	0.108	0.117
		N	71	71	71
	HO_Agency_ Hubris	Pearson Correlation	-0.823	-0.727	-0.657
		Sig. (2-tailed)	0.000	0.000	0.000
		N	71	71	71
	HHR_ Synergies	Pearson Correlation	0.468	0.477	0.420
		Sig. (2-tailed)	0.000	0.000	0.000
		N	71	71	71
	HHR_Agency_ Hubris	Pearson Correlation	-0.790	-0.856	-0.703
		Sig. (2-tailed)	0.000	0.000	0.000
		N	71	71	71
	HS_ Synergies	Pearson Correlation	0.258	0.227	0.283
		Sig. (2-tailed)	0.030	0.057	0.017
		N	71	71	71
	HS_Agency_ Hubris	Pearson Correlation	-0.687	-0.705	-0.689
		Sig. (2-tailed)	0.000	0.000	0.000
		N	71	71	71

**Table 3. Relation between perceived pre-acquisition motives and post-acquisition performance by respondent group and firm-type.**

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