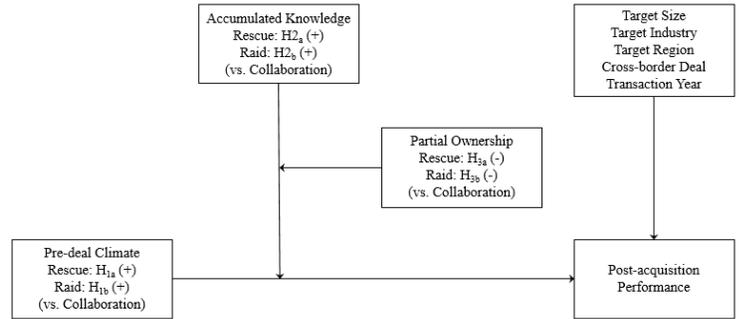


Acquisition climate and performance: The influence of ownership level on knowledge retention

Abstract

Though a vast amount of research has been carried out about the various critical success factors associated with the mergers and acquisitions process, no previous studies have investigated the role and effect of the pre-acquisition climate. This study investigates the impact of different types of climate (rescue, collaboration, and raid) on acquisition performance. In addition, the research evaluates the moderation effect of the accumulated knowledge and ownership level (partial or full). A unique dataset was constructed by merging the Zephyr and Orbis databases. A sample of 668 M&A deals representing the different types of climates, is composed of 282 rescue, 250 collaboration, and 136 raid acquisitions. A regression analysis revealed that, in general, rescue and raid climates yield higher post-acquisition performance than collaborative climates. Under full acquisition conditions, the positive effect of rescue and raid climates is accentuated when target firms have higher levels of accumulated knowledge. Conversely, under partial acquisition conditions, the positive effect of rescue and raid climates is diminished when target firms have higher levels of accumulated knowledge. This change of signal of the parameter of the moderating effect of accumulated knowledge implies that under general conditions, raid and rescue acquisitions will outperform collaboration acquisitions. However, if the acquiring firm seeks to follow a collaborative approach to extract as much as possible the existing accumulated knowledge of the target firm, then it is better to signal a more cooperative stance through a partial acquisition. These results carry important implications for both theory and practice.

Impact of the pre-acquisition climate (raid, collaboration, rescue) on the post-acquisition performance with moderation of the accumulated knowledge and ownership



Dataset (Zephyr and Orbis): Climate vs. equity observations (n=668)

	Partial Ownership		Full Ownership		Total	
Rescue	129	19.3%	153	22.9%	282	42.2%
Collaboration	120	18.0%	130	19.5%	250	37.4%
Raid	77	11.5%	59	8.8%	136	20.4%
	326	48.8%	342	51.2%	668	100.0%

Supported hypotheses based on regression analysis

H_{1a} & H_{1b}:

Rescue and raid acquisitions exhibit higher performance than collaborative acquisitions;

H_{2a} & H_{2b}:

In full acquisitions, the accumulated knowledge has a positive moderating effect on the performance of rescue and raid vs. collaboration acquisitions;

H_{3a} & H_{3b}:

In partial acquisitions, the accumulated knowledge has a negative moderating effect on the performance of rescue and raid vs. collaboration acquisitions.

	Coeff. β	Full Sample		Partial Ownership		Full Ownership	
		Baseline	Knowledge	Baseline	Knowledge	Baseline	Knowledge
Constant		-0.369*** (SE) (0.118)	-0.401*** (SE) (0.112)	-0.764*** (SE) (0.192)	-0.765*** (SE) (0.186)	-0.001 (SE) (0.148)	-0.056 (SE) (0.127)
Rescue		0.146** (SE) (0.063)	0.156** (SE) (0.064)	0.192* (SE) (0.100)	0.170* (SE) (0.103)	0.099 (SE) (0.079)	0.120* (SE) (0.073)
Raid		0.246*** (SE) (0.079)	0.252*** (SE) (0.068)	0.326*** (SE) (0.120)	0.297*** (SE) (0.095)	0.174* (SE) (0.105)	0.193* (SE) (0.101)
Knowledge		-0.126** (SE) (0.063)	-0.229*** (SE) (0.078)	-0.108 (SE) (0.142)	0.285 (SE) (0.237)	-0.114* (SE) (0.065)	-0.268*** (SE) (0.079)
Rescue* Knowledge			0.083 (SE) (0.086)		-0.508** (SE) (0.247)		0.162* (SE) (0.084)
Raid* Knowledge			0.155* (SE) (0.088)		-0.288 (SE) (0.268)		0.188** (SE) (0.092)
Control Size		0.016 (SE) (0.017)	0.021 (SE) (0.021)	0.026 (SE) (0.036)	0.032 (SE) (0.026)	-0.001 (SE) (0.018)	0.007 (SE) (0.021)
Number observations		668	668	326	326	342	342
R-square		0.086	0.087	0.134	0.138	0.096	0.100

*p<0.1; **p<0.05; ***p<0.01

- Under general conditions, raid and rescue acquisitions will outperform collaboration acquisitions
- To extract high knowledge in collaborative deals, the acquirers should signal cooperation through partial acquisitions

