Performance of Serial Acquirers in the European Region – the role of Specialized Experience

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Abstract:
The designated purpose of this thesis is to investigate the impact of specialized experience, defined as the number of previous completed acquisitions with sufficient target-to-target similarity within certain acquisition dimensions, on acquisition performance, represented by abnormal returns on the stock market. We find a significant negative relationship between acquisition performance and both absolute experience, taking no regard for target-to-target similarity, and specialized experience within the cultural acquisition dimensions, measured on country level. Further, for specialized experience within the industry dimension and size dimensions, we find no support for a positive relationship existing, rather the empirical results lean towards a negative connection. The research within this thesis has been conducted through a quantitative study on a data set containing 392 individual, publicly quoted serial-acquirers from the European countries, combined conducting 1 898 deals. Our findings provide added support for the theory of generalization, showing that gaining experience from having performed previous acquisition with high target-to-target similarity to the focal acquisition, increases the likelihood of acquirers generalizing around the acquisition process and applying incorrect inferences to the focal acquisition. In order to avoid generalization and reap benefits from having acquisition experience, management of serial-acquirers should use the acquisition experience to set up internal processes and structures that counteract the unconscious acts of generalization.

Keywords: M&A, specialized experience, serial acquirers, generalization, acquisition dimensions

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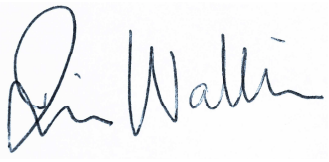

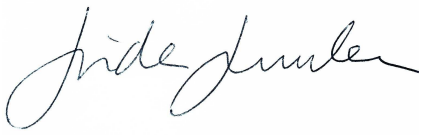

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I. Abbreviations & Definitions

Merger – The combining of two companies to make one new company.

Acquisition – The act of one company buying deciding power through ownership of shares in another company, the buyer becomes a parent company of the company being bought. The most common way to close a transaction is by the use of either cash, shares or a combination of cash and shares.

Mergers & Acquisitions (M&A) – The commonly used term for two separate companies becoming one company or one group.

Specialized Experience – Having prior acquisition experience that is similar along certain dimensions to the current acquisition being completed.

Absolute Experience – Having prior acquisition experience of any kind, regardless of similarity to current acquisition.

Acquisition types – Horizontal, substitute, vertical, diversification and conglomerate.

Horizontal – An acquisition transaction between two firms that are at the same stage in the production cycle producing similar goods or services, and thus can be viewed as direct competitors.

Substitute – An acquisition transaction between two firms that are serve the same customer need but are not direct competitors.

Vertical – An acquisition transaction between two firms in the same industry, but with the acquiring firm and the target firm being at different stages in the production cycle.

Diversification – An acquisition transaction between two firms that are not in the same production cycle but operate in related businesses.

Conglomerate – An acquisition transaction between two firms that operate in unrelated businesses.

1. Introduction

1.1 Background

For centuries, mergers and acquisitions (M&A) have been an integral part of companies' strategy for growth and competitiveness; something that seemingly will not cease to be the case. On the 19th of February 2014, Facebook announced the acquisition of the mobile messaging service WhatsApp; a target company with $300 million in revenues, and sold for an acquisition deal worth an astounding $19 billion (Hartung, 2014). In April 2014, after two rejected bid approaches in the same year, the American drugs giant Pfizer Inc. went public with its interest in acquiring the British-Swedish competitor AstraZeneca, approaching them with a bid worth approximately £60 billion. The news of Pfizer's interest alone, with no deal yet being completed, caused AstraZeneca's shares to skyrocket by 15%, adding approximately £8 billion to the company's market value (Farrell, 2014). Merely a few weeks later, on May 2nd 2014, further rumors spread in business press indicating that Pfizer Inc. was planning to raise the AstraZeneca bid to more than £63 billion. The result; AstraZeneca's shares rose an additional 3.2 percent (Welch & Armstrong, 2014).

Needless to say, events such as aforementioned examples show the major effect mere rumors of acquisitions can have on companies' market value. Grand news reports as such may very well make M&A appear massively appealing, pushing firms to embrace their own M&A strategies sooner rather than later. However, although headlines seemingly cover one "mega" deal after the other involving some renowned corporate giant, it does not portray the full picture of the total M&A arena. Today, engaging in M&A activities has become the reality for all types of companies regardless of their nature, whether they be public or private, small or large, domestic or cross-border in nature; M&A is on the strategic agenda of any company with the intention of driving growth. In 2012, M&A deals worth $2,588,907.3 million were announced and deals worth $2,040,637.3 million were completed (Thomson Reuters, 2012). According to a survey conducted by Grant Thornton in 2013, 28% of businesses across the globe expect to be participating in M&A activity in the next three years, which is still low compared to the pre-crisis levels. Hence, M&A is not only of concern to multinational company giants, today it is on the agenda of most businesses in the world.

The M&A decision can have several different drivers. Shaver (2006) states that an often-argued motivation for M&A is that the profit of a merged entity can exceed the profits of the independent entities through the reduction of average costs or the enhancement of revenues. This effect is commonly referred to as synergy. According to a survey conducted by Grant Thornton, the primary reason for engaging in M&A is to access new geographical markets (Grant Thornton, 2013), which of course is of increased importance as globalization continuous to rise. The M&A decision can also be driven by wishes to increase efficiency through economies of scale or diversify to avoid risk (Andrade et al, 2001; Seth, 1990; Singh & Montgomery, 1987), to spike innovation within the firm (Gantmur & Stephan, 2011) or to umbrella brand products (Wernerfelt, 1988). M&A activity comes in waves and varies greatly across industries and time, often as a result of some form of industry shock (Mitchell & Mulhering, 1996; Andrade et al, 2001), and large business decisions such as these are very

sensitive to market movements. Firms are for this reason always looking for ways to mitigate risk of their M&A endeavors, which makes the topic continuously relevant for researchers and practitioners.

Roll (1986) identified four initial stages of an acquisition decision: (1) identification of potential target, (2) valuation of the equity, (3) comparison of equity valuation with current market price and (4) if valuation exceeds current market price, make a bid. The key element of this chain of events is the valuation of the target which, assuming that it is publicly traded, already has an observable price. So why would a valuation exceed the market price, as in the case of the Facebook-WhatsApp deal touched upon earlier? The answer is synergy effects, or rather the hope of them. Under the assumption of efficient markets, the market price should equate to the value of the firm. However, as previously mentioned, acquisitions are performed within a larger strategic agenda with an intention of it generating some form of firm development. The perceived excess value therefore reflects the value the acquirer expects to gain from the acquisition through firm development, termed goodwill.

1.2 Problem definition

The challenges of increasing globalization combined with the countless drivers of acquisition decisions and the many stages through which acquisition decisions suggestively go, portrays the enormous complexity that acquiring firms today face. In the following section we introduce the reader to the bleak figures of M&A failure rates, and the acquisition dimensions that cause the complexity which is seemingly too hard to handle.

1.2.1 M&A failure- and growth rates

In spite of M&A's important strategic role within businesses, it is still a wide known fact that acquisitions tend to yield positive returns for target shareholders, yet negative returns for acquirer shareholders (Porter, 1987; Andrade et al, 2001; Roll, 1986; Cartwright & Schoenberg, 2006). Several academics agree that when it comes to explaining why some acquisitions fail and some succeed, they have very little to say (Andrade et al, 2001).

Numerous academics over the last decades have concluded that the failure rate of M&A's is at least 50 %. According to a McKinsey report the case for M&A is even worse, arguing that roughly 70% of all M&A's fail (McKinsey&Company, 2010). Experts within the M&A field at Harvard University, go even further and estimates the proportion of failed M&A's to be, distressingly enough, as high as 90% (Harvard Business Review, 2011). If the valuation of a target firm is based on the estimated positive synergy effects to be attained, the failure of such endeavors is either caused by the pre-acquisition valuation being wrong, or a failure to integrate the firms and hence no synergy effects being reached. Regardless of the true failure rate of acquisitions, one can conclude that attaining synergy effects that match the pre-acquisition valuation is extremely difficult.

In spite of the aforementioned findings of disheartening failure rates, M&A activities have steadily increased over the past two decades in absolute numbers and in monetary value. The value of worldwide M&A's totaled US$2.6 trillion during full year 2012, representing a 2% increase from comparable 2011 levels (Weber et al, 2014). High failure rates combined with

high growth figures portray a complex strategic environment for firms across the globe, where acquirers willingly accept a great deal of risk. Naturally, the academic interest in the M&A field has therefore been on the march for a whole century, trying to find the root of the failure rate problem. However, due to the complexity of the acquisition process, there are areas within the research field that yet remain uninvestigated. The primary question is whether acquirers are "doing the right things" (choosing the right target) or "doing things right" (incorporating the target appropriately into existing business). Or is it a combination of both that ultimately drives M&A success? This rhetorical question translates into an overarching research gap, from which we intend to pick up and investigate the role of *learning* within the M&A process. Can acquiring firms learn how to select the right targets ("doing the right things") and build the capabilities necessary to successfully integrate two firms ("doing things right")?

1.2.2 Acquisition capabilities and experience

In attempts to find a model for the most profitable acquisitions, extensive research has been conducted on the characteristics of successful and failed acquisitions. For some reason, most research thus far has focused on individual acquisitions by one-time acquirers (Laamanen & Keil, 2008; Hayward, 2002; Kusewit, 1985), even at times actively excluding firms that made several acquisitions within the acquisition window (Laamanen & Keil, 2008). A new string of research has therefor emerged focusing on the learning aspect of acquiring firms, although the number of studies remain critically low.

Learning theory, such as that of Kolb (1984), as well as rational thinking tells us that the experience of one acquisition should help an acquiring firm to avoid some of the pitfalls and perform better when carrying out a second acquisition (Lubatkin, 1983). Surprisingly enough, results thus far within this limited research field have been contradictory. Billett & Qian (2008) find a negative relationship between acquisition performance and CEO experience, in line with the results from Kusewitt (1985). Paine & Power (1984) and Hitt et. al (1993) on the other hand find a positive relationship, as did Fowler & Schmidt (1989). Haleblian and Finkelstein (1999) found a U-shaped relationship where acquisition performance declined after three acquisitions. As one can see, the findings are vastly inconsistent engendering a strong need for a different angle on the combined research theme of experience, learning and its impact on acquisition performance. Is acquisition experience a driver of learning and consequently M&A success?

The inconsistent empirical findings around the impact of experience on acquisition performance has given rise to new theories that offer varying explanations for the surprising results. Theories such as indigestion, hubris and generalization focus on some of the pitfalls that experience can cause, such as becoming overconfident in one's ability to acquire or thinking all acquisitions are the same. That would then off-set any positive learning outcomes and make the results inconsistent. While these theories focus on the negative acquirer behaviors that experience can cause, another string of theory suggests that the lack of a positive impact from experience simply can be due to the diverse nature of acquisitions; one cannot compare apples to oranges. The theory of *specialized experience* suggests that acquisition experience cannot be measured on a "number of previous acquisitions" basis (hereinafter termed absolute experience) (see Kengelbach et al., 2012). As the economy grows global and industries interconnect,

acquisitions progressively continue to occur across country and industry borders and vary greatly in size. One can therefore argue that the diverse nature of acquisitions make it pointless to look at acquisition experience in absolute numbers, as the difference between one acquisition and the next can be massive, making it difficult to draw inferences from previous transaction deals. The question is however, whether experience characterized as "specialized", meaning that the acquirer has completed a similar type of acquisition before, can have the positive impact on acquisition performance of which experience in general terms seem to lack. And furthermore, if specialized experience is believed to have a positive impact on acquisition performance, which dimensions of the acquisition deal are most important?

The research field around the role of specialized experience in acquisition performance is still quite new, and the quantitative research on the topic is limited. Often times, only one dimension of specialized experience is being been tested for, and then often expressed as absolute experience weighed according to a percentage of previous acquisitions within a certain dimension (see Haleblian & Finkelstein, 1999). We find a gap in existing theory in terms of a comparative analysis where several dimensions of specialized experience are tested for as, to our knowledge, only Kengelbach et al. (2012) has performed such a study with a focus on the dimensions industry similarity, cross-border vs domestic and public vs private sector. The field is in need of more research on different dimensions in order to sort out which dimensions have relevance in the case of acquisition experience and which do not, if specialized experience has an impact at all. There is also a need for better understanding of which method is the best for measuring specialized experience, which can only be accomplished by more in-depth research.

1.3 Purpose & Research question

The purpose of this academic report is to empirically test and analyze, within the framework of a quantitative study design, whether specialized experience, within certain acquisition dimensions, has an impact on acquisition performance. More specifically, the focus will lie on investigating whether or not completing multiple *and* qualitatively similar [acquisition] deal transactions, increases an acquirer's abnormal returns. The aim is to shed new light on the theoretical topic of experiential learning as a potential source for M&A success, as prior research is limited and disperse. As part of growth strategies for firms across the globe, we aim at providing clarity for management officials trying to mitigate risk in future acquisition decisions.

With a distinct ambition of adding to existing research, the purpose of this study ultimately culminates in the following primary research question:

- *By engaging in multiple acquisitions of similar traits within specific acquisition dimensions, can multiple acquirers affect their acquisition performance?*

With the aim of enabling solid inferences to be drawn from the study, three acquisition dimensions have been chosen as the focus in this study, which are geographic relatedness, industry relatedness and firm-size relatedness. As a result, the following sub-research questions have been formulated:

1. *By engaging in multiple acquisitions of similar traits with respect to geographic relatedness, can multiple acquirers affect their acquisition performance?*
2. *By engaging in multiple acquisitions of similar traits with respect to industry relatedness, can multiple acquirers affect their acquisition performance?*
3. *By engaging in multiple acquisitions of similar traits with respect to firm-size relatedness, can multiple acquirers affect their acquisition performance?*

1.4 Delimitations

Most research within the serial acquirer field has been conducted using data from the United States, creating a need for studies from other world regions. Abiding to this need, we set out to investigate the impact of specialized experience on serial acquirer performance by selecting the European Region as the basis for our sample and analyses. First, there is and has been for a while a high degree of acquisition activity within Europe, most likely thanks to the European Union and its focus on economic integration of its member states. Second, most cultural research on U.S. data has been conducted on a domestic versus non-domestic level. While this is interesting, a Canadian firm probably shares more cultural similarities with a U.S. firm than suggestively an Indian firm and a development of this research is therefore needed. While many advantages, as stated above, can be reaped from choosing Europe as the basis for investigation, it still constitutes a delimitation as it sets limits to this study's sample size.

Within the scope of this study, we have chosen not to take into account differences concerning type of M&A activity, such as distinguishing between acquisition and merger or whether the proportion of a target firm acquired was 100 % or less at one single transaction point in time. For this reason, the terms "acquisitions" and "mergers & acquisitions" (M&As) will be used interchangeably throughout the report. In the literature, acquisitions are sometimes classified as a friendly takeover or a hostile takeover, where the former implies an acquisition where management of the target firm does not resist the takeover and the latter represents the opposite (Filipović et al 2012). We will make no distinction between types of takeover in this report. The main argument for this exclusion rests upon the difficulties of finding data showing which type of takeover each acquisition corresponds to.

We make no attempt at analyzing how acquisition performance, measured in abnormal returns, change along a sequence of acquisitions. In other words, no conclusions will be made regarding at which *n*th acquisition the acquisition performance displays its highest and lowest abnormal returns, or at which *n*th acquisition along a sequence of acquisitions the performance changes direction from positive to negative, or vice versa. Nor will we investigate the development of abnormal returns from one acquisition to another, isolated from other acquisitions. More concretely, no study of how abnormal returns change from $[n_0 - n_{+1}]$, from $[n_{+1}$ to $n_{+2}]$, from $[n_{+2}$ to $n_{+3}]$ and so on, with n denoting the order of an acquisition within a given sequence. Third, we will make no attempt at comparing the size of the experience frame for acquirers. That is, no conclusions will be made regarding *when* specialized learning begins, namely whether 3, 4, or more prior acquisitions is required for learning to have an effect.

Initially, we sought to cover data stretching back to the year of 2000 with the purpose being to cover approximately equal number of years before the financial crisis began as after. However,

the source used for data collection limited the time-span for our study to 2004 due to the fact that the data source lacked reported data for the chosen sample selection further back than 2004.

1.5 Literature Contribution

As already stated, one primary contribution to existing research is our sample of European acquisition deals, which differs from the U.S. data on which most research thus far has been conducted such as Hayward (2002), Laamanen & Keil (2008), Haleblian & Finkelstein (1999), and Zaheer et al (2013). Furthermore, there are no studies [to our knowledge] where all the acquisition dimensions of specialized experience that we are testing, have been applied simultaneously. This provides an opportunity for analysis across a unique set of dimensions in terms of specialized experience and acquisition performance.

When scrutinizing the academic literature on M&A in Europe, one soon realizes that it is very limited to certain industries. The banking & financial industry is almost exclusively the most commonly covered industry, with countless studies such as Campa & Hernando (2006) and Ismail & Davidson (2005) to mention a few investigating stock market valuation and the performance of M&A in the European banking & financial industry. In one respect, the historical literature focus on banking & finance may not be too surprising. Compared to other sectors, banking assets as a percentage of GDP is in general extremely high (Beitel, Schiereck & Wahrenburg, 2004). The ratio of banking assets to GDP in the EU as a whole rose for instance from 319% in 2006 to 334% in 2007 (ECB, 2014). Such high levels of capital flows supports the need for, and thus focus on, gaining insight into which factors drive M&A success or failure in that particular sector.

Nevertheless, what one fails to recognize when limiting research to the banking & finance sector, is the simultaneously high levels of M&A activity in other sectors. In manufacturing and services, M&A deals skyrocketed in the 1990s reaching a peak in 2000, plummeted in 2001 and 2002 and bounced back again after 2003 as the world economy recovered (Coeurdacier et al, 2009). Despite the high levels of M&A activity in all sectors in Europe, little to none research has been conducted thus far involving other sectors than the financial sector. This study will therefore contribute to existing literature by broadening the scope of investigation to include all sectors in Europe.

Regarding time-frame, most common is to research the wealth gains of acquirer shareholders using a small event window of a few days around the date of announcement. Some previous studies measuring long-term wealth gains, often one year or longer, to acquiring shareholders have been conducted in the United States (Loughran & Vijh, 1997). However, as far as we know there are no similar studies made within the geographic scope of Europe. In light of current study's purpose and its pertaining research question, we hope our empirical findings, which measure not only short-term but medium-term and long-term wealth gains as well, will shed some light on the topic of experiential learning in Europe.

The final main literature contribution this study will bring is the comparison of cumulative abnormal return (CAR) and buy-and-hold abnormal return (BHAR), from a methodology

standpoint. It is argued that CAR is better suited for short-term time windows and BHAR for longer-term time windows. Exactly where the breaking-point between short and long term is located is unclear. We will thus contribute to the literature by using both a CAR- and BHAR-calculated dependent variable, as well as several time windows around the acquisition announcement date.

1.6 Thesis Disposition

The thesis consists of seven parts. Following this introductory section, the reader will be provided with the theoretical framework in section two on which this study is based. The most relevant line of research will be presented, cumulating in the hypotheses that are to be tested. In section three, we will describe which research method was used for the purpose of testing the stated hypotheses, followed by detailed information regarding the characteristics and motivation for which dependent-, independent- and control variables have served as the specification for analysis. In the fourth section of the paper, the empirical results will be displayed. In the fifth section, the authors will guide the reader through the tests of the hypotheses, where the empirical results from previous section will be further analysed and put into context by comparing them to previous research within the field by referencing back to the theoretical framework for explanatory power. In the sixth and final section, a discussion will follow around the conclusions drawn and the strategic and managerial implications of our findings, followed by suggestions for future research.

2. Theoretical framework

The following section will present the theories and previous research that serves as a base for this study. The theory section concludes with a presentation of the, from theory, derived hypotheses that are to be tested.

2.1 Theoretical background

Research explicitly focusing on specialized experience is a fairly new and unexploited line of research, prompting the need for looking into different sources of theory when setting out to explore new angles on experiential learning in the context of acquisitions. In order to investigate the effect of specialized experience on acquisition performance in Europe, one must connect theory from two areas; one that regards the role of learning from experience in absolute terms, defined as *absolute experience*, and one that regards the different dimensions across which acquisition targets can differ, henceforth termed as *acquisition dimensions*, such as industry belonging, geographical region, and deal size. With acquisition dimensions we conceptually refer to, more specifically, aspects which acquiring firms can control; acquirers make for instance an active choice in selecting a target firm from a beforehand known country. These two areas, acquisition dimensions and absolute experience, combined provide the theoretical platform and serves as a stepping stone for the research on specialized experience in this thesis. We will start with deciphering the acquisition dimensions.

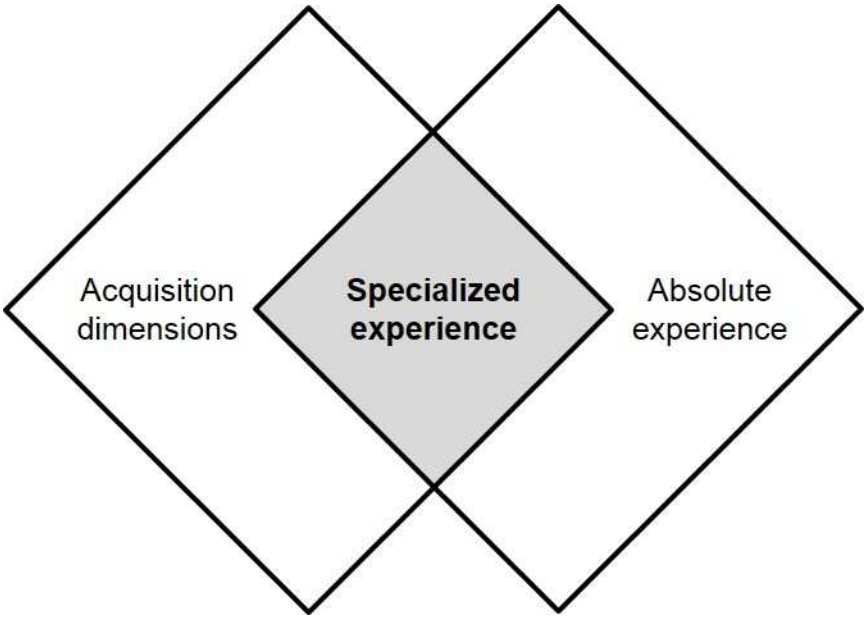

***Figure 1**: Structure of theoretical base*

2.1.1 Acquisition dimensions

2.1.1.1 The integration dilemma

In order to determine which dimensions play an important role in the acquisition process one must go back to the root of why acquisitions occur, namely the hunt for synergy effects. Synergy is not an easy task to achieve through simply engaging in M&A activities. The extent to which

corporations are successful in their M&A endeavors, highly depends on how effectively an acquisition is implemented (Datta & Grant, 1990; Larsson & Finkelstein, 1999) and thus the activities performed after the acquisitions are completed, for instance the process of integrating previously independent entities and coordinating internal functions and capabilities within the merged entity (Chatterjee et al, 1992; Larsson & Finkelstein, 1999).

As claimed by Mitchell & Shaver (2003), firms can differ in integration capabilities, a concept they define as "corporations' ability to absorb and manage businesses on a continuing basis". A commonly held view shared by scholars such as Jemison & Sitkin (1986), Mitchell & Shaver (2003) and Zollo & Singh (2004) concludes that in order to achieve acquisition success, integration activities are of vital importance. If firms differ in integration capabilities (Mitchell & Shaver, 2003), a relevant follow-up question to be answered is whether companies have the ability to obtain or improve these capabilities along the way, and in that respect learn how to integrate more efficiently.

It has been argued that strategic fit between the acquirer and target firm is crucial in order to streamline the integration process and reach success in the acquisition transaction. To evaluate strategic fit one must measure the potential synergies and how these synergies can be beneficial to the acquirer using financial measures (Clarke, 1987). However, more recent literature questions this argument, suggesting the definition is too broad to satisfyingly explain the whole scope of why good acquisition performance is achieved or not (Boateng & Lodorfos, 2006; Chatterjee et al, 1992). Instead, Fralicx & Bolster (1997), Cartwright & Cooper (1993), Daniel & Metcalf (2001), and Evans & Mendenhall (2004) argue that rather than strategic fit, success in the integration process and thus acquisition performance is chiefly driven by cultural fit between the acquiring and target firm, but that more research is needed in this area to be able to validate whether integration capabilities are influenced by cultural fit.

2.1.1.2 Culture

National culture (hereinafter termed culture) has throughout decades been a burgeoning topic in the context of acquisition research. It is a withstanding fact that the act of acquiring another company, or the corporation itself being acquired, has become an integral part of many corporations' long-term business strategy (Ismail et al, 2010). Adding to this, as corporations over recent decades have had to face an increasingly globalized and economically liberalized business environment, the volume of cross-border acquisitions has steadily been growing worldwide (Erel, Liao & Weisbach (2012). During 2012, cross-border M&A activity totaled US$944.1 billion, accounting for 36% of overall M&A volume and up 6% compared to full year 2011 (Thomson Reuters, 2012). Weber (1996), Ashkenas et al. (1998), and Boateng & Bjørtuft (2003) all argue that acquisitions are a common response to globalization and that the trend of growing cross-border acquisitions volumes will continue, thus impacting severely on value creation in M&As.

There are several potential drivers from the cross-border acquisition decision. Erel, Liao & Weisbach (2012) discuss the opportunity for targets to obtain higher governance standards by being acquired by a firm with headquarters in a country with more favorable governance standards. They also mention fluctuations in exchange rates due to imperfect integration of

capital markets as a driver of acquisitions as it opens up for under-valued target opportunities. Other research points to the added value of cross-border deals compared to domestic deals. Pothukuchi et al. (2002) found that national cultural difference had a positive impact on efficiency and competitiveness of cross-border joint ventures. Similarly, Krishnan et al (1997) and Morosini et al (1998) came across findings indicating that larger cultural distance is correlated with better performance once the acquisition transaction has been executed.

There are nevertheless potential downsides with cross-bordering too. Acquisition failure is often attributed to the inability of two firm cultures to merge (Meirovich, 2010). This is supported by Buckley & Casson (1996) and Parkhe (1991) who find that cultural differences most likely impair information flow and impede knowledge transfer in organizational settings. The, by theory, claimed causal relationships of successful acquisitions – cultural similarities and unsuccessful acquisitions – cultural differences, are backed by Lane & Beamish (1990), Schneider & De Meyer (1991), Sirmon & Lane (2004), who argue that the wider the cultural gap between two firms, the worse the performance when undergoing a strategic partnership. Although they studied international partnerships such as international joint ventures, similar findings can be deduced in research where acquisitions have been on the investigative agenda (Chatterjee et al. 1992; Lubatkin et al. 1999; Thomsen et. Al, 1996).

Clearly, there is a duality in the literature with respect to cultural fit and its impact on acquisition performance. Some academics have made an attempt at finding explanations for these incongruent results. Shenkar (2001) emphasizes that there is an endless number of methodological approaches available when studying cultural distance and, adding to this, an equivocal definition of the cultural distance concept, which combined makes it difficult to fully compare generated results across studies.

2.1.1.3 Industry

A common view in strategic literature is that industries differ, and that firms operating within the same industry share more similar features than firms operating across industries (Huff, 1982; Spender 1987). Spender (1987) compared British industry sectors and concluded that as industries evolve, so called industry recipes are developed for each sector which later guide the strategic thinking adopted by firms. It is further claimed by Huff (1982) that industry sectors develop their own concepts and expertise framework which are not easily reached for other sectors. This implies that only firms from within the same industry truly knows how to function and strategically behave in that industry.

Given that diversification, together with growth, has been one of the driving forces behind mergers and acquisitions (Datta & Grant, 1990), it is not surprising that firms sometimes acquire targets from different industry sectors than its own. Lubatkin (1983) argues that available synergies differ dramatically across industry sectors, and as such between acquisition types. In light of this, Datta & Grant (1990) questions why the majority of studies on acquisition performance to a large extent disregards these differences between industries and clusters all types of acquisitions into one large category when investigating acquisition performance. They instead favor the research on diversification that focuses on the performance consequences of diversification strategy, meaning whether the acquirer chose to diversify into related or

unrelated industries, such as the research by Chatterjee & Lubatkin (1986), Singh & Montgomery (1987), Lubatkin (1987) and Montgomery & Wilson (1986).

Looking at the empirical findings in these studies, Lubatkin's (1987) results show that horizontal acquisitions do not outperform conglomerate acquisitions in terms of abnormal returns, and Chatterjee (1986) found that unrelated acquisitions in fact outperformed related acquisitions. Singh & Montgomery (1987) on the other hand found that, when combining acquirer and target firm performance, total performance in related acquisitions was higher than in unrelated acquisitions. This result led Singh & Montgomery (1987) to argue that available synergies is crucial for the acquisition performance, an argument implying that synergies are easier to obtain the more similar the acquiring and target firm are.

Empirical findings to date clearly present incongruent results with respect to differences in acquisition performance across acquisition types, making it a focal dimension for acquirers to be aware of. Worth noting is that these studies only looked at single acquisitions, making no attempt at investigating how acquisition performance changed for multiple acquirers acquiring repeatedly in the same industry.

2.1.1.4 Indigestion and size

According to Barkema, Baum, & Mannix (2002), using acquisitions as a strategy for expansion is likely to rise in popularity in the future due to forces in the global, competitive marketplace, pushing companies to expand at even faster rates than ever before. To cope, firms must integrate acquired firms quickly and efficiently, something that has proven difficult and given rise to theories of indigestion. Acquisition indigestion refers to the difficulties firms encounter when attempting to absorb many acquisitions in a short period of time. Research shows that acquirers face lower abnormal returns the more frequently they acquire, suggestively due to so called post-merger integration problems (Conn et al., 2004; Kengelbach et al., 2012).

In large, theory on indigestion has thus far chiefly framed time as an explanatory factor. The concept of indigestion has its roots in the belief that the capacity of organizations to integrate is limited, indicating it takes time to integrate two firms following an acquisition due to the difficulty in combining processes, aligning systems, merging assets and linking different cultural systems (Shrivastava, 1986). Kengelbach et al. (2012) continue on this route by arguing that integration of two merging firms require a recovery phase since a firm's internal resources are scarce. They found a positive relationship between the time passed since the last completed acquisition and the short-term performance of the focal acquisition. Further, they found that integration problems are enhanced the larger the acquisition deals are as measured in total assets, concluding that both time and deal size aspects of an acquisition explain the underlying causes of post-merger integration problems and thus indigestion. However, Kengelbach et al. (2012) is the only study to date, to our knowledge, proposing deal size as an additional explanation for indigestion.

Laamanen & Keil (2008) explored to what extent success of acquisitions in terms of abnormal returns is affected by absolute acquisition experience and, within this experience frame, the rate of acquisitions, the variability of acquisitions, and acquirer size amongst other, in order to find

out whether acquirers' previous experience has any effect on performance. He concluded that the rate of acquisitions can be both too high and too low. However, what the optimal time between acquisitions is remains unclear. Interesting to note is their conclusion about too much time passing, which we believe could find support from Hayward's (2002) reasoning that experience and the skills obtained from experience can be lost over time, implying that one cannot wait too long in between deals for experiential learning to have an effect.

Similarly to Kengelbach et al. (2012), Conn et al (2004) examined the relative performance effects of single and multiple acquirers to empirically test the indigestion theory. Their results indicate that the short and long term performance in fact declines for multiple acquirers with each subsequent acquisition, giving support to the indigestion theory. However, they further found that acquirers whose very first acquisition was successful experienced diminishing performance in future acquisitions, while the opposite was found for acquirers whose first acquisition was unsuccessful. These findings make the application of the indigestion theory less clear-cut, thus prompting the need for further investigation.

2.1.2 Acquisition experience

2.1.2.1 Experiential learning

Research on acquisition performance has often focused on looking at single acquisitions when trying to find patterns and explanations for their success or failure. However, as large corporations tend to perform many acquisitions, and small- to medium sized corporations have begun to follow the same trend, the modern acquirer has often completed acquisitions before. An interesting line of research has therefor emerged around the topic of *learning* in regards to M&As, and whether there is such a thing as acquirer capabilities.

Kolb (1984) defined learning as "the process whereby knowledge is created through the transformation of experiences", a definition originating from the study on individual experiential learning. More specifically, Kolb (1984) argues that one should look upon learning as a phenomenon resulting from the outcomes of previous actions, and summarizes this by stating: "learning is an emergent process whose outcomes represent historical record, not knowledge of the future". The key term here is experience, or historical record depending on wording of choice. Similarly, but from an organizational perspective, it has also been looked upon experience and learning as a step wise process, where *organizational experiential learning* is defined as an iterative, dynamic process in which firms 1) engage in experiences, 2) draw inferences from them and 3) store the inferred material for future experience (Levitt and March, 1988; Hayward, 2002). The theorized idea of experiential learning stresses the importance of experience in learning, and that experience should have a positive impact on learning and performance (Kolb, 1984; Levitt and March, 1988; Hayward, 2002). In fact, Popper & Lipshitz (2000) argue that individual and organizational learning are two very similar, close to interchangeable conceptualizations.

2.1.2.2 Absolute experience

To date, the majority of research dedicated to study experiential learning in acquiring organizations have tested what this thesis refers to as *absolute experience,* which corresponds

to experience measured by the mere quantity of prior acquisitions. In the acquisition literature, this way of measuring experience is the primary idea behind what Hayward (2002) denotes as the *undifferentiated learning hypothesis*, a theory in favor of the notion that frequent acquisitions by the same firm, regardless of similarity between successive deals, should automatically lead to boosted acquisition performance. Haleblian & Finkelstein (1999) argues that the predictive, positive relationship between absolute experience and performance has historically been based on two assumptions: 1) successive acquisitions are similar to each other, and 2) prior experience is generalized to subsequent acquisitions. Contrary to the undifferentiated learning hypothesis, Haleblian & Finkelstein (1999) seem to believe that similarity between two subsequent acquisitions is key to achieve improved performance.

Despite the above, there are academics opposing organizational experiential learning as a concept. Levitt and March (1988) reason that "Learning does not always lead to intelligent behavior. The same processes that yield experiential wisdom produce superstitious learning, competence traps, and erroneous inferences". In the case of acquisitions, researchers have found contrasting results when investigating the impact experiential learning might have on acquisition performance. The view asserted by Levitt & March (1988) could in some respect be paralleled to Haleblian & Finkelstein (1999) who argue that one cannot compare experiential learning curves between a firm undertaking several acquisitions (acquisition experience) and for instance a manufacturing firm producing goods (experience in machine-driven production) which suggestively adopts a positive linear learning curve, where each new production experience leads to gains in terms of decreasing unit costs. This argument stands in direct contrast to the abovementioned undifferentiated learning hypothesis discussed by Hayward (2002), where he explicitly equates the undifferentiated learning hypothesis with the linear learning curve effects experienced by manufacturing firms.

In light of the somewhat discursive views above by academics on experiential learning, what does previous empirical findings tell us? Although not all academics reference the undifferentiated learning hypothesis by name, numerous studies have tested the hypothesis with mixed results, yet the majority of which find evidence enough to reject it. Haleblian & Finkelstein found in their study from 1999 evidence for a U-shaped learning relationship between acquisition [absolute] experience and acquisition performance, where acquisition performance declined after three acquisitions. In a more recent study, in which acquisition performance was compared between serial and single acquirers, Kengelbach et al. (2012) also came across results opposing the undifferentiated learning hypothesis, where they instead found that conducting several acquisitions with deal characteristics such as target country differing, leads to reduced acquisition performance for each conducted acquisition. Laamanen & Keil (2008) also found a direct negative effect of acquisition experience on acquisition performance, when explicitly measuring absolute experience.

All in all one can conclude that, in the case of experiential learning and its connection to acquisition performance, if relying on intellectual reasoning most researchers agree that experience should have a positive impact on future acquisition performance, but reality displayed by empirical tests tell a different story.

2.1.2.3 Potential explanation-theories

The surprising predominance of empirical research finding no positive relationship between experience and acquisition performance has been explored by Hayward (2002), who stresses that M&A learning relates to the quality rather than the quantity of a firm's experience. The question of why acquirers to such extent are not able to use the knowledge from previous acquisitions to enhance the results of future acquisitions, has incited an upsurge of theories that can serve as explanations for this trend.

2.1.2.3.1 The diminishing returns hypothesis

This theory is ever so often applied when academics search for explanations of a declining return trend along a series of subsequent acquisition deals. The diminishing returns hypothesis theoretically proclaims that the investment opportunity set from which acquirers have to choose targets from, including both the quantity and quality of available target firms, decreases over time. That is, as the best opportunities are taken first, acquirers are ultimately left with the less attractive deals for each completed acquisition (Ismail, 2008).

2.1.2.3.2 Hubris

Seth, Song & Pettit (2000) frame hubris as a phenomenon where the acquiring firm make mistakes in evaluating and choosing target firms, but go through with the acquisition based on their own perception of a correct evaluation. Billet & Qian (2008) suggests that hubris is related to firms becoming overconfident in their acquisition endeavors, and as a consequence overvalue the targets. Based on this, both Billet & Qian (2008) and Kengelbach et al. (2012) apply previous acquisition success as a measure for hubris, with the reasoning being that the time passing between two consecutive acquisitions decreases when previous transactions have proven to be successful, a relationship confirmed by Kengelbach et al. (2012). This goes in line with Ismail (2008) who discovered that successful first time acquirers seem to be subject to hubris in future transactions, while unsuccessful first time acquirers are not.

2.1.2.3.3 Generalization

Generalization is a theoretical concept first developed and tested by Haleblian & Finkelstein (1999), and can be defined as "the application of experience from a firm's prior targets to its subsequent target". Simply put, if an organizational behavior, such as an acquisition, has worked well in the past, the behavior related to the execution of that past acquisition will be applied to the focal acquisition if the conditions for past and focal acquisition are deemed fairly similar. Overall, there are two possible scenarios with this theory; 1) If two acquisitions are sufficiently similar, past experience becomes relevant to the focal acquisition so that generalization of this experience leads to positive consequences, or 2) If two acquisitions are dissimilar, past experience becomes irrelevant to the focal acquisition so that generalization of this experience leads to negative outcomes. The essence of Haleblian & Finkelstein's (1999) study on generalization effects builds upon their perception of acquisition deals more often than not being heterogeneous, making it risky to apply prior experience to any target that will follow as the inferences drawn most likely will be unfitting. The opposite of generalization would be discrimination, where past experience is not applied to future events as every event is seen as unique, something which Haleblian & Finkelstein (1999) attribute to conglomerate acquisitions as they often acquire firms from dissimilar industries and thus should treat them accordingly.

The generalization theory is in line with Levitt & March's (1988) reasoning, where they highlight the risk of falling into competence traps and drawing inferences from prior acquisitions which are not applicable on forthcoming deals.

2.1.3 Specialized experience

The theories of diminishing returns, hubris and generalization have all emerged as a response to the unexpected observed negative impact of absolute experience on acquisition performance. Another possible explanation comes from the theory of specialized experience. Kengelbach et al. (2012) describes specialized experience as "similar deal experience increasing the likelihood of M&A learning", by which it is implied that acquiring several targets with high similarity in deal characteristics should lead to better performance. Research on specialized experience remains vastly limited. Thus far, the concept has chiefly manifested itself in discussions as an explanation for why absolute experience seems to lack the desired learning effect, but empirical testing of the concept remains limited.

The argument for investigating specialized experience is to test whether firms can accomplish success by focusing on target-to-target similarity instead of acquirer-to-target similarity. In the literature on culture for instance, it is often assumed that the higher the similarity between acquirer and target (Chatterjee et al. 1992; Lubatkin et al. 1999; Thomsen et. Al, 1996), the better the performance. The question is if this similarity based argument can be projected onto the target-to-target relationship as well, and as a result accomplish the same thing; the higher the similarity, the better the acquisition performance?

Kengelbach et al. (2012), the only study to our knowledge explicitly testing specialized experience, compared acquisition performance between single and multiple acquirers. Their results were mixed, but they did conclude that geographic experience and industry experience did not seem to provide beneficial value to acquirers, implying that one cannot gain acquisition skills by consistently focusing on targets from the same geographical or industry area. However, their results show that specializing towards private or public companies was positively significant, through which they concluded that acquirers might gain M&A skills by consistently acquiring public firms.

Haleblian & Finkelstein (1999) touch on the idea of target-to-target similarity, by pin-pointing that executing deals from the same industry in which they have previous experience should increase the exhibited performance as the acquirer can appropriately generalize experience to the next acquisition. However, they do not follow up on this by investigating specialized learning per se. They study absolute experience, using target-to-target similarity as a percentage based predictor in their analysis, in order to test how outcomes, namely acquisition performance, differ depending on degree of generalization applied by acquiring firms. Nevertheless, Haleblian & Finkelstein's (1999) conceptualization of generalization is highly relevant in the context of specialized experience, as they are based on the same theoretical idea that the more similar one target is to the next, the higher the likelihood of better performance.

2.2 Theoretical Gap

Before presenting the hypotheses formulated to conduct tests within this study, a conclusion of the theoretical landscape is in order to highlight which gap in current study we aim to close.

As aforementioned, the presented potential explanation-theories have been discussed by several authors, but empirically tested to a very little extent. To our knowledge, only Kengelbach et al. (2012) have specifically set out to test the impact of specialized experience on acquisition performance. We will therefore add to existing literature, empirical evidence of the potential impact of specialized experience on abnormal returns from a unique data set of European deals that can contribute more solid empirical weight to this limited research field.

Additionally, we can identify some major shortcomings in the study by Kengelbach et al. (2012). They define geographic experience as experience from domestic versus cross-border acquisitions. We believe a more detailed analysis is needed where one measures experience on a country-level as there are arguably large dissimilarities within the cross-border group. The same rational goes for their industry experience proxy, where they distinguish between related and unrelated industries. We believe a more detailed industry division is needed in order to sufficiently test for the impact of target-to-target similarity on acquisition performance in regards to the industry dimension.

Further, to our knowledge no tests have been conducted looking at the size dimension of target-to-target similarity, explicitly as an experience measure. As there is ample evidence for the importance of size for acquisition success, the potential impact of specialized experience within such a dimension should be investigated, which we will set out to do.

2.3 Hypotheses

For the purpose of testing whether absolute experience and specialized experience differ in terms of effect on acquisition performance, hypotheses have been formulated for both experience measures and are presented below.

2.3.1 Absolute Experience

Based on past research presented above, with respect to the potential impact of absolute experience, we expect past experience to have either no influence or a negative influence on the acquirer's ability to acquire successfully and the following hypothesis has been formulated.

H0: The number of previous successive acquisitions, with no regard to level of similarity between acquisition deals, has a positive influence on the acquirer's performance during any of the event windows, regardless of measurement CAR or BAHR.

H1: The number of previous successive acquisitions, with no regard to level of similarity between acquisition deals, has either no influence or a negative influence on the acquirer's performance during any of the event windows, regardless of measurement CAR or BAHR.

2.3.2 Specialized Experience

For the purpose of testing whether specialized experience has an impact on acquisition performance, hypotheses have been formulated for the chosen acquisition dimensions and are presented in the following sub-sections.

2.3.2.1 Culture

With respect to testing the potential impact of target-to-target similarity on acquisition performance for multiple acquirers, the following hypotheses have been formulated, where we expect to see a positive relationship between the level of specialized experience in culture, measured on a country-level, and acquisition performance.

H2a: The number of previous successive acquisition deals within the same target country as current acquisition, has a positive influence on the acquirer's CAR performance during any of the event windows.

H2b: The number of previous successive acquisition deals within the same target country as current acquisition, has a positive influence on the acquirer's BHAR performance during any of the event windows.

2.3.2.2 Industry

With respect to testing the potential impact of target-to-target similarity on acquisition performance for multiple acquirers, the following hypotheses have been formulated where we expect to see a positive relationship between the level of specialized experience in industry, measured on a detailed industry-level, and acquisition performance.

H3a: The number of previous successive acquisition deals within the same target industry as current acquisition, has a positive influence on the acquirer's CAR performance during any of the event windows.

H3b: The number of previous successive acquisition deals within the same target industry as current acquisition, has a positive influence on the acquirer's BHAR performance during any of the event windows.

2.3.2.3 Indigestion & Size

The following hypotheses in regards to indigestion and size have been formulated in order to test the impact of target-to-target similarity on acquisition performance for multiple acquirers, where we expect to see a positive relationship between level of specialized experience in size, measured both in absolute size of deal value and relative size of deal value compared to acquirer size, and acquisition performance.

H4a: The number of previous successive acquisition deals within the same deal size interval as current acquisition, has a positive influence on the acquirer's CAR performance during any of the event windows.

H4b: The number of previous successive acquisition deals within the same deal size interval as current acquisition, has a positive influence on the acquirer's BHAR performance during any of the event windows.

H4c: The number of previous successive acquisition deals within the same deal size/total assets interval *as current acquisition, has a positive influence on the acquirer's CAR performance during any of the event windows.*

H4c: The number of previous successive acquisition deals within the same deal size/total assets interval as current acquisition, has a positive influence on the acquirer's BHAR performance during any of the event windows.

3. Methodology

This section describes how data was collected, which method was used and what challenges and restrictions were encountered and dealt with along the process. Further, it provides motives for the sample selection serving as our base for analysis.

3.1 Research Objectives

The objective of our research is to produce information and knowledge that allow us to answer the stated research question and fill the identified gap in the current theoretical landscape on learning in the M&A process.

This thesis aims at investigating the strategic implications of learning through the acquisition process by broadening the current view of acquisition experience as absolute, and add dimensions to the variable. This will allow us to attain a greater understanding of whether previous acquisition experience within certain acquisition dimensions has any gradual, positive impact on future acquisition performance, and whether the acquiring firms can form the acquisition capabilities needed to realize the synergy effects which would not have been attainable had an acquisition not taken place.

Further, this thesis aims at providing insight into the M&A flows within the European region, which is lacking due to the major focus on U.S. acquisition data in previous research.

3.2 Research strategy

The choice of research strategy is based on the framework provided by Creswall (2003). According to Creswall (2003), research strategy involves four dimensions that must interact; research approach, knowledge claims, strategy of inquiry and method. Four combinations of the stated dimensions can be identified which are presented in Table 1.

Research Approaches

Research	Knowledge	Strategy of inquiry	Methods
Quantitative	Post-positivist assumptions	Experimental design	Measuring attitudes, rating behaviours
Qualitative	Constructivist assumptions	Ethnographic design	Field observations
Qualitative	Emancipatory assumptions	Narrative design	Open-ended interviewing
Mixed methods	Pragmatic assumptions	Mixed methods design	Closed-ended measured, open-ended observations

Table1: Four alternative combinations of knowledge claims, strategies of inquiry and methods.

Source: Creswell (2003).

In order to fulfil the research objectives stated earlier, and thus provide sufficient information to answer the stated research questions, the authors of this thesis find the most appropriate research strategy to be a *quantitative approach*, with post-positivist assumptions based on an experimental design.

The post-positivist standpoint reflects the idea that research should seek to develop relevant true statements, ones that can describe the causal relationship of interest (Phillips and Burbules, 2000). As our research aims to investigate the existence or non-existence of a relationship between acquisition performance and specialized experience, our search for a causal relationship is in line with the post-positivist vie of how to develop knowledge. As depicted in the figure above, post-positivist claims for developing knowledge is best matched with a quantitative research approach where theories are tested by specifying hypotheses and collecting data to support and or negate the hypotheses (Creswell, 2003).

The role of learning in the M&A process could be investigated using a qualitative exploratory research approach as well, as learning is a "soft" variable that can be difficult to measure. However, we find a gap in the strategic literature in terms of quantitative testing of the influence of specialized experience, as pointed out in the theory section. While several researchers have theorized around the benefit of specialized experience, the empirical proof is lacking. We find no opposition in performing both a qualitative and a quantitative study around the topic, both are needed. However, having sound quantitative research as a base for a qualitative study is favorable and we hope to spur future research with the quantitative results presented in this thesis. Furthermore, a quantitative approach allows us to study the relationship between experience and acquisition performance over a long period of time, encompassing several acquisitions by the same acquirer, and to include several countries and industries in our sample.

Conducting quantitative research within the field of strategic management, as we are doing, requires much attention being given to the definition of dependent and independent variables, if strategic implications are to be drawn. In the case of learning within the acquisition process, our quantitative analysis is focusing on the role of experience in the learning process. Worth noting is that experience is not equal to learning, one can have experience without learning from it. However, in order to theorize around the role of experience within learning in the acquisition process, having research that depicts the impact on performance, or lack thereof, is a natural starting point. Further exploration of the cause of qualitative research results can then be a matter for future qualitative studies within the field.

Another area to discuss is how to quantify performance in the most suitable way. The research in this thesis is based on the idea that performance on stock markets can be seen as a fair indicator and reflection of company performance. There are some variables that must be taken into consideration regarding this. Stock markets reflect people's expectations and attitudes towards a firm's performance and future outlook. Hence, a positive development on the stock market need not necessarily correspond to an actual increase in revenues or profit margins. However, looking at share price development allows for an analysis of performance on a day-to-day basis against market performance, which enables one to eliminate external factors that

otherwise impede comparison along longer time periods. It is also the most commonly used variable within the field of research, as will be discussed further in section *3.6.1. Dependent variable.*

3.3 Research Approach

We have chosen to apply a deductive approach within the scope of a quantitative study. There are primarily two ways to go about when conducting a research study; an inductive or a deductive approach. The latter set up hypotheses grounded in existing theory, to later test if the theory holds true on the subject being tested. An inductive approach is more exploratory in nature and aims at exploring new, never before tested, phenomena or exploring phenomena from different perspectives compared to previous studies. Thus, inductive research is often associated with generating new strings of theory (Jacobsen, 2002).

As deductive research often entail investigating the existence or non-existence of causal relationships, which in previous section is described as often being connected to quantitative study frames which this study rests upon, it falls natural to apply a deductive approach (Jacobsen, 2002).

3.4 Primary and secondary data

This study is based on secondary data from two databases; Zephyr and Datastream. Zephyr is a database from Bureau Van Dijk that covers information on M&A, IPO, private equity and venture capital deals. The database is updated hourly and contains data on deals from the time of the rumor until a deal's completion. The Zephyr database was used for collection of all acquisition data such as time of acquisition, deal value, and acquirer and target countries and industries. The Zephyr data was then complemented with stock price values and index values from the database Datastream. Datastream is a database from Thomson Reuters that provides daily share price and index data.

3.5 Credibility

The degree of credibility is crucial when conducting any type of research, with reliability and validity being the two primary ways of testing if credibility is accomplished (Bryman & Bell, 2003).

3.5.1 Reliability

Kirk & Miller (1986) highlight two types of reliability indications in quantitative research; 1) the degree to which a measurement, given repeatedly, remains the same, and 2) the stability of a measurement over time. Reliability is thus associated with the ability to replicate the same results in different settings, both time wise and population wise (Golafshani, 2003).

The databases Zephyr and Datastream used for collecting of data, two recognized databases in the world of practitioners and academics, are deemed by the authors to be reliable sources of data collection. This would answer to the repeatability indicator, as data sourced from the above databases, for instance time of acquisition and stock price values, are factual and reachable to any researcher leading to no discrepancies in way of measuring empirical results across different studies. Furthermore, covering data spanning a 10 year time-period between 2004 and

2014 will hopefully be sufficient to answer to the time-based replicability indicator, as our results should be able to take into consideration any time-based abnormalities and as such prove to be stable results over time (Golafshani, 2003).

3.5.2 Validity

There are two important forms of validity; external and internal validity. In general terms, validity answers whether the constructed measurements used in a study are accurate and measure what they are intended to measure. With internal validity one controls for whether the connection between the independent variables and dependent variable is clear, and thus can ensure that the independent variables are in fact affecting the variation in the dependent variable. By external validity, one controls for whether the results are generalizable to the population in large, even beyond the scope of this specific study. If the results are replicable across different settings, with other sample populations and with other variables, then one can be said to have accomplished external validity (Jacobssen, 2002).

As we have applied established and recognized methods such as a quantitative research study and CAR and BHAR to measure abnormal returns, often used in equivalent studies, we are confident in that the measurements used are accurate and thus measure what they set out to measure. The BHAR method applied is claimed to represent the true abnormal returns highly accurately over time, while the CAR method is deemed to more accurately reflect the short-term abnormal returns (Fama, 1998). Seeing as we include both measurements for comparative purposes, internal validity would have to be claimed to be accomplished.

The study's external validity can be ensured by proving to have as heterogeneous of a sample as possible. Seeing as we did not exclude any industries nor countries within Europe when selecting the study sample, and included all completed acquisitions where the acquirer at least had performed three acquisitions, we are fairly confident in that external validity has been reached (Jacobssen, 2002).

3.6 Sample

In subsequent section we will present the sample selection criteria regarding geography, industry, time period, and acquisition characteristics.

3.6.1 Selection of countries and industries

This research is based on European acquisitions, meaning that both acquirer and target are based in a European country as Europe is the geographic area in focus for this thesis (see delimitations and contribution for more in-depth discussion). The countries in scope are listed in Appendix 1, along with the number of acquisitions as acquirers and targets respectively from each country.

Consistent with Laamanen & Keil (2008), we chose to cover different industries in the study to test whether the findings are applicable across sectors. As a result, we will cover all industries in Europe in which acquisitions took place within the given time span. The represented industries are listed in the table below, along with the number of acquisitions within each industry.

Industry	Number of acquisitions (acquirer)	Number of acquisitions (target)
Agriculture, Forestry & Fishing (0)	4	10
Mining and Construction (1)	104	82
Manufacturing (2,3)	379	326
Transportation & Public Utilities (4)	217	192
Wholesale and Retail Trade (5)	170	233
Finance, Insurance & Real Estate (6)	240	220
Services (7,8)	776	808
Public Administration (9)	8	24

Table 2: *distribution of acquisitions per industry*

3.6.2 Selection of time period

As our intentions have been to investigate whether the performance of serial acquirers is driven or impeded, or neither, by previous specialized experience on a European basis, constructing a large database has been necessary and preferable to reach validity in our analyses. This served as a criteria for our choice of time period with the hopes of collecting data reaching as far back as possible. Thus, we let our databases serve as the only limitation in our selection of time period. The earliest recorded data in Zephyr was from 2004. This could be due to certain countries in Europe belonging to the transitional economies of Central- and Eastern Europe, causing limitations in the track record of data. We let the date of when data was gathered serve as our end year. Consequently, as the data in this thesis was collected from Zephyr on April 1st 2014 and therefor contains deal information up until March 31st 2014, this study will cover the time period January 1st 2004 - March 31st 2014.

3.6.3 Selection of acquirers and deal criteria

The sample selection has been limited according to the following criteria, using Zephyr in this first step of gathering deal related data:

1. Only listed acquirers
2. Only acquisitions where 100% of the company is bought
3. Only completed deals
4. Only deals with known deal values
5. Both acquirer and target from European countries[1]
6. Only acquirers that have performed three or more acquisitions during the time period

[1] See Appendix 1 for countries in scope

The deal data was then complemented with stock price and index value information from the Thomas Reuter database Datastream.

Listed acquirers were deemed necessary in order to analyze share price movements previous to and after the acquisition. For that reason, only completed deals are of interest as share price movements after completion are analyzed. Only looking at acquisitions where 100% of the company is acquired eliminates impact from other acquirers and simplifies the analysis, and as deal values are part of the analysis, only deals with known deal values have been included.

Lastly, as we have chosen to test the impact of experience and rate of acquisitions on acquisition performance, the data must exclusively contain acquirers that have conducted several acquisitions. In this case, the data was limited to acquirers that had performed three or more acquisitions within the chosen time frame. When complementing the Zephyr data sample with Datastream stock data, some restrictions were encountered, namely that a few acquiring firms could not be found or were duplicates. This could be due to name changes not being registered or acquisitions where one company had been acquired by another, of which both were included in the initial sample size. Without any stock price information about these companies they were naturally excluded from the study, giving us a final sample of 1 898 individual deals spread out over 392 acquiring companies (see Appendix 2 for full list).

3.7 Variables

In the sub-section that follows, a description of the dependent, independent and control variables applied in our study will be provided. An outline of each of the variables' validity to current study, and how they have been derived and calculated, is presented.

As highlighted in previous sections, current study is demarcated to experiential learning and its impact on the performance of serial acquirers, with specialized learning being the focal point of investigation. Due to these delimitations, there are likely to exist variables which are not considered in the hypotheses but that may still influence acquisition performance. For this reason, we find it necessary to control for the variables most likely to have an impact on acquisition performance, but which lie outside the scope of the study.

3.7.1 Dependent variable

The most statistically reliable evidence on whether acquisitions create value for shareholders comes from traditional short-term event window studies, where the average abnormal stock market reaction at merger announcement is used as an instrument for value creation or destruction (Andrade et al., 2001). Abnormal return will be used as our dependent variable and is defined as the difference between share price developments during a set time span compared to the index developments within the same time span. The index represents the market portfolio and captures the market movements over time. Hence, by looking at the change in abnormal returns instead of the change in share price, one eliminates any potential market shocks that may skew the results and make the share price changes incomparable (Lyon et Al., 1999). The market index we have used to collect index prices, is the STOXX Europe 600 Index. This

market index represents large, mid and small capitalization companies across 18 countries of the European region[2] (STOXX, 2014).

In line with most empirical research using market returns as an indication of acquisition performance (see Haleblian & Finkelstein, 1999; Laamanen & Keil, 2008; Kengelbach et Al, 2012), we have used the standard event study methodology from Brown & Warner (1985). Event studies are used when looking at the impact of a certain event on a specific variable, in this case the announcement of an acquisition on abnormal returns. The key parameter to work out in regards to event studies is which time interval to use for your event window. Our reasoning around this topic is presented in the following sub-section.

3.7.1.1 Selection of time interval for abnormal return event window

Different researchers have used different time horizons when measuring abnormal return. Historically, the most used model is to look at the abnormal return for a short-term event window around the date of announcement, for example the day before announcement to the day after of three days after (Andrade et al., 2001). Applying short-term event windows in research on individual acquisitions is relevant as, based on the assumption that an efficient capital market with respect to public information is prevalent, stock prices quickly adjust following an acquisition announcement. However, while this measure is relevant, it also contains a certain amount of "chock effect" which can vary for different firms and therefore make comparisons difficult. Therefore, other researchers have chosen to look at a longer time horizon in order to eliminate this effect (Loughran & Vijh, 1997). The downside of this is that the more time you take in, the more you allow for the possibility of other events, apart from the acquisition, to affect the share price development. At the same time, Loughran & Vijh (1997) stress the importance of looking at longer event windows that include post-merger stock market performance as the acquisition impact has been seen to be over-stated when using shorter event windows.

We find a need to control for both short-term and long-term event windows. Experiential learning in regards to acquisitions can involve aspects of the acquisition process both prior to, directly after and long after the acquisition is announced. While shorter event windows are in line with most studies and allows for direct comparison, post-acquisition integration is cited as one of the main sources of acquisition failure and these effects are not accounted for using a short-term event window. In our data, the average number of days in between two consecutive deals is 313 days, it is therefore deemed relevant, from a post-acquisition integration perspective, to apply an event window around one year in order to investigate long-term effects. Our research will therefore be conducted using three event windows. For our short-term window, a seven day interval (stretching between three days prior to and three days after announcement; $3 - t_0 + 3$) will be used. For our mid-term horizon, consistent with both Laamanen & Keil (2008) and Loughran & Vijh (1997), a 61 day time interval will be applied (30 days prior to and 30 days after announcement; $30 - t_0 + 30$). For our long-term horizon, a one year interval will be used (one month prior to and 11 months after announcement; 1 month

[2] Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom

– t_0 + 11 months). This way, the entire net wealth effect following the event of an acquisition is more likely to have been incorporated into the stock prices (Andrade et al., 2001).

3.7.1.2 Calculation of abnormal return

The most common way of calculating abnormal returns in studies on acquisition performance is using the CAR-method, *cumulative abnormal return.* This method cumulates the daily abnormal returns for all days within the given event window, and as such using the CAR-method has been sufficient and appropriate for shorter event windows. However, some research shows that when applying longer event windows the accuracy of the CAR-method decreases. For longer event windows the BHAR-method, *buy-and-hold abnormal return*, has instead been favored by some scholars (Billett & Qian, 2008; Lyon et al., 1999). When applying the BHAR-method, abnormal return is calculated for the entire event window by compounding the returns, not cumulating on a daily basis, and is thus claimed to represent an investor's true abnormal returns more accurately over time. However, the compounding effect leads to a shortcoming with applying BHARs; they are deemed do inaccurately measure short-term abnormal returns, due to their tendency of being right-skewed over time (Fama, 1998).

When digging into existing M&A literature, we find a lack of consensus regarding the most favorable method to use. According to contemporary scholars, this is grounded in research consistently presenting incongruent results on acquisition performance where the large share of variance in results remains unexplained (Stahl and Voight, 2004; King et al., 2004). The repercussion of this is argued by King et al. (2004) to be that changes to research methods in the strategy literature is necessary. This research paper will therefore present results calculating the dependent variable using both CAR and BHAR for the short-term and mid-term event windows. This will allow us to hands-on highlight any prevalent differences in results between the methods, if any appear. While this does not constitute the main focus of our study, we see this as a contribution to the discussion regarding calculation method within the research field. For the long-term horizon, only BHAR will be applied as dependent variable in accordance with Billett & Qian (2008).

The formulas used for CAR and BHAR respectively are presented below.

$$CAR_i = \sum_{t=-n}^{+n} R_{i,t} - E(R_{i,t})$$

Where $R_{i,t}$ equals stock return for share *i* on day *t* and $E(R_{i,t})$ equals the expected return of share *i* on day *t*, represented by the index return.

$$BHAR_i = R_{i,t} - E(R_{i,t})$$

Where $R_{i,t}$ equals stock return for share *i* for the whole event window *t* and $E(R_{i,t})$ equals the expected return of share *i* for the whole event window *t*, represented by the index return.

The stock prices and index prices collected for these time horizons on an acquiring firm basis reflect the closing price values, with no exception.

3.7.2 Independent variables

Below, the independent variables used to test our stated hypotheses are presented as well as the control variables applied to strengthen our analysis.

3.7.2.1 Absolute experience

In order to investigate the impact of any prior acquisition experience on acquisition performance, we have constructed the independent variable *Absolute Experience*. The variable represents the number of completed acquisitions within any industry, country, deal size interval, and relative size interval, by the same acquirer prior to the announcement of the acquisition in question. The variable design is in line with researchers such as Laamanen & Keil (2008), Haleblian & Finkelstein (1999), Kusewitt (1985), and Fowler and Schmidt (1989).

3.7.2.2 Culture

For the purpose of testing hypothesis 2, the independent variable *Specialized Geographic Experience* has been constructed which represents the number of previous acquisitions performed, by the same acquirer, on targets from the same country as the target now being acquired, leaving all other acquisitions out. To exemplify, a Swedish company that previously has acquired two German firms and is now acquiring a third, is attributed a *Specialized Geographic Experience*-value of 2. The variable is to some degree theoretically grounded, yet with some alterations. Kengelbach et al. (2012) and Laamanen & Keil (2008) proxy for specialized experience using a dummy variable, where cross-border deals are denoted as 1 and national deals are denoted as 0. The former study also use an additional measure, where they separate between national deals, deals from the same continent, and inter-continental deals. However, a country based proxy will be used here based on the assumption that a Swedish firm and a Polish firm are culturally dissimilar, which Kengelbach et al. (2012) conceptually would cluster together into one category.

Specialized Geographic Experience does not take into account in which European country the acquirer is selecting its targets, it simply looks at prior experience from the same country. As discussed in the theory section, cultural distance may impact acquisition performance as post-merger integration may become more difficult. We control for this impact using two control variables; *Acquirer to target similarity_country* and *Acquirer to target similarity_region.* The former controls for whether the acquirer and target are from the same country or not, while *Acquirer to target similarity_region* indicates whether the acquirer and target firms are from the same region. The regions included are Baltics, Central/Eastern Europe, Northern Europe, Southern Europe and Western Europe. In table 3 the country distribution across the regions is displayed.

Region	Countries	No. Acquisitions (as acquirer)	No. Acquisitions (as target)
Baltics	Estonia, Latvia, Lithuania	5	7
Central/Eastern	Albania, Belarus, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Macedonia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Slovakia, Slovenia, Ukraine, Armenia, Azerbaijan, Georgia, Kazakhstan	110	180
Northern Europe	Denmark, Finland, Iceland, Norway, Sweden	278	227
Southern Europe	Andorra, Cyprus, Greece, Italy, Malta, Portugal, San Marino, Spain, Turkey	137	172
Western Europe	Austria, Belgium, France, Germany, Ireland, Liechtenstein, Luxembourg, Monaco, Netherlands, Switzerland, United Kingdom	1368	1312

Table 3: Distribution of countries across regions

3.7.2.3 Industry

In order to investigate the impact of specialized experience towards a specific industry, the independent variable *Specialized Industry Experience* was constructed which, consistent with Haleblian & Finkelstein (1999) and Hayward (2002), measures the degree of similarity between industry sectors of prior acquisitions made by the same firm. Industry belonging was, in accordance with Haleblian & Finkelstein (1999), determined at a 4 digit US SIC-level to enable the highest level of industry specialization in the analysis. Using a classification system of this kind is supported by Datta & Grant (1990) who promotes distinguishing between industries to reach reliable results. Our variable deviates in one respect from Haleblian & Finkelstein's (1999); they proxied for target-to-target similarity using a percentage ratio showing number of acquisitions from one industry relative the total number of previous acquisitions, which differs from the proxy applied here, where specialized industry experience is measured as number of acquisitions from the same industry exclusively.

Specialized Industry Experience does not take into account the distance between acquirer and target industry, it simply looks at the industry distance on a target-to-target basis. That is, it reflects the acquirer's experience within current target industry. However, following Haleblian & Finkelstein's (1999) reasoning, acquirer-to-target industry relatedness may impact on acquisition performance as markets may value related acquisitions higher than unrelated acquisitions. Thus, this was controlled for by applying *Acquirer to target similarity_industry* as a control variable, which shows whether the acquirer and target operate within the same industry or not.

3.7.2.4 Indigestion and size

The final acquisition dimension with respect to specialized experience relates to indigestion and size. As discussed in the theory section, the size of both the target and acquiring firm can have an impact on acquisition performance. The question is whether having acquired targets of

similar size before improves the acquirer's prospects when acquiring another one. To our knowledge, no research has been conducted using size as a specialized experience dimension. Two independent variables have therefore been constructed to test for the impact of experience related to size; *Specialized Deal Size Experience* and *Specialized Relative Size Experience*. The former reflects the number of previous acquisitions performed by the acquirer within the same absolute deal size interval, while the latter reflects the number of previous acquisitions performed within the same deal size/acquirer total assets-interval as the focal acquisition. The respective intervals are presented below.

Interval Name	Deal size interval (thEUR)	Number of acquisitions
Small acquisition	0 - 1.99	369
Medium acquisition	2 - 9.99	571
Large acquisition	10 - 99.99	678
Very large acquisition	> 100	280

Table 4: Deal Size Intervals

Interval Name	Deal size / total assets interval	Number of acquisitions
Small relative acquisition	0 – 0.0049	369
Medium relative acquisition	0.005 – 0.029	530
Large relative acquisition	0.03 – 0.29	633
Very large relative acquisition	> 0.3	179

Table 5: Deal Size / total assets Intervals

Additionally, several control variables are used to control for size and indigestion factors. In line with Laamanen & Keil (2008), *Acquirer total assets (log)* controls for absolute size of the acquirer expressed as the logarithmic value of total assets of the acquiring firm. *Deal value (log)* controls for the absolute deal value of the acquisition presented in logarithmic form to reduce the effect of extreme values, in line with research by Fischer & Pollock (2004). *Time from previous acquisition (days)* and *Deal value / Time* further controls for indigestion, as research by Laamanen & Keil (2008) indicated that the time between acquisitions impact on performance. *Time from previous acquisition (days)* measures number of days, irrespective of size of the prior acquisition, while *Deal value / Time* controls for deal value relative the number of days between acquisitions. Consistent with Haleblian & Finkelstein (1999), we also controlled for potential effects of macroeconomic conditions on acquisition activity by entering a dummy variable for the financial crisis erupting around 2009, denoted as *Dum_Precrash*.

3.8 Analytical tools and structure

3.8.1 Analytical tool

For the purpose of analyzing data and testing hypotheses, SPSS 22.0 has been used. The decision rule has been to accept significance levels of a maximum of five percent. However, in those cases where deemed relevant to discuss results on higher levels, significance levels of ten percent have been accepted. The SPSS tests applied throughout the thesis process include: Independent Samples t-Test, Means test, Descriptive- and frequency analysis, and Multiple Linear Regression. Given that we exclusively include more than one independent variable in the regression analyses, we will use Adjusted R-squared instead of R-squared as the coefficient of determination[3] (Myers, Montgomery & Anderson-Cook, 2009).

3.8.2 Structure of Regression Analysis

Each acquisition dimension and its corresponding hypothesis is represented by a unique regression model, adding up to a total of five (model I–model V) models. Following the research structure of Kengelbach et al. (2012), Laamanen & Keil (2008) and Haleblian & Finkelstein (1999), Model I – model V are built upon a base model including a selection of control variables, which is the same for all five models. In all of the models, both CAR and BHAR are used as the dependent variable with CAR covering two event windows and BHAR covering three event windows.

Overall, the adjusted R-square values reported for each model are relatively low, ranging between 0.026-0.047 for the base model and 0.025-0.052 for models I-V. However, the reported values are in line with the majority of previous M&A studies and are deemed expected whenever abnormal returns are applied as the dependent variable (Haleblian & Finkelstein, 1999; Kengelbach, et al., 2012; Ismail, 2008). The same goes for our reported beta coefficients, which indicate the magnitude of the variables' impact on the dependent variable (Myers, Montgomery & Anderson-Cook, 2009). Also here, Kengelbach et al. (2012) and Haleblian & Finkelstein (1999), who study similar acquisitive topics, come across similar levels in their studies, making us confident in the validation of our results.

3.8.3 Robustness of Regression Models

Before proceeding with the multiple linear regressions, multicollinearity was tested for in the regression models. Similarly to Kengelbach et al. (2012) some alterations to the variable specification had to be made in order to prevent variance inflation. The yearly dummy variables were excluded from the models as well as the dummy variables for acquisition type.[4] Once that procedure was done, no multicollinearity problems were detected in any of the models, showing strong implications that none of the independent variables used in the regressions were highly linearly related, thus not causing problems in estimating the regression coefficients. A general

[3] R- squared is a measure of the amount of reduction in the variability of the dependent variable using independent variables. Adjusted R-squared is often used when several independent variable enter the regression to summarize the fit of the model, as it takes into account the number of variables included. R-squared typically increase the more variables that enter, while Adjusted R-squared typically decrease.

[4] Dummy variables were created for each acquisition type respectively, adding up to five dummy variables; DUMHORIZONTAL, DUMVERTICAL, DUMSUBSTITUTE, DUMDIVERSIFICATION, DUMCONGLOMERATE.

rule of thumb is that the variance inflation factor (VIF) should not exceed 10 (UCLA: Statistical Consulting Group, 2014). In all models, the VIF values displayed ranged between 1.015-1.879; well within an accepted level, making the authors confident in ruling out multicollinearity of the *i*th independent variable with the other independent variables in the models (Belsley, Kuh, & Welsch, 1980).

Additionally, autocorrelation was tested for before proceeding with the analyses. In all of the regression models, the Durbin-Watson values ranged between 1.515-1.840, which is within accepted levels (Myers, Montgomery & Anderson-Cook, 2009).[5] Given that our robustness analysis points towards it being highly unlikely for either multicollinearity or autocorrelation to bias the regression analyses and its coefficients, the foundation for proceeding with the multiple linear regressions has been laid.

[5] The Durbin-Watson statistic is used to test for the presence of autocorrelation, and more specifically indicates whether any correlation among the residuals (prediction errors) is detected from a regression analysis. The value of the Durbin-Watson statistic ranges from 0 to 4. As a general rule of thumb, the residuals are uncorrelated if the Durbin-Watson statistic is close to 2, and an accepted level of Durbin-Watson values lies between 1 and 3. A Value close to 0 indicates strong positive correlation, while a value of 4 indicates strong negative correlation.

4. Empirical results

In the following section the empirical results from the descriptive and regression analyses will be presented, the hypotheses will be supported or rejected and the differences between CAR and BHAR will be displayed.

4.1 Descriptive results

Prior to testing specialized experience per se, the authors tested whether any differences with respect to acquisition performance, CAR or BHAR, were detectable. For this purpose, Independent Samples t-Tests were conducted comparing means, with the aim of investigating whether certain elements of the acquisition dimensions[6] are connected to better acquisition performance than others. The results will serve as a first indication on whether specialized experience may differ from absolute experience or not, and as such whether further investigation by conducting regression analyses is motivated for. The mean value results here, combined with the forthcoming regression analyses, will provide a more all-encompassing picture to base an analysis on. Below we discuss the main findings from independent samples t-tests.

4.1.1 Culture

It is of interest to establish whether acquirers are more or less successful depending on which European region they select their targets from. Our analyses indicate that there are significant mean differences in acquisition performance between the European target regions. The CAR results displayed in table 6 provide a first indication of which regions acquiring firms should avoid when choosing targets. First, one can especially distinguish Southern Europe and the Baltics as two target regions in which acquiring firms exhibit the most negative abnormal return performance.

Table 6 - Mean differences; Target region

CAR

	Western Europe		*Southern Europe*		*Northern Europe*		*Central/Eastern*		*Baltics*	
	7 days	**61 days**	**7 days**	**61 days**	**7 days**	**61 days**	**7 days**	**61 days**	**7 days**	**61 days**
Western Europe			1,14%	2,38%	-0,07%	0,07%	-0,49%	0,42%	1,86%	4,30%
			(2,97)***	(2,58)***	(-0,13)	(0,07)	(-0,88)	(0,34)	(0,72)	(3,53)***
Southern Europe	-1,14%	-2,38%			-1,20%	-2,30%	-1,62%	-1,96%	0,72%	1,92%
	(-2,97)***	(-2,58)***			(-2,17)**	(-1,92)*	(-2,45)**	(-1,44)	(0,43)	(1,38)
Northern Europe	0,07%	-0,07%	1,20%	2,30%			-0,42%	0,35%	1,92%	4,22%
	(0,13)	(-0,07)	(2,17)**	(1,92)*			(-0,59)	(0,25)	(0,76)	(2,93)***
Central/Eastern Europe	0,49%	-0,42%	1,62%	1,96%	0,42%	-0,35%			2,34%	3,88%
	(0,88)	(-0,34)	(2,45)**	(1,44)	(0,59)	(-0,25)			(0,80)	(2,46)**
Baltics	-1,86%	-4,30%	-0,72%	-1,92%	-1,92%	-4,22%	-2,34%	-3,88%		
	(-0,72)	(-3,53)***	(-0,43)	(-1,38)	(-0,76)	(-2,93)***	(-0,80)	(-2,46)**		

t-statistics are in parentheses

* significant at 10 %; ** significant at 5 %; *** significant at 1 %

There are significant differences between Southern Europe and the rest of the regions, except the Baltics. The fact that targeting firms in Southern Europe seems to impact acquisition performance more negatively, as indicated by the negative *t*-statistic values, compared to other

[6] As stated in the theory section, acquisition dimensions constitute *geography*, *industry*, *firm-size*; such dimensions possible for management to control.

regions, may not come as surprise seeing that the financial crisis hit Southern Europe particularly hard. The largest mean difference is observed between Southern and Western Europe, at a significance level of 1%. The same tendencies can be distinguished for the Baltics, which also seems to be a target region in which acquirers exhibit more negative abnormal returns compared to Central/Eastern Europe and especially Western and Northern Europe.

A second interesting finding is that, in general, the CAR differences tend to increase the longer time-period we look at. At this stage of the analysis, we can thus conclude that, looking at Southern Europe and the Baltics, the CAR performance tend to decrease relative the other regions when moving from short-term to mid-term in the analysis.

The BHAR results presented in table 7 are relatively similar to those found through the CAR-method. Acquiring firms tend to perform worse after targeting corporations from Southern Europe and the Baltics. One difference from the CAR results worth pinpointing is that the trend discussed above, with differences in CAR between regions increasing the longer the time-period, is not evident to the same extent for BHAR. All in all, no methodological time effect can be distinguished for BHAR performance.

Table 7 - Mean differences; Target region

BHAR

	Western Europe			*Southern Europe*			*Northern Europe*			*Central/Eastern*			*Baltics*		
	7 days	**61 days**	**1 year**	**7 days**	**61 days**	**1 year**	**7 days**	**61 days**	**1 year**	**7 days**	**61 days**	**1 year**	**7 days**	**61 days**	**1 year**
Western				0,61 %	2,53%	6,77%	-0,16%	0,59%	-0,03%	0,33%	1,32%	0,11%	2,96%	4,01%	-1,25%
Europe				(1,75)*	(2,80)***	(2,75)***	(-0,32)	(0,47)	(-0,01)	(0,61)	(0,95)	(0,03)	(1,16)	(3,44)***	(-0,06)
Southern	-0,61%	-2,53%	-6,77%				-0,76%	-1,95%	-6,80%	-0,28%	-1,21%	-6,67%	2,35%	1,48%	-8,03%
Europe	(-1,75)*	(-2,80)***	(-2,75)***				(-1,39)	(-1,96)*	(-2,31)**	(-0,49)	(-0,90)	(-1,97)*	(1,61)	(1,13)	(-0,77)
Northern	0,16%	-0,59%	0,03%	0,76%	1,95%	6,80%				0,49%	0,73%	0,13%	3,12%	3,43%	-1,22%
Europe	(0,32)	(-0,47)	(0,01)	(1,39)	(1,96)*	(2,31)**				(0,71)	(0,52)	(0,04)	(1,18)	(2,47)**	(-0,09)
Central/Eastern	-0,33%	-1,32%	-0,11%	0,28%	1,21%	6,67%	-0,49%	-0,73%	-0,13%				2,63%	2,69%	-1,36%
Europe	(-0,61)	(-0,95)	(-0,03)	(0,49)	(0,90)	(1,97)*	(-0,71)	(-0,52)	(-0,04)				(1,05)	(1,75)	(-0,08)
Baltics	-2,96%	-4,01%	1,25%	-2,35%	-1,48%	8,03%	-3,12%	-3,43%	1,22%	-2,63%	-2,69%	1,36%			
	(-1,16)	(-3,44)***	(0,06)	(-1,61)	(-1,13)	(0,77)	(1,18)	(-2,47)**	(0,09)	(-1,05)	(-1,75)	(0,08)			

t-statistics are in parentheses

* significant at 10 %; ** significant at 5 %; *** significant at 1 %

4.1.2 Industry

When acquiring a firm, we have come across results showing it does seem to matter, performance wise, how related or unrelated the acquiring and target firms are in terms of industry distance. Consistent with above, we conducted independent samples t-tests to see whether acquisition performance differs depending on if a *horizontal*, *substitute*, *vertical*, *diversification* or *conglomerate* acquisition has taken place.

The main finding of interest when studying CAR from table 8, is that executing a diversification acquisition appears to have a negative impact on acquisition performance relative other types of acquisitions. Performing a diversification acquisition leads to worse performance for acquirers than performing a horizontal, substitute or conglomerate acquisition, with the decreased CAR performance ranging between 2,14%-3,74% lower abnormal returns compared to previously mentioned acquisition types. Although these results are highly and moderately

significant at 1 and 5% respectively, they are only significant when measuring a mid-term event window.

Table 8 - Mean differences; Acquisition types

CAR

	Horizontal		*Substitute*		*Diversification*		*Vertical*		*Conglomerate*	
	7 days	**61 days**	**7 days**	**61 days**	**7 days**	**61 days**	**7 days**	**61 days**	**7 days**	**61 days**
Horizontal			-0,23%	-1,60%	0,20%	2,14%	0,71%	0,42%	0,62%	-0,08%
			(-0,41)	(-1,40)	(0,34)	(2,11)**	(1,25)	(0,35)	(1,65)	(-0,097)
Substitute	0,23%	1,60%			0,43%	3,74%	0,94%	2,02%	0,85%	1,52%
	(0,41)	(1,40)			(0,66)	(2,92)***	(1,42)	(1,31)	(1,63)	(1,23)
Diversification	-0,20%	-2,14%	-0,43%	-3,74%			0,51%	-1,72%	0,42%	-2,22%
	(-0,34)	(-2,11)**	(-0,66)	(-2,92)***			(0,77)	(-1,18)	(0,77)	(-2,20)**
Vertical	-0,71%	-0,42%	-0,94%	-2,02%	-0,51%	1,72%			-0,09%	-0,50%
	(-1,25)	(-0,35)	(.1,42)	(-1,31)	(-0,77)	(1,18)			(-0,17)	(-0,39)
Conglomerate	-0,62%	0,08%	-0,85%	-1,52%	-0,42%	2,22%	0,09%	0,50%		
	(-1,65)	(0,097)	(-1,63)	(-1,23)	(-0,77)	(2,20)**	(0,17)	(0,39)		

t-statistics are in parentheses

* significant at 10 %; ** significant at 5 %; *** significant at 1 %

In the case of BHAR, displayed in table 9, a similar trend regarding diversification can be distinguished, now also displaying statistically lower performance compared to vertical acquisitions when measuring long-term effects.

Table 9 - Mean differences; Acquisition types

BHAR

	Horizontal			*Substitute*			*Diversification*			*Vertical*			*Conglomerate*		
	7 days	**61 days**	**1 year**	**7 days**	**61 days**	**1 year**	**7 days**	**61 days**	**1 year**	**7 days**	**61 days**	**1 year**	**7 days**	**61 days**	**1 year**
Horizontal				0,00%	-1,73%	-0,71%	0,46%	2,50%	3,55%	0,94%	-0,16%	-5,2%	1,04%	0,62%	3,18%
				(0,002)	(-1,48)	(-0,22)	(0,77)	(2,41)**	(1,01)	(1,62)	(-0,11)	(-1,39)	(2,78)***	(0,70)	(1,21)
Substitute	0,00%	1,73%	0,71%				0,46%	4,23%	4,25%	0,94%	1,58%	-4,49%	1,04%	2,36%	3,89%
	(0,002)	(1,48)	(0,22)				(0,69)	(3,14)***	(1,05)	(1,37)	(0,83)	(-0,94)	(1,92)*	(1,76)*	(1,02)
Diversification	-0,46%	-2,50%	-3,55%	-0,46%	-4,23%	-4,25%				0,48%	-2,65%	-8,74%	0,58%	-1,87%	-0,37%
	(-0,77)	(-2,41)**	(-1,01)	(-0,69)	(-3,14)***	(-1,05)				(0,74)	(-1,47)	(-1,65)*	(1,16)	(-1,77)*	(-0,09)
Vertical	-0,94%	0,16%	5,2%	-0,94%	-1,58%	4,49%	-0,48%	2,65%	8,74%				0,10%	0,78%	8,38%
	(-1,62)	(0,11)	(1,39)	(-1,37)	(-0,83)	(0,94)	(-0,74)	(1,47)	(1,65)*				(0,21)	(0,53)	(2,0)**
Conglomerate	-1,04%	-0,62%	-3,18%	-1,04%	-2,36%	-3,89%	-0,58%	1,87%	0,37%	-0,10%	-0,78%	-8,38%			
	(-2,78)***	(-0,70)	(-1,21)	(-1,92)*	(-1,76)*	(-1,02)	(-1,16)	(1,77)*	(0,09)	(-0,21)	(-0,53)	(-2,0)**			

t-statistics are in parentheses

* significant at 10 %; ** significant at 5 %; *** significant at 1 %

The major difference from previous results is that, for BHAR, conglomerate acquisitions also show statistically significant results. According to our mean value results, performing a conglomerate acquisition strongly appears to have a negative influence on acquisition performance relative horizontal, substitute and vertical acquisitions, with the decreased BHAR performance ranging between 1.04%-8.38% lower abnormal returns compared to three acquisition types mentioned above. These results are spread over all three significance levels. However, executing a conglomerate acquisition is slightly less negative for acquirers performance wise compared to diversification, as our results show on a moderate significance level of 10% that conglomerate is 1,87% more successful than diversification acquisitions.

The prevalent trend which can be spotted both for CAR and BHAR is that relative each other, acquiring targets with higher industry proximity to the acquirer seems to yield higher abnormal returns, indicated by the negative coefficients for diversification, vertical and conglomerate acquisitions (although with various significance levels).

4.1.3 Indigestion and size

A good first indication of if and when acquirers tend to be subject to indigestion can be provided for by investigating whether any performance differences can be observed between *small, medium, large* and *very large* acquisition deals. Achieving high significance overall for the CAR (table 10) and BHAR (table 11) results proved somewhat difficult. However, the one significant finding observed regardless of method, is that acquirers appear to be less successful when acquiring very large targets, in monetary value, compared to small, medium and large deals. This result is only significant on a mid-term basis regardless of method used.

Table 10 - Mean differences; Deal size

CAR

	Small		*Medium*		*Large*		*Very Large*	
	7 days	**61 days**	**7 days**	**61 days**	**7 days**	**61 days**	**7 days**	**61 days**
Small			0,10 %	1,30%	0,16%	2,11%	0,34%	3,80%
			(0,21)	(1,08)	(0,33)	(1,87)*	(0,63)	(3,14)***
Medium	-0,10%	-1,30%			0,06%	0,82%	0,23%	2,52%
	(-0,21)	(-1,08)			(0,15)	(1,01)	(0,54)	(2,73)***
Large	-0,16%	-2,11%	-0,06%	-0,82%			0,18%	1,70%
	(-0,33)	(-1,87)*	(-0,15)	(-1,01)			(0,42)	(2,02)**
Very Large	-0,34%	-3,80%	-0,23%	-2,51%	-0,18%	-1,70%		
	(-0,63)	(-3,14)***	(-0,54)	(-2,73)***	(-0,42)	(-2,02)**		

t-statistics are in parentheses

* significant at 10 %; ** significant at 5 %; *** significant at 1 %

Although the results on a short- and long-term basis are more elusive as no statistical significance was detected, one can still identify a general tendency for both BHAR and particularly CAR; the longer the time-period studied, the greater the magnitude of the higher or lower abnormal return performance relative other deal sizes. In short, acquirers appear to be increasingly less successful in their transactions the larger the target firms and thus deal sizes are, and the longer time-period being investigated.

Table 11 - Mean differences; Deal size

BHAR

	Small			*Medium*			*Large*			*Very Large*		
	7 days	**61 days**	**1 year**	**7 days**	**61 days**	**1 year**	**7 days**	**61 days**	**1 year**	**7 days**	**61 days**	**1 year**
Small				-0,33%	0,24%	-1,93%	-0,09%	1,02%	2,27%	0,06%	2,60%	2,09%
				(-0,71)	(0,19)	(-0,47)	(-0,21)	(0,86)	(0,62)	(0,12)	(2,09)**	(0,55)
Medium	0,33%	-0,24%	1,93%				0,24%	0,78%	4,19%	0,40%	2,35%	4,02%
	(0,71)	(-0,19)	(0,47)				(0,64)	(0,82)	(1,62)	(0,89)	(2,31)**	(1,41)
Large	0,09%	-1,02%	-2,27%	-0,24%	-0,78%	-4,19%				0,16%	1,57%	-0,17%
	(0,21)	(-0,86)	(-0,62)	(-0,64)	(-0,82)	(-1,62)				(0,37)	(1,82)*	(-0,08)
Very Large	-0,06%	-2,60%	-2,09%	-0,40%	-2,35%	-4,02%	-0,16%	-1,57%	0,17%			
	(-0,12)	(-2,09)**	(-0,55)	(-0,89)	(-2,31)**	(-1,41)	(-0,37)	(-1,82)*	(0,08)			

t-statistics are in parentheses

* significant at 10 %; ** significant at 5 %; *** significant at 1 %

Although the Independent Samples t-Tests show somewhat mixed results comparing BHAR and CAR and the different acquisition dimensions above, the significant differences identified provides moderate statistical evidence that industry relatedness, geography and deal size matters with respect to acquisition performance. This finding supports the relevance of proceeding with more in-depth analyses, by conducting linear multiple regressions.

4.2 Linear Multiple Regressions

The results from the linear regression analyses will be presented in the following (See Tables 12-13 for full results), dedicating each hypothesis and its corresponding independent variables a separate sub-section. Given the analysis above providing some evidence that acquisition performance differs depending on degree of industry relatedness, geographic location of target firms, and deal size of the transaction being executed, the results from the regression analyses come as somewhat of a surprise, with many of the hypotheses in fact being rejected. Allow us to guide you through why, in which cases, and to what extent rejection has been sanctioned.

Table 12 - Multiple linear regression analysis with 7 day and 61 days cumulative abnormal returns as the dependent variable. To control for heteroscedasticity standard errors are used along all model specifications and presented in parentheses. All data are obtained from Datastream and Zephyr. ***, ** and * denote statistical significance at the 1%-, 5%- and 10% level.

Table 12 - Linear Regression Analysis

CAR	Model I		Model II		Model III		Model IV		Model V	
	7 days	61 days	7 days	61 days	7 days	61 days	7 days	61 days	7 days	61 days
Constant	0,071	0,144	0,069	0,142	0,069	0,140	0,069	0,143	0,069	0,142
	(0,011)***	(0,025)***	(0,011)***	(0,024)***	(0,011)***	(0,025)***	(0,011)***	(0,025)***	(0,011)***	(0,025)***
Absolute Experience	-0,002	-0,002								
	(0,001)**	(0,001)*								
Sepcialized Geographic Experience			-0,002	-0,004						
			(0,001)***	(0,002)**						
Specialized Industry Experience					-0,002	-0,002				
					(0,001)	(0,003)				
Specialized Deal Size Experience							-0,002	-0,04		
							(0,001)	(0,002)		
Specialized Relative Size Experience									-0,002	-0,003
									(0,001)	(0,002)
Acquirer to target similarity_Country	0,001	-0,006	0,005	0,001	0,001	-0,005	0,000	-0,006	0,000	-0,006
	(0,005)	(0,011)	(0,005)	(0,011)	(0,005)	(0,011)	(0,005)	(0,011)	(0,005)	(0,011)
Acquirer to target similarity_Region	-0,006	-0,004	-0,005	-0,003	-0,006	-0,004	-0,005	-0,003	-0,005	-0,003
	(0,006)	(0,014)	(0,006)	(0,014)	(0,006)	(0,014)	(0,006)	(0,014)	(0,006)	(0,014)
Acquirer to target similarity_Industry	0,000	-0,006	0,000	-0,006	0,002	-0,005	0,000	-0,006	0,000	-0,007
	(0,003)	(0,008)	(0,003)	(0,008)	(0,004)	(0,008)	(0,003)	(0,008)	(0,003)	(0,008)
Acquirer total assets (log)	-0,014	-0,015	-0,015	-0,015	-0,015	-0,016	-0,015	-0,015	-0,014	-0,015
	(0,002)***	(0,004)***	(0,002)***	(0,004)***	(0,002)***	(0,004)***	(0,002)***	(0,004)***	(0,002)***	(0,004)***
Deal Value (log)	0,011	0,002	0,011	0,003	0,011	0,003	0,011	0,002	0,010	0,002
	(0,002)***	(0,005)	(0,002)***	(0,005)	(0,002)***	(0,005)	(0,002)***	(0,005)	(0,002)***	(0,005)
Time from previous acquisition (days)	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)
Dum_Precrash	-0,017	-0,045	-0,017	-0,046	-0,015	-0,042	-0,015	-0,044	-0,015	-0,043
	(0,004)***	(0,009)***	(0,004)***	(0,008)***	(0,004)***	(0,008)***	(0,004)***	(0,008)***	(0,004)***	(0,008)***
Deal value / Time	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	(0,000)	(0,000)*	(0,000)	(0,000)*	(0,000)	(0,000)*	(0,000)	(0,000)*	(0,000)	(0,000)*
N Observations	1717	1717	1717	1717	1715	1715	1717	1717	1711	1711
Adjusted Rsquare	0,050	0,030	0,052	0,031	0,049	0,029	0,048	0,030	0,048	0,030

standard errors in parantheses

* significant at 10 %; ** significant at 5 %; *** significant at 1 %

Table 13 - Multiple linear regression analysis with 7 day, 61 days, and 1 year buy-and-hold abnormal returns as the dependent variable. To control for heteroscedasticity standard errors are used along all model specifications and presented in parentheses. All data are obtained from Datastream and Zephyr. ***, ** and * denote statistical significance at the 1%-, 5%- and 10% level.

Table 13 - Linear Regression Analysis

BAHR	Model I			Model II			Model III			Model IV			Model V		
	7 days	61 days	1 year	7 days	61 days	1 year	7 days	61 days	1 year	7 days	61 days	1 year	7 days	61 days	1 year
Constant	0,058	0,141	0,332	0,056	0,139	0,317	0,055	0,138	0,303	0,056	0,140	0,311	0,056	0,139	0,314
	(0,011)***	(0,027)***	(0,079)***	(0,011)***	(0,027)***	(0,078)***	(0,011)***	(0,027)***	(0,079)***	(0,011)***	(0,027)***	(0,079)***	(0,011)***	(0,027)***	(0,079)***
Absolute Experience	-0,002	-0,002	-0,013												
	(0,001)***	(0,002)	(0,004)***												
Sepcialized Geographic Experience				-0,003	-0,004	-0,020									
				(0,001)***	(0,002)**	(0,006)***									
Specialized Industry Experience							-0,003	-0,002	-0,011						
							(0,001)**	(0,003)	(0,010)						
Specialized Deal Size Experience										-0,003	-0,003	-0,014			
										(0,001)**	(0,003)	(0,008)*			
Specialized Relative Size Experience													-0,002	-0,002	-0,018
													(0,001)**	(0,003)	(0,008)**
Acquirer to target similarity_Country	0,002	-0,004	-0,020	0,007	0,002	0,012	0,003	-0,004	-0,022	0,002	-0,005	-0,023	0,002	-0,005	-0,022
	(0,005)	(0,012)	(0,033)	(0,005)	(0,012)	(0,034)	(0,005)	(0,012)	(0,033)	(0,005)	(0,012)	(0,033)	(0,005)	(0,012)	(0,033)
Acquirer to target similarity_Region	-0,003	-0,003	-0,004	-0,003	-0,003	-0,002	-0,004	-0,004	-0,005	-0,003	-0,003	-0,003	-0,003	-0,003	-0,008
	(0,006)	(0,015)	(0,043)	(0,006)	(0,015)	(0,043)	(0,006)	(0,015)	(0,043)	(0,006)	(0,015)	(0,043)	(0,006)	(0,015)	(0,043)
Acquirer to target similarity_Industry	0,005	-0,004	-0,011	0,005	-0,004	-0,012	0,008	-0,002	-0,004	0,005	-0,004	-0,011	0,004	-0,005	-0,012
	(0,003)	(0,009)	(0,025)	(0,003)	(0,009)	(0,025)	(0,004)	(0,009)	(0,027)	(0,003)	(0,009)	(0,025)	(0,003)	(0,009)	(0,025)
Acquirer total assets (log)	-0,012	-0,020	-0,041	-0,013	-0,021	-0,044	-0,013	-0,021	-0,045	-0,013	-0,021	-0,044	-0,012	-0,021	-0,041
	(0,002)***	(0,005)***	(0,013)***	(0,002)***	(0,004)***	(0,013)***	(0,002)***	(0,004)***	(0,013)***	(0,002)***	(0,005)***	(0,013)***	(0,002)***	(0,005)***	(0,013)***
Deal Value (log)	0,009	0,009	0,024	0,009	0,010	0,026	0,010	0,010	0,028	0,009	0,009	0,026	0,009	0,009	0,024
	(0,002)***	(0,005)*	(0,015)	(0,002)***	(0,005)*	(0,015)*	(0,002)***	(0,005)*	(0,015)*	(0,002)***	(0,005)*	(0,015)*	(0,002)***	(0,005)*	(0,016)
Time from previous acquisition (days)	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)
Dum_Precrash	-0,012	-0,041	-0,161	-0,012	-0,043	-0,161	-0,010	-0,038	-0,141	-0,010	-0,040	-0,146	-0,009	-0,039	-0,149
	(0,004)***	(0,009)***	(0,027)***	(0,004)***	(0,009)***	(0,027)***	(0,004)***	(0,009)***	(0,026)***	(0,004)***	(0,009)***	(0,026)***	(0,004)***	(0,009)***	(0,026)***
Deal value / Time	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)
N Observations	1716	1713	1604	1716	1713	1604	1714	1711	1602	1716	1713	1604	1710	1707	1598
Adjusted Rsquare	0,042	0,026	0,031	0,044	0,027	0,032	0,039	0,026	0,026	0,039	0,026	0,027	0,037	0,025	0,028

standard errors in parantheses

* significant at 10 %; ** significant at 5 %; *** significant at 1 %

4.2.1 Control variables

Controlling for deal size, exceedingly interesting results can be presented (see Table 12-13). Significant positive coefficients were observed for the control variable *deal value*, indicating that firms engaging in larger deals on average yield higher abnormal returns compared to firms engaging in smaller deals. This *deal value* finding is in isolation of the acquirer's size, in other words, no consideration of relative size has been taken at this stage (further investigation on this matter in later sections). Surprisingly, a positive impact of deal size on performance seen in the regressions stands in direct contrast to the mean value analysis above, where it was indicated, when studying performance differences in absolute abnormal returns between two size intervals, that targeting smaller firms was more successful. A potential explanation for this differential could be that deal value only shows positive significant impact on CARs when measured over a short-term event window in the regressions, while when comparing means in isolation of other variables as in previous section, deal value was only significant on a mid-term basis regardless of method. Given the different signs indicated by the respective tests, the time-period being studied seems influential on the performance result. The results from the BHAR-analysis are similar to the CAR results. However, *deal value* also seems to have a positive impact on BHAR when analyzing mid-term performance and, to some extent, long-term performance. These results are only moderately significant though at 10%, framing the short-term result as more reliable.

Controlling for the size of the acquirer, our results provide strong evidence for smaller acquiring firms exhibiting higher abnormal returns compared to larger acquirers, as shown in table 12 and 13 above. The coefficients for the *acquirer total assets* variable display, with no exception, negative values for all models and over all event windows. This result is consistent with recent studies, where scholars such as Laamanen (2008) and Moeller, Schlingemann and Stulz (2004) found that smaller firms are likely to experience increasing abnormal returns proportionately more than larger firms.

Additionally, significant time-effects are also observed. The abnormal returns yielded *after* the financial crisis were higher compared to before the crisis began, as indicated by the negative beta coefficients of the dummy variable Dum_Precrash, irrespective of CAR or BHAR. This finding was highly unexpected, as our initial belief was that the after-chock of the financial crisis would linger for several years. As this does not seem to be the case on the acquisitive arena makes us wonder whether the burdened world market after the crisis led acquirers to be more cautious and thus overvalued target deals less, and also prepared better for post-acquisition integration. Worth noting is that the coefficient increases along with the event window, where we for example identify a beta coefficient of -0.012 for the 7 day event window in table 13 while the 1 year beta coefficient for the same variable is -0.161, both significant at the 1% significance level.

The remaining control variables show no significant explanatory influence on acquisition performance. The beta coefficient of the variable *Deal value / Time* is significant at 10 % when using CAR and the event window is 61 days, however the beta is 0.000 indicating no influence on the dependent variable.

4.2.2 Independent variables

We now go through the regression results of the independent variables used to test the formulated hypotheses. The differences between the short-, mid- and long-term event windows will be discussed for each hypothesis as well as the differentials in results between CAR and BHAR.

4.2.2.1 Hypothesis 1: Absolute experience

The theoretically based Hypothesis 1 asserts that no relationship or a negative relationship exists between absolute experience, as measured by the quantity of all previous acquisitions, and acquisition performance; a hypothesis for which we find evidence to support. The

Table 14 - Model I

	CAR		BHAR		
	7 days	**61 days**	**7 days**	**61 days**	**1 year**
Constant	0,071	0,144	0,058	0,141	0,332
	(0,011)***	(0,025)***	(0,011)***	(0,027)***	(0,079)***
Absolute Experience	-0,002	-0,002	-0,002	-0,002	-0,013
	(0,001)**	(0,001)*	(0,001)***	(0,002)	(0,004)***
Sepcialized Geographic Experience					
Specialized Industry Experience					
Specialized Deal Size Experience					
Specialized Relative Size Experience					
Acquirer to target similarity_Country	0,001	-0,006	0,002	-0,004	-0,020
	(0,005)	(0,011)	(0,005)	(0,012)	(0,033)
Acquirer to target similarity_Region	-0,006	-0,004	-0,003	-0,003	-0,004
	(0,006)	(0,014)	(0,006)	(0,015)	(0,043)
Acquirer to target similarity_Industry	0,000	-0,006	0,005	-0,004	-0,011
	(0,003)	(0,008)	(0,003)	(0,009)	(0,025)
Acquirer total assets (log)	-0,014	-0,015	-0,012	-0,020	-0,041
	(0,002)***	(0,004)***	(0,002)***	(0,005)***	(0,013)***
Deal Value (log)	0,011	0,002	0,009	0,009	0,024
	(0,002)***	(0,005)	(0,002)***	(0,005)*	(0,015)
Time from previous acquisition (days)	0,000	0,000	0,000	0,000	0,000
	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)
Dum_Precrash	-0,017	-0,045	-0,012	-0,041	-0,161
	(0,004)***	(0,009)***	(0,004)***	(0,009)***	(0,027)***
Deal value / Time	0,000	0,000	0,000	0,000	0,000
	(0,000)	(0,000)*	(0,000)	(0,000)	(0,000)
N Observations	1717	1717	1716	1713	1604
Adjusted Rsquare	0,050	0,030	0,042	0,026	0,031

standard errors in parantheses

* significant at 10 %; ** significant at 5 %; *** significant at 1 %

regressions show a significant negative relationship between absolute experience and abnormal

return as presented in table 14, leading us to reject the null hypothesis which expected absolute experience to positively impact performance. This result is prevalent for both short- and mid-term event windows using the CAR-method. The results are also significant on short- and long-term event windows using the BHAR-method on a 1% significance level. Clearly, absolute experience appears to be burdening firms rather than helping them.

We see no difference in the magnitude of the negative coefficients between the CAR- and BHAR-method. A decline in the beta value can be observed for the long-term event window of 1 year, compared to the short- and mid-term event windows, indicating that absolute experience has a more negative impact on acquisition performance when observed for a longer period of time after the acquisition has been completed.

Including absolute experience in the regression model did not change the total quality of the model, as adjusted R-square values of 0.050 for the CAR-model and 0.042 for the BHAR-model even lies above corresponding values for the base model where absolute experience is excluded.

4.2.2.2 Hypothesis 2: Culture

The aim here is to test the prediction formulated through hypothesis 2, that specializing in a geographic context by gaining experience from acquisitions within the same country as the focal target firm, enhances acquirers' performance.

Table 15 - Model II

	CAR		BHAR		
	7 days	61 days	7 days	61 days	1 year
Constant	0,069	0,142	0,056	0,139	0,317
	(0,011)***	(0,024)***	(0,011)***	(0,027)***	(0,078)***
Absolute Experience					
Sepcialized	-0,002	-0,004	-0,003	-0,004	-0,020
Geographic Experience	(0,001)***	(0,002)**	(0,001)***	(0,002)**	(0,006)***
Specialized Industry Experience					
Specialized Deal Size Experience					
Specialized Relative Size Experience					
Acquirer to target	0,005	0,001	0,007	0,002	0,012
similarity_Country	(0,005)	(0,011)	(0,005)	(0,012)	(0,034)
Acquirer to target	-0,005	-0,003	-0,003	-0,003	-0,002
similarity_Region	(0,006)	(0,014)	(0,006)	(0,015)	(0,043)
Acquirer to target	0,000	-0,006	0,005	-0,004	-0,012
similarity_Industry	(0,003)	(0,008)	(0,003)	(0,009)	(0,025)
Acquirer total	-0,015	-0,015	-0,013	-0,021	-0,044
assets (log)	(0,002)***	(0,004)***	(0,002)***	(0,004)***	(0,013)***
Deal Value (log)	0,011	0,003	0,009	0,010	0,026
	(0,002)***	(0,005)	(0,002)***	(0,005)*	(0,015)*
Time from previous	0,000	0,000	0,000	0,000	0,000
acquisition (days)	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)
Dum_Precrash	-0,017	-0,046	-0,012	-0,043	-0,161
	(0,004)***	(0,008)***	(0,004)***	(0,009)***	(0,027)***
Deal value / Time	0,000	0,000	0,000	0,000	0,000
	(0,000)	(0,000)*	(0,000)	(0,000)	(0,000)
N Observations	1717	1717	1716	1713	1604
Adjusted Rsquare	0,052	0,031	0,044	0,027	0,032

standard errors in parantheses

* significant at 10 %; ** significant at 5 %; *** significant at 1 %

Opposite to what we expected, table 15 shows that the results on *specialized geographic experience* are consistent with the ones observed for absolute experience. That is, a significant negative relationship between specialized geographic experience and acquisition performance can be detected, which stands in direct opposition to the hypothesized relationship. The negative impact is significant on at least a 5% significance level for all event windows using both CAR

and BHAR for depicting acquisition performance. The results are significant on a 1% level for the short-term and long-term event window.

The coefficients for the short-term and mid-term event windows resemble each other between the CAR- and BHAR-method. Worth noting is the decline of the beta coefficient when measuring acquisition performance long-term. The beta coefficient is then -0.020 as opposed to -0.002 to -0.004 for the short- and mid-term event windows. It seems as though the negative relationship between acquisition performance and specialized geographic experience is larger when performance is observed for a longer period of time after the acquisition, just as in the case of absolute experience.

4.2.2.3 Hypothesis 3: Industry

Similarly to above, specializing towards one specific industry when acquiring appears to negatively influence subsequent performance, evidenced by a negative relationship between specialized industry experience and acquisition performance revealing itself in our results. However, entering *specialized industry experience* into the regression model to test hypothesis 3, which predicted positive impact on performance if acquirers gain acquisition experience within the same industry repeatedly, provided only one significant result overall. As seen in table 16, detected for a short-term event window, specialized industry experience impacts negatively on BHAR performance. Once again, the significant negative relationship or overall, lack of significant results, stands in contrast to the stated hypothesis. Acquirers seem to not benefit from the experience of acquiring firms from the same industry repeatedly.

Table 16 - Model III

	CAR		BHAR		
	7 days	61 days	7 days	61 days	1 year
Constant	0,069	0,140	0,055	0,138	0,303
	(0,011)***	(0,025)***	(0,011)***	(0,027)***	(0,079)***
Absolute Experience					
Sepcialized Geographic Experience					
Specialized Industry	-0,002	-0,002	-0,003	-0,002	-0,011
Experience	(0,001)	(0,003)	(0,001)**	(0,003)	(0,010)
Specialized Deal Size Experience					
Specialized Relative Size Experience					
Acquirer to target	0,001	-0,005	0,003	-0,004	-0,022
similarity_Country	(0,005)	(0,011)	(0,005)	(0,012)	(0,033)
Acquirer to target	-0,006	-0,004	-0,004	-0,004	-0,005
similarity_Region	(0,006)	(0,014)	(0,006)	(0,015)	(0,043)
Acquirer to target	0,002	-0,005	0,008	-0,002	-0,004
similarity_Industry	(0,004)	(0,008)	(0,004)	(0,009)	(0,027)
Acquirer total	-0,015	-0,016	-0,013	-0,021	-0,045
assets (log)	(0,002)***	(0,004)***	(0,002)***	(0,004)***	(0,013)***
Deal Value (log)	0,011	0,003	0,010	0,010	0,028
	(0,002)***	(0,005)	(0,002)***	(0,005)*	(0,015)*
Time from previous	0,000	0,000	0,000	0,000	0,000
acquisition (days)	(0,000)	(0,000)	(0,000	(0,000)	(0,000)
Dum_Precrash	-0,015	-0,042	-0,010	-0,038	-0,141
	(0,004)***	(0,008)***	(0,004)***	(0,009)***	(0,026)***
Deal value / Time	0,000	0,000	0,000	0,000	0,000
	(0,000)	(0,000)*	(0,000)	(0,000)	(0,000)
N Observations	1715	1715	1714	1711	1602
Adjusted Rsquare	0,049	0,029	0,039	0,026	0,026

standard errors in parantheses

* significant at 10 %; ** significant at 5 %; *** significant at 1 %

As explained in the methodology, the BHAR-method is deemed more appropriate when studying longer event windows. However, the result reached here should not be disregarded simply because the significant result corresponds to short-term observation. Furthermore, the magnitude of this result using the BHAR-method is also in close proximity to the corresponding coefficient using the CAR-method.

4.2.2.4 Hypothesis 4: Indigestion & Size

Specialized experience in terms of size also matters. The effect of specializing towards a certain size of deal targets, seemingly does not generate experience that positively impact acquisition performance. The independent variables *Specialized Deal Size Experience* and *Specialized Relative Size Experience* were entered into the regressions separately in order to test hypothesis

4, predicting a positive relationship between specialized experience, as measured by the acquirer's experience from acquisitions of the same absolute size of the target firm and relative size of the target firm to the acquiring firm, and acquisition performance. The results from these tests are presented in model IV and V, table 17 and 18 respectively.

Table 17 - Model IV

	CAR		BHAR		
	7 days	61 days	7 days	61 days	1 year
Constant	0,069	0,143	0,056	0,140	0,311
	(0,011)***	(0,025)***	(0,011)***	(0,027)***	(0,079)***
Absolute Experience					
Sepcialized Geographic Experience					
Specialized Industry Experience					
Specialized Deal Size Experience	-0,002	-0,04	-0,003	-0,003	-0,014
	(0,001)	(0,002)	(0,001)**	(0,003)	(0,008)*
Specialized Relative Size Experience					
Acquirer to target similarity_Country	0,000	-0,006	0,002	-0,005	-0,023
	(0,005)	(0,011)	(0,005)	(0,012)	(0,033)
Acquirer to target similarity_Region	-0,005	-0,003	-0,003	-0,003	-0,003
	(0,006)	(0,014)	(0,006)	(0,015)	(0,043)
Acquirer to target similarity_Industry	0,000	-0,006	0,005	-0,004	-0,011
	(0,003)	(0,008)	(0,003)	(0,009)	(0,025)
Acquirer total assets (log)	-0,015	-0,015	-0,013	-0,021	-0,044
	(0,002)***	(0,004)***	(0,002)***	(0,005)***	(0,013)***
Deal Value (log)	0,011	0,002	0,009	0,009	0,026
	(0,002)***	(0,005)	(0,002)***	(0,005)*	(0,015)*
Time from previous acquisition (days)	0,000	0,000	0,000	0,000	0,000
	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)
Dum_Precrash	-0,015	-0,044	-0,010	-0,040	-0,146
	(0,004)***	(0,008)***	(0,004)***	(0,009)***	(0,026)***
Deal value / Time	0,000	0,000	0,000	0,000	0,000
	(0,000)	(0,000)*	(0,000)	(0,000)	(0,000)
N Observations	1717	1717	1716	1713	1604
Adjusted Rsquare	0,048	0,030	0,039	0,026	0,027

standard errors in parantheses

* significant at 10 %; ** significant at 5 %; *** significant at 1 %

Model IV shows significant results when using BHAR for the short-term and long-term event windows. The significant relationship is negative between specialized deal size experience and acquisition performance, which contradicts the stated hypothesis of a positive relationship. The short-term event window coefficient is significant on a 5% level and the long-term event window coefficient on a 10% level. Similarly to previous tests, one can observe that the long-

term event window beta displays an even stronger negative influence compared to the short-term event window beta coefficient.

Table 18 - Model V

	CAR		BHAR		
	7 days	61 days	7 days	61 days	1 year
Constant	0,069	0,142	0,056	0,139	0,314
	(0,011)***	(0,025)***	(0,011)***	(0,027)***	(0,079)***
Absolute Experience					
Sepcialized Geographic Experience					
Specialized Industry Experience					
Specialized Deal Size Experience					
Specialized Relative Size Experience	-0,002	-0,003	-0,002	-0,002	-0,018
	(0,001)	(0,002)	(0,001)**	(0,003)	(0,008)**
Acquirer to target similarity_Country	0,000	-0,006	0,002	-0,005	-0,022
	(0,005)	(0,011)	(0,005)	(0,012)	(0,033)
Acquirer to target similarity_Region	-0,005	-0,003	-0,003	-0,003	-0,008
	(0,006)	(0,014)	(0,006)	(0,015)	(0,043)
Acquirer to target similarity_Industry	0,000	-0,007	0,004	-0,005	-0,012
	(0,003)	(0,008)	(0,003)	(0,009)	(0,025)
Acquirer total assets (log)	-0,014	-0,015	-0,012	-0,021	-0,041
	(0,002)***	(0,004)***	(0,002)***	(0,005)***	(0,013)***
Deal Value (log)	0,010	0,002	0,009	0,009	0,024
	(0,002)***	(0,005)	(0,002)***	(0,005)*	(0,016)
Time from previous acquisition (days)	0,000	0,000	0,000	0,000	0,000
	(0,000)	(0,000)	(0,000)	(0,000)	(0,000)
Dum_Precrash	-0,015	-0,043	-0,009	-0,039	-0,149
	(0,004)***	(0,008)***	(0,004)***	(0,009)***	(0,026)***
Deal value / Time	0,000	0,000	0,000	0,000	0,000
	(0,000)	(0,000)*	(0,000)	(0,000)	(0,000)
N Observations	1711	1711	1710	1707	1598
Adjusted Rsquare	0,048	0,030	0,037	0,025	0,028

standard errors in parantheses

* significant at 10 %; ** significant at 5 %; *** significant at 1 %

Model V shows similar results as Model IV; a significant negative relationship between specialized relative size experience and acquisition performance when using the BHAR-method for the short-term and long-term event windows. Both results are significant at a 5% level. In a consistent manner, the long-term event window coefficient is more negative than the short-term event window coefficient, indicating a stronger negative impact on acquisition performance when observed for a longer period of time after the acquisition.

Summary of hypotheses

H0 - Rejected

The number of previous successive acquisitions, with no regard to level of similarity between acquisition deals, has a positive influence on the acquirer's performance during any of the event windows, regardless of measurement CAR or BHAR

H1 - Supported

The number of previous successive acquisitions, with no regard to level of similarity between acquisition deals, has either no influence or a negative influence on the acquirer's performance during any of the event windows, regardless of of measurement CAR or BHAR

H2a - Rejected

The number of previous successive acquisition deals within the same target country as current acquisition, has a positive influence on the acquirer's CAR performance during any of the event windows.

H2b - Rejected

The number of previous successive acquisition deals within the same target country as current acquisition, has a positive influence on the acquirer's BHAR performance during any of the event windows.

H3a - Rejected

The number of previous successive acquisition deals within the same target industry as current acquisition, has a positive influence on the acquirer's CAR performance during any of the event windows.

H3b - Rejected

The number of previous successive acquisition deals within the same target industry as current acquisition, has a positive influence on the acquirer's BHAR performance during any of the event windows.

H4a - Rejected

The number of previous successive acquisition deals within the same deal size interval as current acquisition, has a positive impact upon the acquirer's CAR performance during any of the event windows.

H4b - Rejected

The number of previous successive acquisition deals within the same deal size interval as current acquisition, has a positive impact upon the acquirer's BHAR performance during any of the event windows.

H4c - Rejected

The number of previous successive acquisition deals within the same deal size/total assets interval as current acquisitions, has a positive impact upon the acquirer's CAR performance during any of the event windows.

H4d - Rejected

The number of previous successive acquisition deals within the same deal size/total assets interval as current acquisition, has a positive impact upon the acquirer's BHAR performance during any of the event windows.

5. Analysis

The empirical results will now be discussed further by using the theoretical framework as a reference point, providing the reader with some clarity and consensus around the main empirical findings.

5.1 Hypothesis 1: Absolute experience

The primary intention of including absolute experience in current study and as such, test whether acquirers experience more successful outcomes in terms of abnormal returns resulting from gained experience, no matter the degree of similarity between consecutive deals, has been to enable comparative conclusions to be drawn on the subject of specialized experience.

As our empirical results revealed, we found significant negative relationships between absolute experience and acquisition performance for all event windows and for both measurements. These results fully support hypothesis 1, which states that no relationship or a negative relationship should exist. The generated results are in line with the research of Lamaanen & Keil (2008), Kusewitt (1985), to some degree Haleblian and Finkelstein (1999), and Kengelbach et Al. (2012). Haleblian & Finkelstein (1999) found a U-shaped relationship so not fully comparable to the negative results found in our data, but seeing as they found that acquisition performance declined and turned negative after three acquisitions, one can draw similarities across our results as our data only includes serial acquirers having performed a minimum of three acquisitions. However, the results stand in opposition to the research of Hitt et. al (1993), Paine & Power (1984) and Fowler & Schmidt (1989), where all studies came across findings implying that acquisition experience is positively related to post-acquisition financial performance.

Looking beyond the significant results, the increase in magnitude of the negative influence displayed in table 14 when using the long-term event window of 1 year compared to the other time periods, tells us that absolute experience appears to have an even stronger negative impact on acquisition performance when performance is observed for a longer period of time after the acquisition. One potential explanation could be found in the line of reasoning regarding post-merger integration problems highlighted by Shrivastava (1986) and Kengelbach et Al. (2012). Assuming it takes time for firms to integrate into one complete entity after an acquisition transaction as suggested by Conn et al. (2004), the increased negative impact observed for the long-term window could simply represent the effect of firms, or the market, finally realizing, thus represented in the abnormal returns, the true impact of the problematic process of joining two firms. As experiential learning is concerned with both pre-acquisition processes such as valuation, and post-acquisition processes such as integration, these results indicate that having absolute experience appears not to benefit the management of post-acquisition processes.

Finding evidence for experience to have a detrimental effect on abnormal returns speaks against experiential learning being of beneficial value to acquirers. A negative relationship between absolute experience and performance shows that having performed one prior acquisition does not increase the likelihood of a firm succeeding with a second acquisition, rather it increases the likelihood of acquisition failure according to our findings. As argued by Roll (1986), Moeller/Schlingemann/Stulz (2004) and Haleblian & Finkelstein (1999), a negative

relationship could indicate a prevalence of phenomena such as generalization and hubris. However, the question of whether these phenomena can be counter-acted with gaining more specialized experience, by streamlining ones focus towards certain acquisition dimensions, remains to be seen. We therefore find strong support for going further and discussing the field of specialized experience, our main theme of this thesis.

5.2 Hypothesis 2: Culture

Moving on from absolute experience, our findings on the cultural dimension with respect to specialized experience find common ground in Kengelbach et Al. (2012) who concluded that geographic experience does not provide beneficial effects on subsequent acquisition performance, implying that one cannot gain acquisition skills by consistently acquiring firms from the same country. Notable is that, despite the difference in how geographic experience was measured between this study and Kengelbach et Al. (2012) as discussed in the theory section, empirical results from both studies show a significant negative relationship between specialized geographic experience and acquisition performance. Consistent with absolute experience, the negative relationship indicates that not only does having experience from performing an acquisition in the same country before not increase the likelihood of success, it increases the likelihood of failure. The expected learning from previous acquisitions in regards to any country-specific culture and policies is therefore not of proving value to acquiring firms.

The cause of the negative relationship could have several explanations. As previously touched upon, the risk of generalization may be even higher once the experience becomes more specialized (Haleblian & Finkelstein, 1999) by way of acquirers taking the similarity for granted, thus neglecting any deviation between past and current acquisition. While this particular argument extends beyond data in this study, our data at least shows that experience from acquisitions within the same country cannot counteract this risk.

The negative relationship could also be due to the lack of geographical diversification from the acquisitions. As discussed earlier, one of the most common reasons for engaging in M&A is the opportunity for reaching new markets (Grant Thornton, 2013) or for diversification to avoid risk (Andrade et al, 2001; Seth, 1990; Singh & Montgomery, 1987). As the same acquirer performing additional acquisitions in the same region or country is hypothesized to have a positive impact on acquisition performance, it could rather be argued through our results that acquirers are missing important diversification opportunities and suffering from a lack of synergy effect as new markets are not reached.

Chatterjee et al. (1992), Lubatkin et al. (1999) and Thomsen et al (1996) all argue that the causal relationships of successful acquisitions – cultural similarities, and unsuccessful acquisitions – cultural differences hold true in any acquirer-to-target relation, and thus the wider the cultural gap between two firms, the worse the performance when undergoing acquisitions. While this is claimed for the acquirer-to-target relationship, it clearly does not hold true for the target-to-target perspective, as our specialized experience results on geography demonstrates. Let us instead suggest that both target-to-target *and* acquirer-to-target similarity is needed to accomplish synergy effects. In such a case, Buckley & Casson's (1996) and Parkhe's (1991) concluding findings would appear more relevant than ever, that cultural differences impede

knowledge transfer thus destroying acquirer value, indicating that cross-border acquisitions will always underperform relative domestic acquisition. However, our data leads us to reject this explanation as well, as our control variables for acquirer-to-target similarity on geography show non-significant results.

Further, our findings of a negative relationship partly find support in the diminishing returns hypothesis (Ismail, 2008), as our results with respect to geographic target-to-target similarity would indicate a trend of declining excess returns for acquirers along a sequence of acquisitions. However, the reason for only partial support lies in the assumption on which the theory is based; the more firms being acquired, the best target opportunities are removed from the investment opportunity set leaving acquirers with less attractive deals further ahead in time, hence the diminishing returns along a sequence of acquisitions. In our data sample spanning 10 years, we take no consideration of when in time acquirers make their first acquisition. Thus, it remains unsaid whether abnormal returns exhibited by an acquirer are generally higher than the returns exhibited by a different acquirer targeting firms from the same country, but execute their first acquisition later in time. Yet, this would have to be the case in order to fully validate the diminishing returns hypothesis.

Lastly, we observe a decrease of the beta coefficient when measuring acquisition performance long-term, hence the negative relationship between performance and specialized geographic experience is seemingly larger when performance is observed during a longer time-period. As failure due to cultural difficulties most likely manifests as companies are in the midst of integrating, measuring the impact of cultural aspects seems most reasonable to do for longer event windows when the actual merging has started. We therefore consider the level of the beta coefficient for the long-term window as most representable in this case and the negative relationship between specialized geographical experience and acquisition performance should be assumed to lie closer to the long-term window coefficient rather than the short- and mid-term coefficients.

5.3 Hypothesis 3: Industry

As presented in the empirics, the industry regressions showed only one significant result; a negative relationship between specialized industry experience and acquisition performance when using BHAR. As the hypothesis predicted a positive relationship, our result stands in contrast to the hypothesized belief. However, we see this result as inconclusive as the one significant result came from the short-term event window using the BHAR-method, a combination that by theory is seen as less optimal. Hence, there seems to be no relationship between specialized industry experience and acquisition performance. The results are similar to the ones found in the research of Kengelbach et Al. (2012), which showed that specialized industry experience did not have a significant influence on acquisition performance as measured by abnormal returns. Although they measured industry experience on a higher level, only separating between related and unrelated deals, our results still find evidence for the same trend. Seeing as, to our knowledge, there are no further studies in existing acquisition literature investigating specialized experience per se, we cannot put our results in relation to any opposing findings.

The perceived lack of a relationship between specialized industry experience and acquisition performance indicates that having performed an acquisition within the same industry before, does not increase the likelihood of acquisition success. As a negative relationship cannot be shown either, we find no support in our data for the generalization phenomena being amplified by having more specialized experience within the industry dimension.

Studying the descriptive results from our initial empirical analysis in regards to the industry dimension, some significant differences in acquisition performance were indeed identified. The t-tests showed lower abnormal returns for diversification acquisitions using CAR, complemented by conglomerate acquisitions when using BHAR, compared to all other acquisition types. As the results show quite substantial differentials in abnormal returns, with by example conglomerate acquisitions yielding up to 8.38% lower abnormal returns than vertical and diversification up to 4.23% lower abnormal returns than substitute acquisitions as seen in table 16, this would indicate that an important factor regarding the industry dimension of acquisitions is to keep some relatedness to the core business when choosing targets. When putting these results in relation to previous empirical findings, some deviations are identified. Lubatkin (1987) discovered that horizontal acquisitions do not outperform conglomerate acquisitions, which goes against our finding of horizontal acquisitions exhibiting 1.04% higher abnormal returns than conglomerate from a mid-term perspective. Furthermore, Chatterjee (1986) found that unrelated acquisitions outperformed related acquisitions, which does not hold true in our study as both horizontal and substitute seemingly outperform diversification by 2.14% and 3.74% respectively.

5.4 Hypothesis 4: Indigestion and size

In the context of indigestion, where deal size is the common denominator in both variables, we found a significant negative relationship between both absolute- and relative size of the deal, and acquisition performance. As the hypotheses regarding indigestion and size predicted a positive relationship between specialized experience and performance, our results stand in complete opposition of these hypotheses. As no prior research, as we know, has been conducted using these same independent variables, our findings cannot be directly compared to any prior research.

In terms of the time aspect of indigestion, whose importance is highlighted by the research of Conn et. al (2004), Kengelbach et Al. (2012) and Barkema, Baum & Mannix (2002), we found no significant proof of indigestion problems in our research as both control variables for indigestion showed insignificant results, and in the case of any significant result, no explanatory power. Given our data sample, the acquirer’s ability to absorb targets therefore seems not to be a main problem.

Notable from a methodological standpoint, in regards to the tests within size and indigestion, is that only the BHAR-method displayed significant results for these tests, and did so for both regression models within this dimension. Across the three dimensions that have been tested, the tests within indigestion and size show the most difference in terms of significance levels between the CAR and BHAR method, and in this case favorable towards the BHAR-method.

5.5 Methodological implications

In light of practitioners continuing to be subject to distressingly high failure rates of acquisitions, King et al. (2004) highlight the need for developing the research methods used and how acquisition performance is being assessed and measured. Although not the primary focus of current thesis, some interesting methodological differentials can be distinguished.

Overall, the beta coefficients are relatively similar for all event windows across all models. In particular when studying the specialized experience measures, one cannot distinguish any major differences in magnitude of the coefficients and thus the strength of the variables' impact on acquisition performance. However, for the control variables *acquirer total assets* and *deal value* there is a tendency pointing towards CAR exhibiting higher values compared to equivalent BHAR coefficients when measured short-term. Contrary, the BHAR coefficients are higher than the CARs looking mid-term. In fact, the CARs for deal value lack significance on a mid-term basis. For the pre-crisis dummy variable, the CARs are higher than BHARs regardless of time-horizon. Whether the higher short-term values reached here represent more accurate values, following the line of argument held by Fama (1998) that CARs better represent investor's short-term abnormal returns, yet remains to be supported.

With respect to significance levels, no clear pattern can be distinguished as they only differ slightly between the two methods to a degree which can be disregarded. Thus, analyzing differentials in significance levels do not provide evidence to further support Fama's (1998) argument that CARs more accurately represent short-term excess returns.

The primary finding worth attention relates to the discrepancies found between short-term and long term event windows. The beta coefficients for all specialized experience measures are more negative when looking at a 1 year event window compared to the short-term and mid-term windows. Nevertheless, in line with our previous discussions it is deemed unlikely for this discrepancy to be caused by any methodological ambiguities per se. As Cartwright & Schoenberg (2006) bring forward, it seems more likely for the cause to be a delayed response from the market. That is, an effect of the market's ability to assess accomplished or non-accomplished synergy effects between two merging firms.

6. Discussion and Managerial Implications

The reader will now be provided with a summary of the major findings, an aggregated discussion of these findings where the initial research question will be answered, and a dive down into the managerial implications of our results.

6.1 M&A strategy implications

Referring back to the purpose section, we sought out to answer the research question; *"By engaging in multiple acquisition of similar traits within specific acquisition dimensions, can multiple acquirers affect their acquisition performance?",* which boils down to the question whether specialized experience potentially can leverage away the external influences currently putting strains on acquisition performance and causing many acquisitions to fail. The research moves the discussion from acquirer-to-target similarity to target-to-target similarity.

According to our predictions, it was believed beforehand that learning through acquisition experience by increasing target-to-target similarity within certain dimensions, would neutralize, or even leverage away, the detrimental effects of acquisition complexity. We find strong evidence for this not to be the case. The withstanding trend, regardless of acquisition dimension, throughout the analysis is clear; specialized experience does have a partial influence on acquisition performance, but not in the expected positive terms.

The negative relationship between specialized experience and acquisition performance can have several explanations. Firstly, if focusing on targets within the same country, industry or size interval yields worse abnormal returns, one could argue that acquirers, according to our results, should engage in acquisitions that vary across dimensions. However, our t-tests for mean differences show that there in fact are differences in acquisition performance within the different dimensions, as for example keeping a higher acquirer-to-target similarity in terms of industry seems more favorable. Hence, avoiding to acquire similar firms does not appear to be the solution. Rather, we expect the cause of the problem to lie closer to the arguments presented within the theories on generalization and hubris, implying that having completed a highly similar acquisition before, makes one even more likely not to prepare thoroughly enough for a new acquisition.

The key takeaway from this for managers, academics, and professional services firms is the following; two acquisitions will never be the same. One must always prepare thoroughly and treat each acquisition as unique, and the experiential learning should be focused on building firm processes for how to, for each individual acquisition, properly execute valuation, anchor decisions with stakeholders and integrate firms post-acquisition.

6.2 Event window effects

Further, the magnitude of the negative effect of experience on acquisition performance appears to increase with time, indicating that acquisition performance diminishes along time post-acquisition. One explanation for this can be found in the line of reasoning regarding post-merger integration problems highlighted by Shrivastava (1986) and Kengelbach et Al. (2012). Assuming it takes time for firms to integrate after an acquisition transaction, as suggested by Conn et al. (2004), the increased negative impact observed for the long-term windows for all

specialized experience variables, could simply represent the effect of firms, or rather the market, realizing the true impact of the problematic process of joining two firms. The magnitude of the difference between the short- and long-term event windows implies that only investigating short-term event windows, as is the primary method within the research field, could potentially underestimate the impact of experience, absolute or specialized, on acquisition performance, as argued for by Loughran & Vijh (1997).

One could argue that even longer time horizons than 1 year are needed to measure the true performance post-acquisition. However, in our data sample covering 1898 acquisitions in total stretching over a 10 year period, the average number of days between two consecutive deals is 313 days. Given this, we would deem it insufficient to measure post-acquisition performance during a time-period stretching beyond 1 year, as clearly, acquirers execute successive acquisitions more frequently than so and hence must recover from any post-merger integration problems within this time-scope. Notable here is that, if experiential learning is limited as our results indicate, managers of firms engaging in acquisition transactions as a strategy for corporate development will have to adjust their strategic acquisition plans according to the time required to both recover from the most recent integration process and sufficiently plan for the next deal.

6.3 New focus for experiential learning

Our findings of no impact or a negative impact of specialized experience on acquisition performance, combined with our found support for absolute experience having a negative impact on abnormal returns, tells us what about experiential learning? Our research implies that learning lacks the desired effect on M&A performance as is wished for by practitioners. Drawing on the empirical findings in this study, target-to-target similarity within the researched acquisition dimensions display no learning effects for the acquirer. Now, does this tell us that experiential learning can be disregarded completely for M&A's? Of course not. It tells us that experiential learning in terms of target-to-target similarity have limited, if any, impact on acquisition performance. It also tells us that the likelihood of negative acquirer behaviors, such as generalization and hubris, being amplified seems to increase, fully off-setting any benefits the acquirer might have from prior specialized experience.

While one could argue that there might be other dimensions apart from the three investigated in this study that impact experiential learning from a target-to-target perspective, the relevance of the dimensions can hardly be disputed. The results from this study should therefore be seen as a call for a changed focus in regards to experiential learning within M&A. As the primary takeaway is that one must prepare for every future acquisitions separately and to an equal extent each time, experience should be used to set up strategies and processes for how to conduct this preparation phase in the most efficient manner every single time. The focus is then shifted from target-to-target similarities driving learning, to a process focus that disregards both acquirer-to-target similarity and target-to-target similarity as decisive factors of acquisition performance.

6.4 Future Research

We hope that our research can serve as a base for future research within the field of experiential learning, as the research area still has several exciting areas not yet investigated.

First and foremost, as stated in our delimitations, in this study we limit the data sample to acquisitions where the acquirer takes ownership of 100 % of the target firm's shares. For future references, empirically testing experiential learning for mergers would be interesting as we would expect integration issues to differ when two firms merge rather than when one buys the other. Furthermore, distinguishing between friendly and hostile takeovers would also add value to the research field as reactions from shareholders and people within the organization should be affected by the mode of which the acquisition is carried out.

Given our research providing support for the generalization theory being amplified when experience becomes more specialized, an interesting next step would be to qualitatively study the acquisition process, both pre- and post-acquisition, to investigate how successful firms prepared and executed the acquisition and more specifically, how they used experience from previous acquisitions in the process.

Furthermore, as we see clear tendencies in our research for the relationship between experience and performance being more extreme when looking at longer event windows. An interesting future line of research would be to study even longer time periods than one year and potentially see if there is a breaking point when the acquirer starts to recover.

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Appendix 1 - Distribution of acquisitions per European country

Country	Number of acquisitions by acquirers	Number of acquisitions as targets	Country	Number of acquisitions by acquirers	Number of acquisitions as targets
Albania	0	0	Ireland	30	24
Andorra	0	0	Italy	61	69
Armenia	0	0	Kazakhstan	0	1
Austria	13	9	Latvia	0	1
Azerbaijan	0	0	Liechtenstein	0	0
Belarus	0	1	Lithuania	5	5
Belgium	45	45	Luxembourg	8	3
Bosnia and Herzegovina	0	0	Norway	43	47
Bulgaria	3	5	Poland	45	49
Croatia	0	3	Portugal	6	9
Cyprus	0	1	Romania	0	14
Czech republic	3	10	Russia	44	68
Denmark	19	28	San Marino	0	0
Estonia	0	1	Serbia	0	5
Finland	61	45	Slovakia	0	5
France	102	97	Slovenia	0	1
Georgia	0	0	Spain	64	76
Germany	35	65	Sweden	155	97
Greece	6	4	Switzerland	4	14
Hungary	15	8	Turkey	0	7
Iceland	0	0	Ukraine	0	8
United Kingdom	1079	987			

Appendix 2 - Distribution of acquisitions per acquiring firm

Acquiror name	Number of acquisitions
ACAL PLC	7
ACCESS INTELLIGENCE PLC	6
ACCIONA SA	5
ACCOR SA	3
ACCUMULI PLC	4
ADDNODE AB	3
ADDTECH AB	6
ADDVISE LAB SOLUTIONS AB	3
ADVANCED COMPUTER SOFTWARE GROUP PLC	10
ADVANCED POWER COMPONENTS PLC	4
ADVEO GROUP INTERNATIONAL SA	5
AEDIFICA SA	3
AFFECTOGENIMAP OYJ	3
AGA FOODSERVICE GROUP PLC	3
AGORA SA	4
AHLSTROM OYJ	3
AIR LIQUIDE SA	4
AKKA TECHNOLOGIES SA	4
ALECTO MINERALS PLC	3
ALFA LAVAL AB	5
ALKANE ENERGY PLC	3
ALLIANCE PHARMA PLC	3
ALLOCATE SOFTWARE PLC	3
ALLTELE ALLMÄNNA SVENSKA TELEFONAKTIEBOLAGET	4
ALSTOM SA	3
ALTERNATIVE NETWORKS PLC	6
AMDOCS LTD	4
AMEC PLC	11
AMINO TECHNOLOGIES PLC	3
AMPER SA	4
AMTEL-VREDESTEIN NV	3
ANTEVENIO SA	3
ARM HOLDINGS PLC	3
ASCENT RESOURCES PLC	3
ASPIRO AB	4
ASSOCIATED BRITISH FOODS PLC	3
ASTRAZENECA PLC	4
ATEA ASA	10
AUGEAN PLC	3
AUTOGRILL SPA	3
AVACTA GROUP PLC	6
AVANQUEST SOFTWARE SA	4
AVISEN PLC	5
AVIVA PLC	3
AXA SA	5
BABCOCK INTERNATIONAL GROUP PLC	8
BALFOUR BEATTY PLC	9
BANCA CARIGE SPA	3

BANCA POPOLARE DI MILANO SCARL	3
BANCO DE SABADELL SA	5
BANCO SANTANDER CENTRAL HISPANO SA	3
BASF AG	3
BASWARE OYJ	7
BEKAERT SA/NV	4
BELGACOM SA	3
BELGRAVIUM TECHNOLOGIES PLC	3
BETSSON AB	3
BILFINGER BERGER AG	5
BILIA AB	6
BIOMAXIMA SA	3
BIOMÉRIEUX SA	3
BLOOMSBURY PUBLISHING PLC	4
BOND INTERNATIONAL SOFTWARE PLC	3
BRAEMAR SHIPPING SERVICES PLC	3
BRAMMER PLC	5
BRAVEHEART INVESTMENT GROUP PLC	3
BRINGWELL AB	4
BRITISH LAND COMPANY PLC, THE	5
BRITISH SKY BROADCASTING GROUP PLC	3
BROOKS MACDONALD GROUP PLC	3
BT GROUP PLC	11
C&C GROUP PLC	3
CAIXABANK SA	3
CAPINORDIC A/S	7
CAPITA GROUP PLC, THE	42
CARETECH HOLDINGS PLC	5
CARILLION PLC	5
CARPETRIGHT PLC	3
CARR'S MILLING INDUSTRIES PLC	4
CARREFOUR SA	4
CELLO GROUP PLC	11
CENTAUR MEDIA PLC	10
CENTRICA PLC	4
CEZ AS	3
CHEMRING GROUP PLC	4
CHESNARA PLC	4
CHIME COMMUNICATIONS PLC	8
CINEWORLD GROUP PLC	3
CITY SERVICE AB	5
CITYCON OYJ	8
CLARKSON PLC	3
COBHAM PLC	4
COFINIMMO SA	10
COLUMBUS IT PARTNER A/S	3
COMMUNISIS PLC	5
COMPAGNIE D'ENTREPRISES CFE SA	6
COMPAGNIE DE SAINT-GOBAIN SA	4
COMPAGNIE INDUSTRIELLE ET FINANCIÈRE D'INGÉNIERIE SA	4

COMS PLC	4
CRÉDIT AGRICOLE SA	3
CRH PLC	3
CSM NV	3
CVS GROUP PLC	4
DAIRY CREST GROUP PLC	5
DAISY GROUP PLC	13
DALHOFF LARSEN & HORNEMAN A/S	3
DASSAULT SYSTÈMES SA	3
DATA RESPONS ASA	8
DCD MEDIA PLC	3
DECHRA PHARMACEUTICALS PLC	4
DELHAIZE GROUP SA	3
DELTAQ A/S	3
DEUTSCHE BANK AG	7
DIAGEO PLC	3
DIGITAL BARRIERS PLC	10
DIGITAL MARKETING GROUP PLC	7
DIGITAL MULTIMEDIA TECHNOLOGIES SPA	5
DORO AB	3
EBIQUITY PLC	5
EDB BUSINESS PARTNER ASA	11
EGDON RESOURCES PLC	3
EKF DIAGNOSTICS HOLDINGS PLC	3
ELECTRIC WORD PLC	7
ELECTRICITÉ DE FRANCE SA	3
ELEKTRON PLC	3
ELISA OYJ	6
ENEA AB	3
ENGINEERING INGEGNERIA INFORMATICA SPA	3
ENI SPA	4
ENIRO AB	3
ERINACEOUS GROUP PLC	9
ERSTE BANK DER ÖSTERREICHISCHEN SPARKASSEN AG (OLD)	4
EUROBANK PROPERTIES REAL ESTATE INVESTMENT COMPANY SA	3
EVOTEC AG	4
EXPRIVIA SPA	3
FACHOWCY.PL VENTURES SA	3
FAES FARMA SA	3
FAGERHULT AB	6
FASTIGHETS BALDER AB	5
FIERA MILANO SPA	3
FINSBURY FOOD GROUP PLC	3
FIRMA HANDLOWA JAGO SA	6
FLYING BRANDS LTD	4
FOMENTO DE CONSTRUCCIONES Y CONTRATAS SA	6
FONCIÈRE DES MURS SA	3
FONCIÈRE DES RÉGIONS SA	3
FORMATION GROUP PLC	4
FORMPIPE SOFTWARE AB	3

FUGRO NV	8
FULLER SMITH & TURNER PLC	3
FUNESPAÑA SA	3
GALLIFORD TRY PLC	5
GAMESA CORPORACIÓN TECNOLÓGICA SA	4
GAS NATURAL SDG SA	5
GAZPROM OAO	4
GB GROUP PLC	5
GECINA SA	3
GETIN HOLDING SA	3
GLAXOSMITHKLINE PLC	4
GO-AHEAD GROUP PLC	4
GOOCH & HOUSEGO PLC	3
GOODTECH ASA	3
GR. SARANTIS SA	3
GRAINGER PLC	4
GREEN COMPLIANCE PLC	9
GREENE KING PLC	7
GRUPO MÉDIA CAPITAL SGPS SA	6
GRUPPA CHERKIZOVO OAO	3
GRUPPA LSR OAO	3
HALMA PLC	12
HAMMERSON PLC	3
HAMPDEN UNDERWRITING PLC	7
HARGREAVES SERVICES PLC	7
HEADLAM GROUP PLC	10
HEINEKEN NV	3
HERA SPA	4
HI-MEDIA SA	5
HML HOLDINGS PLC	7
HORNBY PLC	3
HUNTSWORTH PLC	4
HYDER CONSULTING PLC	4
IBERDROLA SA	4
IDEAGEN PLC	3
IDOX PLC	11
IFG GROUP PLC	3
IGAS ENERGY PLC	3
ILX GROUP PLC	3
IMMOBILIARE GRANDE DISTRIBUZIONE SIIQ SPA	3
IMTECH NV	6
INDRA SISTEMAS SA	5
INDUSTRIAL MILK COMPANY SA	3
ING GROEP NV	3
INNOVATION GROUP PLC, THE	10
INTELLEGO HOLDINGS PLC	3
INTERIOR SERVICES GROUP PLC	5
INTERQUEST GROUP PLC	6
INTERSERVE PLC	4
INTERTEK GROUP PLC	22

INTERVEST OFFICES SA	3
INTRUM JUSTITIA AB	3
INVESTEC PLC	3
IOMART GROUP PLC	9
ITE GROUP PLC	4
ITS GROUP SA	4
ITV PLC	7
JAMES FISHER AND SONS PLC	9
JARDINE LLOYD THOMPSON GROUP PLC	4
JD SPORTS FASHION PLC	8
JELF GROUP PLC	8
JOHNSON MATTHEY PLC	3
JOHNSTON PRESS PLC	4
JUDGES SCIENTIFIC PLC	3
K3 BUSINESS TECHNOLOGY GROUP PLC	13
KEMIRA OYJ	3
KERRY GROUP PLC	3
KINGSPAN GROUP PLC	4
KINGSTON COMMUNICATIONS (HULL) PLC	6
KLÉPIERRE SA	3
KNOWIT AB	5
KONINKLIJKE DSM NV	3
KONINKLIJKE KPN NV	5
KONINKLIJKE PHILIPS ELECTRONICS NV	3
L'ORÉAL SA	3
LADBROKES PLC	4
LAVENDON GROUP PLC	6
LIGHTHOUSE GROUP PLC	3
LOOKERS PLC	7
LOTUS BAKERIES NV	4
LOW & BONAR PLC	3
LSL PROPERTY SERVICES PLC	4
MAGYAR TELEKOM TAVKOZLESI NYRT	4
MANAGED SUPPORT SERVICES PLC	6
MARR SPA	5
MATTIOLI WOODS PLC	4
MEARS GROUP PLC	7
MEDA AB	4
MEGGITT PLC	4
MERCOR SA	3
MIDSONA AB	4
MINOAN GROUP PLC	3
MISSION MARKETING GROUP PLC, THE	4
MITIE GROUP PLC	10
MNI SA	3
MOBILNYE TELESISTEMY OAO	7
MOBYSON AB	3
MOL MAGYAR OLAJ- ES GAZIPARI NYRT	5
MONITISE PLC	3
MORPOL ASA	3

MOTIVCOM PLC	6
MURGITROYD GROUP PLC	4
MÜNCHENER RÜCKVERSICHERUNGS-GESELLSCHAFT AG	3
N BROWN GROUP PLC	3
NATIONAL EXPRESS GROUP PLC	3
NATRACÉUTICAL SA	3
NATUREX SA	5
NCC GROUP PLC	8
NETBOOSTER SA	4
NETCALL PLC	3
NETIA SA	7
NETPLAY TV PLC	3
NOKIA OYJ	4
NORTHERN BEAR PLC	5
NORTHGATE PLC	3
NOVOLIPETSKII METALLURGICHESKII KOMBINAT OAO	3
NWF GROUP PLC	6
OEM INTERNATIONAL AB	10
OFFICE2OFFICE PLC	3
ORAL HAMMASLÄÄKÄRIT OYJ	4
ORIGIN ENTERPRISES PLC	3
ORSZAGOS TAKAREKPENZTAR ES KERESKEDELMI BANK RT	3
OTKRYTOE AKTSIONERNOE OBSHCHESTVO MEZHDUGORODNOI I MEZHDUNARODNOI ELEKTRICHESKOI SVYAZI ROSTELEKOM	12
OTKRYTYE INVESTITSII OAO	5
OVOCA GOLD PLC	3
PARKMEAD GROUP PLC, THE	3
PARVA INVESTITSIONNA BANKA AD	3
PAYPOINT PLC	3
PEARSON PLC	3
PERFORM GROUP PLC	3
PERSIMMON PLC	3
PETROFAC LTD	3
PHOENIX IT GROUP PLC	3
PHSC PLC	4
PLASTIC OMNIUM SA	3
PLAYTECH LTD	3
POLIMEX-MOSTOSTAL SA	3
POLSKI KONCERN MIESNY DUDA SA	4
POWEO SA	3
PREVAS AB	6
PRIMARY HEALTH PROPERTIES PLC	8
PROACTIS HOLDINGS PLC	3
PUNCH TAVERNS PLC	4
QIAGEN NV	3
QUANMAX AG	3
QUINDELL PORTFOLIO PLC	13
RAIFFEISEN INTERNATIONAL BANK-HOLDING AG	3
RANDSTAD HOLDING NV	3
RAUTARUUKKI OYJ	7
READSOFT AB	4

RECORDATI SPA	7
RENEW HOLDINGS PLC	3
RENEWABLE ENERGY GENERATION LTD	3
RENTOKIL INITIAL PLC	8
REPLY SPA	6
RESTORE PLC	10
RICHTER GEDEON VEGYESZETI GYAR NYRT	3
ROTALA PLC	4
ROTORK PLC	5
RPC GROUP PLC	4
RPS GROUP PLC	12
RWS HOLDINGS PLC	5
SAGE GROUP PLC, THE	3
SANDERSON GROUP PLC	4
SCHNEIDER ELECTRIC SA	3
SCOTTISH & SOUTHERN ENERGY PLC	4
SDL PLC	4
SECURE TRUST BANK PLC	3
SECURITAS AB	17
SERCO GROUP PLC	5
SERVOCA PLC	7
SEVERSTAL OAO	4
SHANKS GROUP PLC	5
SIEMENS AG	5
SINCLAIR PHARMA PLC	4
SISTEMA AKTSIONERNAYA FINANSOVAYA KORPORATSIYA OAO	3
SKANSKA AB	4
SKF AB	5
SMITHS GROUP PLC	3
SMITHS NEWS PLC	3
SOCIETÀ CATTOLICA DI ASSICURAZIONE SC	3
SOCIÉTÉ GÉNÉRALE	5
SODEXO SA	3
SOL MELIÁ SA	3
SOLID STATE PLC	4
SOLTEQ OYJ	3
SOURCE BIOSCIENCE PLC	3
SOUTHERN CROSS HEALTHCARE GROUP PLC	3
SPEEDY HIRE PLC	10
SQLI SA	5
ST IVES PLC	7
STADA ARZNEIMITTEL AG	5
STADIUM GROUP PLC	5
STAFFLINE GROUP PLC	3
STANLEY GIBBONS GROUP PLC	4
STOBART GROUP LTD	4
STORA ENSO OYJ	3
STRAIGHT PLC	5
SWEDBANK AB	3
TANGENT COMMUNICATIONS PLC	3

TDC A/S	3
TELE2 AB	3
TELECITY GROUP PLC	4
TELEFONAKTIEBOLAGET LM ERICSSON	3
TELEGRAAF MEDIA GROEP NV	3
TELEKOM AUSTRIA AG	3
TELENET GROUP HOLDING NV	5
TELENOR ASA	8
TELIASONERA AB	3
TEN ALPS PLC	9
TERNIENERGIA SPA	6
TESCO PLC	6
THOMAS COOK GROUP PLC	3
TIETOENATOR OYJ	4
TRACSIS PLC	4
TRANSCOM WORLDWIDE SA	5
TRAVIS PERKINS PLC	3
TRINITY MIRROR PLC	10
TT ELECTRONICS PLC	4
TURVATIIMI OYJ	6
UBS AG	4
ULTRA ELECTRONICS HOLDINGS PLC	11
ULTRASIS PLC	3
UNITED BUSINESS MEDIA LTD	5
UNITED DRUG PLC	8
UNITED INTERNET AG	3
UTILITYWISE PLC	3
VASTOX PLC	3
VERTU MOTORS PLC	16
VITROLIFE AB	3
VP PLC	4
WATERMAN GROUP PLC	4
WEATHER LOTTERY PLC, THE	5
WILMINGTON GROUP PLC	3
WINCANTON PLC	8
WM MORRISON SUPERMARKETS PLC	3
WOLVERHAMPTON & DUDLEY BREWERIES PLC	5
WS ATKINS PLC	7
WYNNSTAY GROUP PLC	14
X5 RETAIL GROUP NV	6
ZAKLADY PRZEMYSLU CUKIERNICZEGO MIESZKO SA	3
ZAKLADY TLUSZCZOWE KRUSZWICA SA	3
ZETES INDUSTRIES SA/NV	4
ÅF AB	14
Total (for the 392 acquirers above)	1898