

# The Impact of Top-Management Characteristics on the Performance of M&A Deals in Russia

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**Abstract.** The performance of M&A deals is the actual research topic for many years, both in academic literature and practical field. According to prior research, despite firms hire directors with acquisition experience regardless the effective-ness of the deal, only prior positive experience is creating additional positive re-turns. Those studies examine the firms operating in developed countries, mainly USA traded companies. In this article the effect of management’s experience is analyzed in emerging countries, where the management plays a greater role in decision making and value creation, on the example of Russia over 2007 – 2018. Based on the sample of 205 acquisitions exceeding 1 mln dollars, performed by public acquirers, we find that in Russia several management’s experience related characteristics, such as industry and political expertise, prior acquisitions experience, with respect to performance quality, significantly and positively affect deal outcomes in acquisitions for bidder company.

**Keywords:** Mergers and acquisitions; Corporate governance; CEO characteristics; event studies

## 1 Introduction

Mergers and acquisitions (M&A) are considered as an effective way of corporate structure transformations and obtaining advantages over competitors or disruptors. The global value of M&A deals in 2018 reached \$4.1 trillion, the third highest year ever for M&A volumes (2019 Global M&A Outlook<sup>1</sup>). According to E&Y Capital Confidence Barometer (2018) survey, top-managers have optimistic expectations about deals in near future. Nevertheless, despite the theoretical proposal to create profits, about 60% of M&As are still not matching that point, as many outside factors are influencing the deal, such as lack of information, market conditions, activist investors and shareholders actions, etc. The study of the drivers of M&A deals efficiency is one of highly demanded and discussed topics in academic literature and business sphere for years as this knowledge is essential for structuring the most effective out of possible deal strategy.

The managers play an important role in corporate decisions, including M&A deals. CEO power in taking decisions and reacting to market changes might be classified in different ways, Finkelstein (1992) defines 4 main types as structural, ownership, expertise and prestige. Chikh and Filbien (2011) test those power types in M&A field, their finding shows that CEO’s decisions are highly important for the deal outcome, and that expertise experience increases the manager’s reaction to the market.

Fralich and Papadopoulos (2018) provide evidence that in the challenging conditions of economic instability and crisis powerful executives are more valuable, than in stable period, positively effecting deal outcomes, due to an environment shock that questions the stability and quality of markets and firms in general.

This paper analyze the data on acquisitions in Russia starting from 2007 up to 2018 to estimate whether the prior experience directly in M&A deals among other managers’ skills positively influences the effectiveness of the deal in conditions of the transition economy. In addition, according to Khanna and Palepu (1997, 2000) findings, the returns from the integration might be higher on capital markets in transition stage due to less developed and systemized in-

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<sup>1</sup> 2019 Global M&A Outlook. Unlocking value in a dynamic market (2019), by J.P. Morgan team. URL : <https://www.jpmorgan.com/jpmpdf/1320746694177.pdf>, accessed 01 March 2019.

frastructure. According to the academic research, many different CEO's characteristics might influence the deals outcome. The results indicate that prior experience of the CEO is highly valuable, creating an additional value on acquisition returns. Jaffe, Pedersen and Voetmann (2013) show that CEO's prior success generates about 1,02% extra returns, if the firm keep the CEO. Many papers search for correlation between multiple firm's acquisition and serial acquirers returns. Also, many of the authors focus on CEOs' characteristics. But nearly none of the findings are conducted on the emerging markets, and none of them measure the CEO power on the Russian deals.

The paper is structured as follows. We discuss the data the data and summary statistics first, then report on the results of our estimation of deals performance on the base of event studies. The next section is devoted to the discussion of variables that can affect the performance, from the viewpoint of CEO characteristics. Finally, we discuss the results of regression analysis and make conclusions.

## 2 Data and summary statistics

The sample includes all acquisitions both foreign and domestic, made by Russian public companies, the data is retrieved from Thomson Reuters Eikon Mergers and Acquisitions Database, following the criteria:

- Type of the deal – acquisition;
- The deal status – completed;
- The Acquirer - a Russian public company trading on one of Stock Exchanges (MOEX, RTS);
- The announcement date was made between January 1, 2007 and December 31, 2018;
- The deal value was disclosed and reached, at least \$1 million;
- The target was a public company, a subsidiary or a private company.

Initial data sample consisted of 324 deals. Stock and balance sheet data was also retrieved from Thomson Reuters Eikon, 87 deals excluded, as some financial ratios were unavailable. The remaining sample contained 237 deals. As the paper focuses on management's characteristics impact, we obtained the data on CEOs from SPARK database, firms' annual reports and websites, and open sources. 32 more deals were excluded due to CEO data unavailability both in the SPARK database and open sources. The final data sample consists of detailed observations of 205 deals of 62 firms performed by 75 CEOs.

Table 1 shows the descriptive statistics, with the deals divided into four groups by firm's CEO prior acquisition experience as of deal announcement date (from the least experience, to the top). Deals from the first quartile were performed by those who never took part in acquisition before, while the deals from the last quartile were performed by experienced acquirers with more than 5 deals in 10-year background. The first row includes all deals from the final dataset (after all exclusions). As to columns, first two ones tell that the data sample consists of 205 deals with the average deal value of \$341.84 million. Next columns divide the sample by the method of payments – cash, equity, mixed (both equity and cash) or other (deals without clear payment method information in database). About 60% of all the acquisitions over the sample do not have a clearly defined payment structure, but a bit more than 30% of the deals were made by cash. About 5 times less deals are conducted with the use of equity and only 3 deals of the entire sample are performed using both cash and equity. In general, the stock deals are approximately 1.5 times larger than the average, mix deals have the smallest size in the sample, cash-backed and other are closely on average level. Columns in the bottom part of the table divide the sample according to target status – public, private or subsidiary. And the last column indicates whether the deal was cross-border (the target was a foreign company). About half of the targets were subsidiaries, and closely equal amount of private and public companies, resulting to approximately one fourth of the sample each. Acquisitions with public targets had the greatest value, exceeding the value of deals with private targets by about 6 times, acquisitions of subsidiaries had the smallest values, about 10 times less than the average and 30 times less than the public values. Finally,

somewhat about 35% among all targets were non-Russian companies, but the deal value is closely on average level.

The ongoing rows show the same information, for the separated sample of the deals depending on prior acquisitions. Mainly, both the amount of observations and the average deal sizes across the various categories are similar to the top “All deals” row, worth mentioning only that without acquisition experience deals result in highly above average values with stock consideration and higher deal values for acquiring public targets.

**Table 1.** Numbers and dollar values for acquisitions in the sample

	Total		Method of payment								Target Status						Foreign targets	
			Cash		Stock		Mix		Other		Private		Public		Subsidiary			
	No of deals	Average deal value	No of deals	Average deal value	No of deals	Average deal value	No of deals	Average deal value	No of deals	Average deal value	No of deals	Average deal value	No of deals	Average deal value	No of deals	Average deal value	No of deals	Average deal value
All deals	205	357	65	313	12	545	3	150	125	366	54	139	57	780	94	27	61	335
No of prior acquisitions	63	342	22	181	2	1083	1	299	38	397	19	131	14	1074	30	134	23	210
1 or 2	55	503	17	636	4	556	2	75	32	453	15	255	19	1011	21	221	17	386
3 to 5	44	226	9	255	3	649	0	0	32	179	10	49	15	253	19	298	5	1631
> 5	43	324	17	636	3	65	0	0	23	456	10	71	9	715	24	283	16	56

### 3 Measuring acquisition effectiveness by event studies

One of the most common ways to measure M&A deals outcomes is event studies. The cumulative abnormal return measured in the event window allows to understand whether the deal announcement has the significant effect on the share prices of the firm. This research examines cumulative abnormal returns on event windows of different length as prior findings argue about which window shows the more appropriate result. Thus, the specified event windows are the shortest 3-days [-1:+1] one, the medium one, observing 5 days prior and after the announcement date, [-5:+5], and the largest one, 21-days window [-10:+10].

CAR is computed by estimating coefficients for expected return on market model (McKinlay, 1997) by running OLS on return data based on 150 days estimation period prior the deal announcement date stock data. As market index is used the MOEX industry index of the corresponding industry to the acquirer firm. Statistical significance is checked via Patell t-test (Patell, 1976) and Corrado Rank-test (Corrado, 1992).

The data sample is divided by two criteria. First, it is CEO's prior acquisition experience (135 out of 205 deals in our sample were performed by the managers, who had taken part at least in one acquisition before, 70 are performed by those, who never took part in acquisition as a bidder manager before). The next division is done by relative deal size. From the whole sample we left the deals, where the acquirer got more than 50% of target shares (the full control over it) after the transaction, and where the deal value was at least equal to 0,5% of acquirer's total asset<sup>2</sup> (for the deal to be large enough to have an influence over the stock returns). The sample that fits these limitations contains 63 deals, 33 of which were performed by CEO's with prior acquisition experience. Figure 1 shows the distribution of abnormal returns with respect to sample (all the deals or size adjusted sample) and CEOs prior experience within the largest chosen 21-days event window [-10:+10].

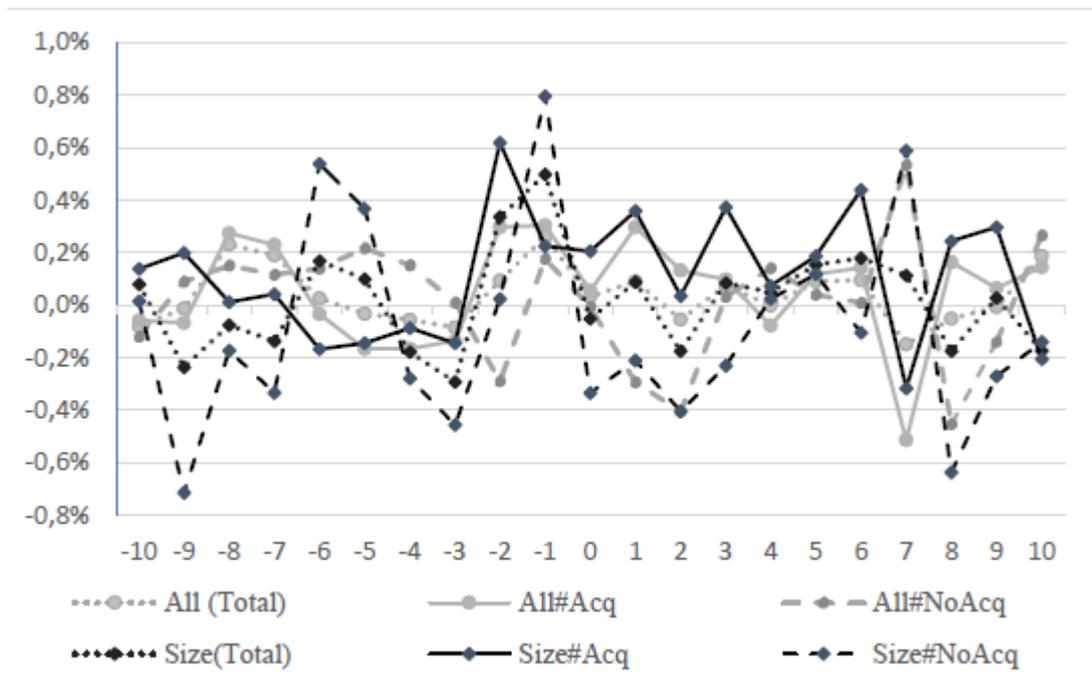


Fig. 1. Average abnormal returns in Event Window [-10:+10]

The abnormal returns for the size-adjusted sample have the greater distribution than those for the full sample. All the returns show the highest peak 1 or 2 days prior the announcement date and then a decrease on the announcement date. The returns for both samples regardless the experience, show closely the same values on the first and the last dates of event window (approx-

<sup>2</sup> Similar to prior studies (e.g., Field, Mkrtychan, 2013)

imately 0.1% on day -10 and -0.2% on day 10 for size adjusted sample, around -0.1% on the first day and 0.2% on the last for all deals sample).

Table 2 shows the results of the performed significance tests and average cumulative abnormal returns for selected three event windows.

**Table 2.** Number of the deals, Corrado rank-test statistics, cumulative average abnormal returns and Patell t-statistics for various classifications of acquisitions

Deal types		No. of deals	t Corrado	CAR [-10:+10]		CAR [-5:+5]		CAR [-1:+1]	
				CAAR, %	t Patell	CAAR, %	t Patell	CAAR, %	t Patell
All deals	Total	205	-0.1198	0.8089	-0.2972	0.3802	1.6590**	0.3513	0.9080
	With prior acquisitions	142	-0.0325	1.0434	0.4920	0.6995	2.0639*	0.6009	1.3794
	No prior acquisitions	63	-0.2133	0.3688	-1.0752	-0.2189	-0.8140	-0.1172	-0.9247
Size fitting	Total	63	0.1794	0.2919	-0.8866	0.6317	-0.9179	0.5858	0.2120
	With prior acquisitions	33	0.6903	1.8601	2.0569*	1.4123	3.0073***	0.5857	2.2629*
	No prior acquisitions	30	-0.3717	-1.4855	-2.0171**	-0.2529	-1.9888**	0.5859	0.2303

\*, \*\*, \*\*\* mark significance at 10-%, 5-% and 1-% levels respectively

As Table 2 demonstrates, Corrado rank test shows insignificant results regardless the deals size or managers experience. But even despite non-significant values, we could see that the results for the deals, performed by experienced CEOs, are higher than those for the deals, performed by acquisition freshmen.

Patell test checks whether the CAR's are significantly different from zero within the event window, thus, this test shows, if the deal announcement has a significant value creating (or destroying) effect.

In the 21-day event window, the average cumulative abnormal return for all the deals is 0.8%, for the deals, where CEOs has had prior acquisition experience, it is a bit higher. Nevertheless, all the results are not significantly different from zero, according to Patell statistics. Looking into the deals, fitting the relative size criteria, the CAARs depending on CEOs' acquisi-

tion experience differ more significantly. All deals have the insignificant positive CAAR. The important point is that deals with experienced CEO show positive cumulative average abnormal return of 1.86% which is significant on 90% level and average cumulative abnormal returns for the deals with CEOs without prior acquisitions are the negative, about -1,5%, and significant on 90% level.

The second analyzed event window has 11 days length, 5 days prior and after the announcement date. This event window shows the largest amount of significant CAARs. The average cumulative abnormal return for all the deals is not large, resulting in 0.38%, significant on 95% level. CAAR for the deals with experienced CEOs are 0.7%, significant on 90% level and for the deals with inexperienced CEOs CAAR is -0.2%, but insignificant according to statistics. On the deal size adjusted sample CAAR for all deals is insignificant, CAAR for experienced CEOs is positive (1.4%) and significant on 99% level, as well as for inexperienced CEOs, for whom it is -0.25% with 90% level.

On the shortest event window with 3 days length, only one CAAR is significant (on 90% level), for experienced CEOs on size adjusted sample. Worth mentioning, that on that sample the CAARs for experienced and inexperienced CEOs are closely equal (by 3 digits) and positive. On all deals sample the CAARs are 0.6% and -0.12% for CEOs with and without prior acquisitions respectively, the average CAAR is 0.35%. Anyway, all of them are insignificant.

For all three event windows, the tendency is clearly seen, both CAARs and Patell t-statistics are higher for the deals, performed by experienced CEOs, also the difference between the CAARs of experienced and inexperienced CEOs is larger for the size criteria adjusted sample. The most significant results are shown by 11-days window, with 4 significant CAARs, both on overall and deal size adjusted samples. Thus, it would be the main event window for further analysis.

## **4 What influences CARs. CEO characteristics check.**

### **4.1 Basic model variables**

#### ***Acquiring firm characteristics***

The existing literature comes to the conclusion that there are different parameters characterizing the acquiring firm that might influence the acquisition outcome. Among them one can examine:

**Firm size:** Asquith, Bruner, and Mullins (1983) and Harford (1999) report that large firms have a larger appetite to acquire. But, according to Moeller, Schlingemann and Stulz (2004), the firm size is negatively related to acquisition announcement returns, thus larger firms get lower returns. We use the natural logarithm of acquiring firm market value of equity. The expected sign is negative.

**Firm's acquisition experience and time from last acquisition:** Serial acquirers might not have enough time to allocate newly gained assets if they are performing M&A too often and thus, such firms might perform worse. On the other side, according to learning theory, firms might perform better, gaining experience on previous deals (Chao, 2018, Croci and Petmezas, 2009). To clear out that possible effect, model is adjusted by two variables. The first one records how many acquisitions the firm have made in the analyzed period, the second one captures the time passed after the last acquisition (in years).

**Industry:** Acquisitions in different industries might have different outcomes, due to industry specific conditions or market trends. The set of dummy variables is applied in the model to control industry-specific effects.

**Price to Book ratio:** Jovanovic and Rousseau (2002), Moeller et al. (2004), and Dong et al. (2006) set a hypothesis, that a high Tobin's Q indicates a well-performing and governed firm, so we use P/B ratio as a proxy.

**Managerial abilities:** might be value creating, this might be measured by industry-adjusted operating income growth, which would show the firm performance tendency, regardless acquisi-

tion deal, estimated as EBITDA in year  $-1$  minus EBITDA in year  $-4$  divided by EBITDA in year  $-4$ .

#### ***Deal control variables***

Year: As every deal is influenced by overall economic situation, the results might be affected by economic crisis, instability, etc. To take that time effect under control, the set of dummy year variables is added to the model.

Target status: Travlos (1987) and Franks (1988) indicate that acquirers' CARs are higher for takeovers of private targets. That might be caused by the liquidity discount. Set of dummy variables indicating the status of a target (public, private company, or a subsidiary) was introduced in the model.

Cross-border or domestic deal: Moeller and Schlingemann (2005) reveal that U.S. firms acquiring international targets obtain significantly less announcement returns than in domestic acquisitions. Same effect might arise on the Russian market. We control this by a dummy variable (equals 1 if the target is Russian resident, 0 otherwise).

Relative size: Asquith et al. (1983), Masulis et al. (2007), Moeller et al. (2007) prove that CARs are higher when the relative size is higher. The variable is calculated as deal value to acquirer's market value of equity.

Attitude to a Target company: Many findings show that hostile takeovers may reduce the acquirer's gain (see, for example, Servaes, 1991) because of the tendency to overpay. We control the attitude by a dummy variable (equals 0 if the deal attitude specified as friendly, 1 otherwise).

Industry Relatedness: Aktas et al. (2009) set a hypothesis that learning from industry improves target selection, what leads to increases in the returns. We impose two dummy variables, controlling if the deals are related to the same industry. One checks the impact of when the target and the acquirer operate in the same field. The second one corresponds to the acquisition experience in the industry (equals 1 if firm's prior acquisition target was from the same industry as the current one).

#### ***Corporate governance***

Better-governed firms may systematically engage in better acquisitions. Moreover, better-governed and better-performing firms might attract better employees. CEO's experience may be correlated with firm-level characteristics omitted from the earlier analysis that may be responsible for the superior acquisition performance. We linked corporate governance with board features as Chan and Emanuel (2011) set a hypothesis, that board governance influence the deal effectiveness, and defined such variables as board duality, number of seats in Supervisory and Managerial boards, number of seats that are occupied by shareholders.

## **4.2 CEO characteristics variables**

Many personal characteristics look relevant to the value creation and quality of CEO's decisions. Thus, the manager could have learnt and gained important and valuable experience not only throughout the prior acquisitions, but at least from any other type of work that might be correlated with diving a deal. Also not only experience influences CEOs decisions, but other incentives as well. We define the following parameters of the model.

Age: As M&As are tightly connected with compensation this drops down the incentive to enter M&A deal over career horizon as CEOs become less risky. Yim (2013) reveals that 20 years older director is 30% less willing to enter M&A. We might expect the same effect with CEO.

Tenure: Moeller, Schlingemann, and Stulz (2004) and Yermack (1996) proved that longer CEO tenure is positively associated with acquisition returns.

Position within the Board: Yang (2016) hypothesize that a chairing CEO might compromise the strategic decisions quality, thus chair-CEOs are more likely to take poor or extreme decisions

Equity shareholding: Possessing a part of the equity capital aligns CEOs interests with shareholders ones, thus, it might have a positive impact on deal outcomes.

**Industry experience:** Industry experience helps in choosing and screening targets according to the learning theory, mentioned above, also running combined companies afterwards, this tends to increase abnormal returns for shareholders, according to Custodio and Metzger (2013). Variables controlling the impact of industry expertise include a dummy variable corresponding to whether CEO had had an experience of working in the industry out-side the firm (1 if CEO has industry experience, 0 otherwise); total amount of years of industry work outside the firm, number of firms and industries in which CEO has worked, dummy variable checking if the industry expertise contains at least is the same industry as current acquisition (1 if at least one of the industries from industry experience equals to ongoing acquisition target industry, 0 otherwise)

Besides the industry experience, there are two important areas of CEOs expertise that might create positive effect. First, investment banking or consulting experience: based on (Huang et al., 2014) research, the role of previous investment banking experience might be positively measured on acquisition's returns. Both, investment banking and consulting are corresponding to the huge analytical ability, overall market vision, etc. We propose a dummy variable, which equals 1 if CEO has an experience in working for consulting firm or investment bank. The second area is government system expertise: As acquisitions are regulated, CEOs with government (political) experience might be valuable for deal outcomes; according to Ferris (2016), politically connected acquirers face less negative returns. We measured this dimension as the amount of years tha CEOs have spent working at top positions in government structures, such as ministry, etc.

We also measure the quality of prior acquisitions performed by CEOs. Field and Mcrtychan (2013) show that only positive experience is meaningful. For this purpose, the variables counting the total number of prior acquisitions and the number of acquisitions within the firm are constructed. Then the impact of the quality is introduced by including the CAR of CEO's previous acquisition, the average CAR of all previous CEO's acquisition, and average CAR of all previous acquisitions multiplied by their number.

## 5 Empirical results and Discussion

Based on the results on CAARs and Patell statistics, CEO's previous experience in performing acquisitions is expected to have a positive relationship with acquirers' cumulative abnormal returns. To measure that impact, multivariate regressions, where the dependent variable is the acquirer's CAR, computed over the 3-day window  $[-1:+1]$ , over 11 day window  $[-5:+5]$  and over 21-day window  $[-10:+10]$  surrounding the announcement date.

The basic model included a simple dummy variable for CEO acquisition experience (equals 1 if CEO previously participated in at least one acquisition) and basic control variables for the acquiring firm and deal characteristics. Unfortunately, the power of the model was too low. Thus, it was expanded and adjusted for corporate governance parameters and go deeper into CEOs' experience, measuring not only the existence of any kind of prior acquisition, but also personal characteristics, other sorts of experience and the quality of acquisition experience. After performing statistical tests on specification, finalized with the linear regression model, as likelihood test and Wald test, Breusch Pagan test proved that there is no need for the models with fixed or random effects, so OLS estimator is suitable.

The check between logit and probit models showed that there was no strict enough correlation between the probability of acquisition success and prior success or amount of performed acquisitions.

The Table 3 shows the result of the regression over finally selected variables. R-squared statistics resulted in 0.63, thus, we could accept model ability to describe the dependent variable.

**Table 3.** CAR [-5:+5] regression

Factor Block	Factor	CAR11	
Firm Data	ln(MVE) - natural logarithm of acquiring firm market value of equity	.0016606	
		(.0121767)	
	P/B – acquirer’s price-to-book ratio	.0051645	
		(.0230818)	
	Managerial ability – (EBITDA in year t–1 minus EBITDA in year t–4) divided by EBITDA in year t–4.	-.0002557	
		(.0003409)	
Deal Data	Deal Value	1.69e-06	
		(.0000131)	
	Year	.0004154	
		(.0070376)	
	Hostile Acquisition	-.0061401 **	
		(.0406476)	
	Shares Owned After Acquisition	-.0024749 ***	
		(.0008204)	
	Cross-border deal	-.0230308	
		(.0552629)	
	Target Status: a subsidiary	.0286589	
		(.0301208)	
	Target Status: Private company	.0177305	
		(.0366775)	
	Method of payment: cash	.0144973	
		(.0252718)	
	Method of payment: stock	.0221721	
		(.0397134)	
	Method of payment: Mixed offer	-1.416404	
		(.0327804)	
	Currency of payment: RUR	.0016867	
		(.0699096)	
	Industry relatedness: acquiring and target companies belong to the same industry	.0667076*	
		(.0245019)	
	Relative value – deal value to acquirer’s market value of equity	.0002076	
		(.0007676)	
	Firm's Prior Acquisition	Acquirer makes a deal in the same industry as his prior acquisition	-.0284003
			(.0213163)

Data	Number of previous acquisitions where the acquirer had taken part	-0.0549495*
		(.021182)
	Number of years from the previous acquisition performed by the acquirer	-0.0064247
		(.0070841)
Board data	Double Tier Board	-0.0056868
		(.0528276)
	Number of seats in the Supervisory Board	-0.0011088
		(.0053029)
	Number of seats in the Management Board	.0035411
		(.0061728)
	Number of seats occupied by shareholders	-0.0045682
		(.0036732)
CEO data	CEO's characteristics	
CEO data	CEO Age	.0002342
		(.0022498)
	Number of years CEO worked for that company on top-management position	.0005391
		(.0020161)
	% of Shareholders equity owned by CEO	5.44818
		(3.405512)
	CEO is a member of Supervisory Board	.0026452
		(.0397217)
	CEO's prior acquisitions	
	CEO participated in M&A deals earlier	-0.0004793
		(.0678866)
	Number of acquisitions performed by CEO earlier within this firm	-0.033968
		(.0211884)
	Total number of acquisitions performed by CEO	.0779583*
		(.030651)
	CEO's experience	
	Number of industries, in which CEO has worked on top-management position	-0.0239584
		(.0176489)
	Number of companies, in which CEO has worked on top-management position	.0403341
		(.0351564)
	Number of years, CEO has worked on top position before joining current firm	.0073309*
		(.0033932)
	Experience in the same industry	-0.0376173
		(.0330419)

Experience in large investment bank, audit or consulting firm	.0269171
	(.0468648)
Number of years, CEO has worked in government structure before joining current firm	.0052271*
	(.0032479)
Quality of CEO's Prior Acquisitions	
CAR of prior acquisition, performed by CEO, was negative	.1102598
	(.0741708)
CAR of prior acquisition, performed by CEO, was positive	-.0001101
	(.0668574)
Average CAR of all prior acquisitions of the CEO	-.4467089
	(.7280124)
CAR of the last acquisition, performed by CEO	.8096676*
	(.3318985)

Despite the theoretical approach of prior studies, many of the describing control variables do not have any significant effect over CAR. Moreover, the success of the prior acquisition itself is not influencing the current deal outcome, as well as just the existence of such experience. Out of all regressors sample the significant effect from deal describing variables has the deal attitude, so the hypothesis about negative impact of hostile acquisitions is accepted. Next, the amount of target shares significantly influence the deal outcome, otherwise, the influence is negative. The hypothesis about negative effect of serial acquisitions for the firms is also proved, nevertheless, the time between the acquisitions is not valuable, while a large number of acquisitions decrease the value. Industry relation is important for the firm, thus, the hypothesis about the ability of the firm to learn through inside information and operation processes is proved. All corporate governance characteristics resulted in insignificant values. The suggestion about expertise experience of CEOs results to be true, as both, industry expertise and government experience result in significant positive values. The hugest impact of 0,81 has the prior CEO's CAR, it is positive and significant, indicating that CEO's acquisition experience quality is associated with direct influence on current outcomes. Also, the total number of CEO's acquisition has a significant positive value of 0,077. As the average acquirers' size before the deal is \$25 505 million, acquisition experience results into approximately \$132 million extra value gain for every extra prior acquisition, based on 11-days event window cumulative abnormal returns.

Thus, the experience in acquisitions enriches the quality of strategic decisions and deal effectiveness. The results show, that the effect of CEO's acquisition experience on deal efficiency measured by acquirer abnormal returns is both economically and statistically significant.

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