THE INFLUENCE OF TARGET CSR PERFORMANCE ON ACQUIRER ACQUISITION ANNOUNCEMENT RETURNS

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ABSTRACT

We examine the influence of a target's CSR performance on acquirer acquisition announcement returns. We argue that acquirers face lower information asymmetries and less opportunistic behavior during the acquisition process as well as post-acquisition access to valuable resources when targeting a company with superior CSR status, resulting in higher acquirer acquisition announcement returns. We furthermore identify the acquirer's own CSR as well as the regulatory focus of its CEO as contingency factors moderating the target CSR-acquirer performance relationship. We find empirical support for our hypotheses in a sample of 232 acquisitions announced by public US companies between 2003 and 2013.

Keywords:

mergers and acquisitions, corporate social responsibility, acquisition announcement returns

INTRODUCTION

When German chemical company Bayer announced its intention to acquire US agricultural company Monsanto on 23 May 2016 (Reuters, 2016), severe backlash from investors, analysts, employees, and other stakeholders ensued. Remarkably, criticism not only revolved around common acquisition announcement issues such as a potentially excessive offer price or fear of workforce reduction. Rather, considerable concerns were raised that Bayer might be negatively affected by Monsanto's notorious reputation developed from controversial business practices and resulting lawsuits. For instance, leading German financial newspaper Handelsblatt (2016a) headlined "Monsanto Name Could Poison Bayer Deal", stating that Bayer's CEO Werner Baumann had to assuage concerns of "[Bayer] putting [its] reputation at risk" by reassuring that "[Bayer's] reputation is rooted in innovation, social responsibility, reliability, and sustainability" (Handelsblatt, 2016b). Bayer's share price still dropped by 6 percent upon the acquisition announcement, after having already fallen by 14 percent during the preceding week among rumors of an upcoming bid for Monsanto (Wall Street Journal, 2016). Could concerns of Bayer's shareholders regarding Monsanto's perceived poor corporate social responsibility (CSR) have contributed to the drop in Bayer's stock price?

Despite its practical relevance, surprisingly little is actually known in prior research to answer this question (Deng, Kang, & Low, 2013). To our knowledge, only Aktas, De Bodt, and Cousin (2011) have empirically examined the influence of target CSR on acquisition performance. For a small sample of 106 transactions, their findings indicate a positive relationship between target CSR performance and acquirer returns.

The question whether a target's CSR reputation affects acquisition performance, however, is also academically interesting and relevant for several research fields. In research on mergers and acquisitions (M&A), identifying target characteristics that contribute to deal performance has been

a major stream of prior literature (for a review cf. Haleblan, Devers, McNamara, Carpenter, & Davison, 2009). In CSR research, the overall performance implications of CSR activities have been extensively researched (cf. Margolis & Walsh, 2003), hence creating the need to develop a more fine-grained view on which specific aspects of CSR might contribute to certain types of company performance.

With this study, we try to expand our understanding of this hitherto under-researched topic. We argue that targets with strong CSR performance exhibit reduced informational asymmetries (Akerlof, 1978) due to higher transparency (Kim, Park, & Wier, 2012). In addition, high CSR is a result of strong moral standards of a company and its management, which leads to non-exploitation of the remaining information asymmetries (Hosmer, 1995; Jones, 1995). Thus, both mechanisms reduce risk and uncertainty inherent in the acquisition process for the acquirer, thereby leading to stronger acquirer acquisition performance. This line of reasoning resonates well with prior research's understanding of CSR as an insurance-like property (Godfrey, Merrill, & Hansen, 2009). When subsequently exploring the contingency conditions of the target CSR-acquirer performance relationship, we argue that the insurance effect establishing the target CSR-acquirer performance relationship is more pronounced for acquirers facing CSR challenges as well as moderated by acquirer CEO regulatory focus (Gamache, McNamara, Mannor, & Johnson, 2015).

We test above hypotheses on a sample of 232 US acquisitions announced between 2003 and 2013. We empirically observe our hypothesized positive relationship between target CSR performance and acquirer abnormal announcement returns. As predicted, we find that the positive target CSR-acquirer performance relationship is more pronounced for acquirers struggling with their own CSR as well as for acquirers led by a CEO with a high prevention focus.

Our work adds to the literature both empirically and theoretically. Empirically, we observe CSR as a firm characteristic with the potential to influence acquisition performance and identify contingency factors moderating the CSR-acquisition performance relationship. Besides thereby contributing to the M&A literature on explaining acquisition performance, this is particularly interesting for the CSR literature in regard that the causal direction between CSR performance and financial performance is often highly disputed in the CSR literature (Aktas et al., 2011). While it is in many research settings difficult to distinguish whether CSR activity increases financial performance or well-performing companies are more willing to engage in CSR, finding the target's CSR activities to improve the financial performance of the acquirer provides a clear indication of causal direction. Furthermore, we provide additional empirical support for prior research's understanding of CSR as an insurance-like property (Godfrey, 2005; Gardberg & Fombrun, 2006). On a theoretical level, we extend prior research's rationale that CSR activities can be value increasing by reducing information asymmetries and opportunistic behavior by applying it to an acquirer-target setting. Thereby we demonstrate that this explanation has explanatory power even when being applied beyond traditional stakeholders of a company (Lopatta, Buchholz, & Kaspereit, 2016).

The remainder of this study is organized as follows. In the next section, we provide the background to our study by reviewing the relevant literature on M&A performance and CSR. Subsequently, we develop our hypotheses on the target CSR-acquisition performance relationship and its contingency factors. Afterwards, we present our research design and empirical results before concluding with a discussion of our findings.

BACKGROUND

Receiving a positive investor response is challenging for an acquirer when announcing an acquisition, with most M&A research reporting negative acquirer returns upon the announcement of an acquisition (cf. e.g., Datta, Pinches, & Narayanan, 1992; Halebian et al., 2009; King, Dalton, Daily, & Covin, 2004). Consequently, M&A research has been particularly interested in identifying transaction and company characteristics with a positive influence on acquirer announcement returns. Examples for such characteristics include acquirer and target's size (Moeller, Schlingemann, & Stulz, 2004), a target's relatedness with its acquirer (Finkelstein & Halebian, 2002), and the nature of the acquired assets (Laamanen, Brauer, & Junna, 2014).

A firm characteristic with well-established links in the literature contributing to company performance and investor recognition is a company's CSR performance¹ (cf. e.g., Cochran & Wood, 1984; Margolis & Walsh, 2003; Orlitzky, Schmidt, & Rynes, 2003; Waddock & Graves, 1997). Furthermore, CSR performance has also been tied to influence various other outcomes of a company's life (cf. e.g., Aguinis & Glavas, 2012; Malik, 2015). For instance, companies with strong CSR have been linked to better access to financing (Cheng, Ioannou, & Serafeim, 2014), lower cost of equity as well as increased analyst coverage and more dedicated institutional investors (Dhaliwal, Li, Tsang, & Yang, 2011), better company reputation (Brammer & Pavelin, 2006; Fombrun & Shanley, 1990), and higher quality employees (Turban & Greening, 1997).

Given the impact of CSR on so many aspects of a company's performance and the aforementioned interest to identify performance determinants of acquisition announcements,

¹ Researchers struggle to provide an exact definition of CSR due to the complexity of the issue (Lopatta et al., 2016). Unless otherwise stated, in this study and the remainder of the thesis we use expressions such as "CSR performance", "CSR status" and "corporate social performance (CSP)" interchangeably and employ a broad understanding of CSR comprising environmental, social, and governance. We further address this topic in our Methods chapter when presenting our CSR measurements.

surprisingly little research, however, has hitherto addressed whether CSR also influences acquisition performance. Of the few studies existing, most have focused on the impact of the *acquirer's CSR status* on deal performance and related outcomes. Deng et al. (2013) find that acquirers with a high CSR score exhibit a higher likelihood of merger completion, higher combined merger announcement returns, and a stronger long-term financial performance.

To Brooks and Oikonomou (2017) and our knowledge, however, only Aktas et al. (2011) have examined the influence of *target company's CSR status* on an acquirer's acquisition performance. For a small sample of 106 M&A deals from the period of 1997 to 2007, they observe a positive relationship between CSR scores of target companies and acquirer's announcement returns. Rating a target's CSR on a seven-unit scale, they report that a one-unit increase was associated with 0.9 percent higher abnormal acquirer announcement returns. However, although they extrapolated CSR scores three years backwards to increase sample size, their sample still only consists of 106 mergers and acquisitions, of which 94 to 95 are included in the relevant regression analyses.

Thus, while their study provides a first indication of a positive influence of acquiring a target with strong CSR on acquirer announcement returns, their results warrant further corroboration as intended by this study. In the following chapter, we first outline the challenges acquirers face when screening for and pursuing a target. We then argue that targets with strong CSR alleviate these challenges during the acquisition process, leading to higher acquirer announcement returns due to reduced risk.

THEORY AND HYPOTHESES

As indicated by the well-documented skeptical investor reactions towards an acquirer announcing an acquisition that we outlined in the prior chapter, choosing a suitable acquisition target and pursuing the acquisition is a challenging task for a prospective acquirer. A major reason for that lies in the difficulties and risks for an acquirer involved in the target selection as well as the negotiation processes revolving around an intended acquisition (Pablo, Sitkin, & Jemison, 1996). In this chapter, we show that acquirers face disadvantageous information asymmetries when assessing the state of a potential target and are at risk from opportunistic behavior by target management when pursuing an acquisition. We then argue that a target's CSR score alleviates both these risks for an acquirer and thus leads to a more favorable market reaction around the acquisition announcement. In addition, we posit that this favorable market reaction is also a result of the superior CSR resources an acquirer obtains when purchasing a target with strong CSR status.

After having set the strategic objectives of an acquisition, for an acquirer the M&A process typically passes through five stages prior to the announcement of the deal: (1) searching and screening for a suitable target, (2) strategic evaluation of the prospective target, (3) financial evaluation of the prospective target, (4) negotiation with the management of the prospective target, and (5) contractual agreement to close the acquisition (Haspeslagh & Jemison, 1991). During all stages of this process, two challenges are particularly salient for the prospective acquirer. First, the acquirer needs to obtain comprehensive and reliable information on the target to accurately assess the state of the potential target and prepare for negotiations with target management. Since target management is at an informational advantage regarding data on its own company and acquirers typically are pressed for time, acquirer management faces information asymmetries (Parvinen & Tikkanen, 2007). Second, contracting is inherently incomplete in nature (Williamson, 1975, 1989).

Thus, acquirers run the risk of target management engaging in opportunistic behavior such as for instance engaging in ex-post acquisition price escalation (Parvinen & Tikkanen, 2007).

Both these risks (i.e., information asymmetries and opportunistic behavior) in the acquisition process, however, are less salient for an acquirer choosing to pursue a target with a strong CSR performance (Lopatta et al., 2016). Companies with superior CSR performance have been observed to disclose both voluntarily more (Dhaliwal et al., 2011) and higher quality information (Kim et al., 2012). The resulting higher transparency decreases information asymmetries for an acquirer, thereby allowing for a better due diligence and more informed negotiations. Furthermore, strong CSR performance has been shown to decrease a company's intention to exploit remaining information asymmetries as well as to refrain from other forms of opportunistic behavior (Bénabou & Tirole, 2010; Cheng et al., 2014). This translates to a more efficient form of interactions based on trust and cooperation instead of legal contracts (Hosmer, 1995; Jones, 1995), resulting in a less risky acquisition process for the acquirer and thus higher announcement returns.

Besides reducing information asymmetries and opportunistic behavior during the acquisition process, targeting a company with a strong CSR performance also allows an acquirer to buy superior CSR resources (Berchicci, Dowell, & King, 2012; Wickert et al., 2017). For instance, Wickert et al., (2017) observed that large multinational enterprises acquired socially oriented organizations with the intention to acquire CSR-related knowledge and integrate new practices into their parent organization. This opportunity for the acquirer to subsequently draw on these resources post-acquisition to improve his own CSR performance further contributes to a more favorable market announcement reaction.

To sum up our baseline hypothesis, purchasing a target with strong CSR is less risky for an acquirer as it exposes him to lower disadvantageous information asymmetries during the

acquisition process due to the better information availability and information quality with respect to the target as well as less opportunistic behavior from target management. In addition, such a deal allows an acquirer to buy superior CSR resources, which can be used to strengthen its own CSR performance post-acquisition. Thus, Hypothesis 1 states:

Hypothesis 1: Target CSR performance is positively related to an acquirer's acquisition announcement returns.

The moderating influences of acquirer's own CSR performance and acquirer CEO's regulatory focus

After having established our baseline hypothesis in the prior section how a target's CSR status affects acquirer announcement returns, we now explore contingency factors influencing this relationship. Specifically, we examine the roles of the acquirer's own CSR performance and its CEO's regulatory focus in shaping the target CSR-acquirer announcement returns relationship.

As observed by Harrison et al. (1991), companies benefit more from acquiring targets that give them access to resources the acquiring company lacked prior to the acquisition. Relatedly, Berchicci et al. (2012) argue that companies with poor environmental performances purchase environmentally superior facilities to strengthen their own environmental capabilities. In the context of our study, we expect acquirers with weak own CSR to experience a more pronounced announcement reaction since those acquirers possess a greater potential to subsequently improve their own CSR with the newly acquired CSR resources. Thus, we propose a more pronounced manifestation of the positive target CSR performance-acquirer announcement returns relationship the more acquirers are struggling with their own CSR prior to the focal acquisition:

Hypothesis 2: The influence of target CSR performance on acquirer's acquisition announcement returns is stronger for acquisitions with weak acquirer CSR performance.

Prior M&A research has established CEOs as key decision makers to heavily influence the initiation and pursuit of acquisitions, with one driving characteristic being a CEO's regulatory focus (Higgins, 1998; Gamache et al., 2015). CEOs typically have an inclination for either of two self-regulatory systems, with managers high in promotion focus seeking desirable end-states, while managers high in prevention focus are more defensive and aim to avoid undesirable end-states (Gamache et al., 2020). Prior research has characterized CSR as an "insurance-like" resource (Godfrey et al., 2009), creating goodwill and moral capital against negative events affecting a company (Godfrey, 2005; Gardberg & Fombrun, 2006). This means CSR is particularly useful to prevent harm from a company rather than for instance promoting rapid growth. Thus, a CEO with a high prevention focus might be more aligned with the defensive nature of CSR and be able to manage these acquired resources more effectively:

Hypothesis 3: The influence of target CSR performance on acquirer's acquisition announcement returns is stronger for acquisitions where the acquirer's CEO has a high prevention focus.

METHODS

Sample

Our sample consists of 232 acquisitions announced by public US companies between the beginning of 2003 and end of 2013. Data on M&A was drawn from Thomson ONE. We cross-checked the announcement dates from Thomson ONE using LexisNexis. Furthermore, using Thomson ONE and LexisNexis we eliminated acquisitions with confounding events such as CEO changes, earnings announcements, dividend payouts, alliances, divestitures, or other acquisitions within our event window. Data on CSR was obtained from Thomson Reuters Asset4 and KLD databases. Data on stock market returns and company financial data stem from CRSP and Worldscope, respectively.

Measures

Dependent variable

Acquirer CAR. Following prior research's conventions when studying performance implications of acquisitions (cf. Halebian et al., 2009), we conduct an event study to measure the abnormal stock market returns around an acquirer's acquisition announcement. In line with prior research (e.g., Hayward, 2002; Laamanen et al., 2014; McNamara, Halebian, & Dykes, 2008), we use an estimation window of 250 days that ends 45 days before the focal acquisition. We furthermore base our market portfolio on the S&P 500 index as we expect this index to correlate strongly with the companies from our sample. We calculate CARs over a $[-1,1]$ three days window surrounding the date of the announcement to allow for enough time to capture significant stock price effects while being short enough to minimize the occurrence of confounding events (McWilliams & Siegel, 1997). To corroborate robustness of our results, we also calculate CAR with alternative event window lengths.

Explanatory variables

CSR index of target. For each company covered, Asset4 annually processes 900 data points to calculate 250 key performance indicators, which are further organized into 18 categories within the four pillars (1) environmental performance score, (2) social performance score, (3) corporate governance score, and (4) economic performance score. We follow Cheng et al. (2014) in creating an equally-weighted composite index of the first three pillars (i.e., environmental, social, and corporate governance) to capture a target's CSR performance. Since Asset4 scores are already lagged by one year due to being based on prior's year data, we use the target company scores from the year of the focal acquisition when constructing *CSR index of target*.

CSR acquirer badness. Initially we tried to capture acquirer CSR performance by constructing the measure for the acquirer following the same procedure as outlined above for our measure target CSR measure. This, however, would have resulted in a sample size insufficient for further regression analysis involving control variables and interaction effects. Since both the state of prior research and theoretical considerations (cf. chapters background, theory and hypotheses) as well as empirical analysis based on a preliminary sample indicated target CSR to be more interesting, to describe the acquirer's CSR performance we followed Deng et al. (2013) by constructing an alternative operationalization based on data from the KLD database: For approximately 80 indicators along seven CSR dimensions, a company receives (loses) one point for every strength (concern) it displays. Subsequently, the net count (i.e., strengths minus concerns) of all indicators are first added up within each dimension and then equally weighted over all dimensions to receive the total CSR score. To allow for a more intuitive rationale of our Hypothesis 2 and easier interpretation of the corresponding moderation analysis, however, we reversed for *CSR acquirer badness* the way points are assigned (i.e., we calculated concerns minus strengths instead of strengths minus concerns).

Acquirer CEO promotion focus and *Acquirer CEO prevention focus*. We created *Acquirer CEO promotion focus* and *Acquirer CEO prevention focus* following the well-established content analysis procedure by Gamache et al. (2015). Using dictionaries containing 27 promotion and 25 prevention words provided by aforementioned authors with the Linguistic Inquiry and Word Count (LIWC) software, we measured the percentage of promotion and prevention words within the acquirer CEO's letter to shareholders in the year preceding the focal acquisition.

Control variables

We control for multiple factors that prior research has identified to affect acquisition performance. With respect to acquirer's characteristics, we control for (1) *Acquirer size* measured as the log of an acquirer's total assets; (2) *Acquirer performance* measured as the return on an acquirer's total assets (ROA); (3) *Acquirer diversification* measured as the number of different SIC code industries the acquirer conducts business; (4) *Acquirer M&A experience* measured as the number of acquisitions conducted by the acquirer in the three years preceding the focal acquisition; (5) *Acquirer to target similarity* operationalized following the established SIC code measure by Halebian and Finkelstein (1999). Regarding deal characteristics, we include (6) *Deal value* measured as the log of total deal price, (7) *Method of payment*, which is set to 1 for deals paid in cash and 0 for deals paid by shares or a combination of cash and shares. We furthermore include *year dummies* to account for differences in deal conditions over time.

RESULTS

Descriptive statistics

Table 1 (see appendix) displays descriptive statistics including the means, standard deviations, and pairwise correlations for all variables used in our analysis. We observe no concerning high correlations among our independent and control variables. This was also confirmed by our regression diagnostics, which did not show signs of a multicollinearity problem with an average variance inflation factors (VIFs) of 1.8 and each single VIF well below the commonly accepted threshold of 10 (Neter, Wasserman, & Kutner, 1985). Acquirers in our sample on average experience a slightly positive abnormal stock market reaction when announcing a transaction. As expected, we furthermore find a significant ($p < 0.05$) positive correlation between the explanatory variable *CSR index of target* and our dependent variable *Acquirer CAR*.

Hypotheses testing

To test our hypotheses, we employ multiple regression analysis with robust standard errors clustered at the acquirer firm level to control for acquirers conducting multiple acquisitions within our sample. Following Aiken, West, and Reno (1991), we mean-center the independent and moderator variables prior to calculating the interaction terms to facilitate their interpretation. In addition, we plot graphs for the interaction results to ensure correct interpretation.

Table 2 (see appendix) provides the results of our regression analysis. All models include *Acquirer CAR* as the dependent variable. Model 1 displays the base model including only the control variables.

In Model 2, we introduce our explanatory variable *CSR index of target* and find a significant positive relationship between that variable and *Acquirer CAR* ($p < 0.05$). This supports

our Hypothesis 1, which predicted a positive impact of a target company's CSR quality on the acquirer's acquisition announcement returns.

We then continue our analysis with testing Hypothesis 2, predicting that weak acquirer's CSR performance positively moderates the influence of target CSR on acquirer announcement returns. Model 3 lends empirical support to that hypothesis with the product term *CSR index of target x CSR acquirer badness* exhibiting significant positive coefficients ($p < 0.01$). Further corroboration of Hypothesis 2 is found in Figure 1 (see appendix), which depicts a steeper slope for high values of *CSR acquirer badness*.

In Model 4, we include the product terms of *CSR index of target* with *Acquirer CEO promotion focus* and *Acquirer CEO prevention focus*. Our Hypothesis 3 states that high acquirer's CEO prevention focus positively moderates the influence of target CSR on acquirer announcement returns. Model 4 supports that prediction with the product term *CSR index of target x Acquirer CEO prevention focus* displaying a positive and significant ($p < 0.1$) coefficient. We observe further support of Hypothesis 3 when analyzing Figure 2 (see appendix), which depicts a steeper slope for high values of *Acquirer CEO prevention focus*.

Model 5 simultaneously includes all three interaction terms as a robustness check. We observe statistical significances of the variables along the line of Model 3 and 4, which further corroborates our results.

DISCUSSION AND CONCLUSION

This study examines the influence of a target's CSR performance on the acquirer's share price when announcing an acquisition. We argue and find empirical support that a target with superior CSR performance decreases acquisition risk for an acquirer due to fewer information asymmetries and less opportunistic behavior by target management. This as well as better access for an acquirer to valuable CSR resources of the target leads to a more favorable investor reaction on the announcement of the deal. We furthermore explore the contingency factors moderating the target CSR-acquirer announcement returns relationship. We posit and observe that for acquirers struggling with their own CSR activities, acquiring a high CSR target is accompanied by a particularly favorable market reaction. Drawing on the concept of CEO regulatory focus, we then present arguments and find empirical support why the defensive nature of CSR is suited for an acquirer CEO with a prevention focus who better understands the value and utility of such an "insurance-like" resource.

Theoretical and practical contributions

Our study contributes both to research and practice. Regarding the latter, top management and directors involved in the preparation and execution of an acquisition are often frustrated by the typical negative market reaction when announcing an acquisition. Given that investors react more favorably to acquisitions involving high CSR targets, including a CSR assessment when screening for potential targets could be a useful consideration, especially for acquirers in need of additional CSR resources or with a CEO with the suitable mentality to derive value from acquired CSR resources.

With respect to our study's contributions to research, we both theoretically develop and find empirical support for a rationale why CSR as a target characteristic has the potential to

influence acquirer acquisition performance. Furthermore, we identify the acquirer's own CSR performance and regulatory focus of its CEO as contingency factors positively moderating the CSR-acquisition performance relationship. Besides thereby contributing to the stream of M&A literature that aims at identifying and confirming factors influencing acquisition performance, this is also particularly interesting for the CSR literature in the sense that the causal direction between CSR performance and financial performance is often unclear and highly disputed in the CSR literature (Aktas et al., 2011): While it is in many research settings difficult to distinguish whether CSR activity increases financial performance or well-performing companies are more willing to engage in CSR, finding the target's CSR status to improve the financial performance of the acquirer provides a clear causal direction. Furthermore, we provide additional empirical support for prior research's understanding of CSR as an insurance-like property (Godfrey, 2005; Gardberg & Fombrun, 2006).

Limitations of this study and avenues for future research

Our study has several limitations. First, when arguing for a positive impact of target CSR on acquirer announcement returns, we base our argumentation both on reduced risk for the acquirer during the acquisition process and CSR as a valuable resource for future use by the acquirer. Consequently, we cannot empirically differentiate between the relative importance of those two lines of reasoning. Second, due to data availability our sample is restricted to US acquirers. While target CSR appears to positively influence announcement returns for those acquirers, this might not be true in countries with a different institutional and cultural settings (cf. e.g., Aguinis & Glavas, 2012; Malik, 2015). Thus, future research should address these limitations by analyzing potential cross-country differences in the impact of CSR on acquisition performance.

Third, we focused our study on short-term acquirer announcement returns. Supplementing this study with research on acquisition price levels and premia would reveal whether the value of CSR is actually reflected in the prices paid for targets with superior CSR (Gomes & Marsat, 2018, Qiao & Wu, 2019). Furthermore, observing the long-term development of an acquirer's CSR performance post-acquisition could reveal whether acquirers are in fact able to improve their own CSR with CSR resources obtained through acquiring a superior CSR target as indicated by Aktas et al. (2011).

To conclude this paper, we briefly revisit the acquisition of Monsanto by Bayer from our introduction, a deal accompanied by extensive CSR concerns: After ongoing controversy, Bayer announced to retire the Monsanto name upon completing the acquisition (Reuters, 2018).

TABLE 1
Means, standard deviations, and correlations^a

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1 Acquirer CAR	0.01	0.06											
2 CSR index of target	62.02	23.53	0.14										
3 CSR acquirer badness	-0.45	3.55	0.03	-0.07									
4 Acquirer CEO promotion focus	1.91	0.75	-0.21	0.06	-0.09								
5 Acquirer CEO prevention focus	0.25	0.27	-0.10	-0.13	-0.09	-0.06							
6 Acquirer size	3.94	1.10	-0.17	-0.08	-0.41	-0.02	0.37						
7 Acquirer performance	5.28	7.13	-0.08	0.08	-0.12	0.13	-0.22	-0.12					
8 Acquirer diversification	5.93	4.51	-0.06	0.02	-0.31	0.17	-0.01	0.49	0.03				
9 Acquirer M&A experience	17.70	36.94	-0.10	-0.06	-0.18	0.06	0.13	0.58	0.07	0.68			
10 Acquirer to target similarity	2.49	2.69	0.00	-0.04	0.06	0.07	-0.10	-0.14	0.03	-0.23	-0.32		
11 Deal value	2.26	0.72	0.05	0.06	-0.11	-0.03	0.05	0.33	0.05	0.13	0.05	0.08	
12 Method of payment	0.51	0.50	0.02	0.02	-0.05	0.02	0.11	-0.01	-0.01	0.03	-0.04	0.03	0.15

^a N = 232. Values greater than .12 are significant at $p < .05$.

TABLE 2
Results of regression analysis^a

<i>Dependent Variable: Acquirer CAR</i>	Model 1		Model 2		Model 3		Model 4		Model 5	
Acquirer size	0.0164	(0.0104)	-0.0158	(0.0101)	-0.0138	(0.0094)	-0.0183 *	(0.0098)	-0.0161 *	(0.0089)
Acquirer performance	-0.0009	(0.0010)	-0.0009	(0.0010)	-0.0008	(0.0010)	-0.0011	(0.0010)	-0.0009	(0.0009)
Acquirer diversification	0.0012	(0.0010)	0.0012	(0.0009)	0.0013	(0.0009)	0.0013	(0.0009)	0.0015	(0.0009)
Acquirer M&A experience	0.0000	(0.0001)	0.0000	(0.0001)	0.0000	(0.0001)	0.0000	(0.0001)	-0.0001	(0.0001)
Acquirer to target similarity	0.0004	(0.0020)	0.0008	(0.0020)	0.0000	(0.0020)	0.0013	(0.0020)	0.0005	(0.0021)
Deal value	0.0120 **	(0.0059)	0.0113 *	(0.0059)	0.0116 **	(0.0056)	0.0119 **	(0.0058)	0.0120 **	(0.0055)
Method of payment	0.0028	(0.0078)	0.0023	(0.0079)	0.0067	(0.0076)	0.0033	(0.0084)	0.0083	(0.0081)
CSR index of target			0.0003 **	(0.0001)	0.0003 **	(0.0001)	0.0003 **	(0.0001)	0.0003 **	(0.0001)
CSR acquirer badness					-0.0016	(0.0011)			-0.0016	(0.0011)
Acquirer CEO promotion focus							-0.0168 **	(0.0072)	-0.0180 **	(0.0073)
Acquirer CEO prevention focus							0.0087	(0.0180)	0.0103	(0.0171)
CSR index of target x CSR acquirer badness					0.0001 ***	(0.0000)			0.0001 ***	(0.0000)
CSR index of target x Acquirer CEO promotion focus							0.0001	(0.0003)	-0.0001	(0.0003)
CSR index of target x Acquirer CEO prevention focus							0.0011 *	(0.0006)	0.0013 **	(0.0005)
R ²	0.126		0.139 **		0.168 **		0.154 **		0.187 ***	

^a N = 232. Unstandardized regression coefficients are reported with standard errors in parentheses. Year dummies are included in all models, but not reported due to space limitations.

* p < .10

** p < .05

*** p < .01

FIGURE 1

Moderating effect of CSR acquirer badness on the relationship between CSR index of target and Acquirer CAR

FIGURE 2

Moderating effect of Acquirer CEO prevention focus on the relationship between CSR index of target and Acquirer CAR

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