Do Acquiring Firms Maintain Targets' Superior CSR and Remedy Targets' CSR Problems?

ABSTRACT

We study whether acquiring firms' managers are likely to maintain (support) or dismiss the target's superior CSR and whether they are likely to remedy or disregard the target's CSR problems in the post-acquisition process. We hypothesize that acquirers pay selective attention to the targets' CSR dimensions (community, diversity, employee, environment, and product) and they prefer to dismiss the target's superior CSR in community, diversity, and employee dimensions, whereas they are likely to maintain (support) targets' superior CSR in environment and product dimensions in favor of potential financial benefits. We also hypothesize that they are likely to disregard or overlook the targets' CSR problems in all five CSR dimensions, which carry over to the combined firm in the post-acquisition integration process. Using a sample of 456 acquisition cases in the U.S. market in 1995-2010, we confirm our hypotheses. Additional tests show that acquiring firms maintaining (supporting) the targets' superior CSR in environment and product dimensions favorably influence the acquirers' stock value, while overlooking target's product issues has unfavorably impact on it.

Keywords: mergers & acquisitions, stakeholders, social value, CSR

INTRODUCTION

In general, a firm pursues merger and acquisition (M&A) to capture synergy benefits by creating efficiency via economies of scale/scope, sharing resources, and increasing revenue from market expansion, which can improve the combined firm's competitive advantage (Cording, Christmann, & King, 2008; Zollo & Singh, 2004). The M&A literature is predominantly concerned with creating value for shareholders and has examined the impact of strategic relatedness, organizational fit and cultural compatibility on M&A financial performance (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009). Acquiring firms' managers are concerned about how to achieve cost synergies, reduce redundant costs, or increase market share, tending to inadvertently overlook stakeholders' interests. But, most of the time in the post-acquisition integration process, stakeholders (e.g., communities, employees, and consumers) may be disadvantaged and their rights as stakeholders may be violated. This may be especially true for target's stakeholders. Target is usually smaller than the acquiring firm. Acquirers have more power than targets and are likely to absorb the target's governance structure and other business practices to unify the combined firms by enforcing acquirers' practices. In this process, acquirers focus on decreasing costs, e.g., through workforce cutbacks and compensation reductions, hoping to avoid any additional investment on the target stakeholders unless critical for the firms' value.

In this paper, we are interested in how acquirers manage target stakeholders in the post-integration process. To manage stakeholders effectively, a firm needs to consider corporate social responsibility (CSR), which might be costly or create financial value. In recent years, a firm's success is measured by not only financial performance but also its capacity to create social value for non-shareholding stakeholders through CSR. Stakeholders are described by "any groups or individuals who can affect or be affected by the achievement of the organization's objectives" (Freeman, 1984, p. 46). They represent a "group that the firm needs in order to exist, specifically customers, suppliers, employees, financiers, and communities" (Dunham, Freeman, & Liedtka, 2006, p. 25). The M&A literature's focus on financial performance for shareholders has been judged as being too narrow (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009). Haleblian et al. (2009) assert that more attention must be paid to "the effect of acquisitions on stakeholders other than shareholders." New scholarship has started to focus on non-shareholding stakeholders' (e.g., community, employees, consumers) value in the M&A context since it is more or less affected by a firm's M&As (Donaldson, 1989). In this paper we question how acquiring firms manage their non-shareholding stakeholders in addition to their shareholders.

Recent literature on M&A utilizes stakeholder management theory, emphasizes non-shareholding stakeholders' welfare, and tries to connect to firm value. For example, Deng, Kang, and Low (2013) study how acquirers' prior stakeholder management through CSR can affect acquisition performance and find that their efforts to pay attention to their non-shareholding stakeholders contribute to a better acquisition performance. In another study, Bentinazzi and Zollo (2014) also provide evidence that acquirers' prior stakeholder orientation toward their employees, customers, suppliers, and local communities positively affects their acquisition performance.

Less attention has been paid in the literature to how acquirers actually manage the target stakeholders in the post-acquisition integration process. Waddock and Graves (2006) compare CSR of pre-merger targets and post-merger combined firms, and find that both CSR strengths and problems increase in the combined firms. They conclude that target stakeholders will experience more CSR concerns in the combined firm, which will leave them at a disadvantage. In our study, we further examine these concerns in the post-acquisition process.

In this study, we focus on targets' community, employees, environmental stakeholders, and consumers and CSR practices/problems related to each group. We specifically focus on the cases of target firms with a superior CSR or more CSR problems, compared to the acquirers. We empirically test whether the acquiring firm managers are likely to maintain the targets' superior

CSR; if so, which dimension of the targets' superior CSR are the acquirers likely to maintain (support) or dismiss (not support)?

We also focus on the cases of targets with more CSR problems than for the acquirers and test whether acquiring firm managers are likely to pay attention to the targets' CSR problems; if so, which CSR concern of the targets are the acquirers likely to remedy or ignore? In an additional test, we examine how the acquiring firm managers' decisions regarding the target stakeholders' welfare affect acquisition performance.

We hypothesize that acquiring firm managers prefer to dismiss the targets' superior CSR in the community, diversity, and employee dimensions but are likely to maintain (support) targets' superior CSR in environment and product dimensions in favor of better acquisition performance. We also hypothesize that they are likely to disregard/overlook the targets' CSR problems in all five CSR dimensions, which will carry over to the combined firms, while still expecting that there will be no negative impact on acquisition performance.

Using a unique sample of 456 acquisitions undertaken by US-based listed firms across industries between 1995 and 2012, we confirm our hypotheses. We also find that these decisions by the acquiring firms do not impact the firms' long-term stock value, except in the cases of maintaining (supporting) the target's superior CSR in environment and product dimensions, which favorably impact the firm's stock values; however, overlooking the target's product issues unfavorably impacts the firm's stock values.

Our empirical analysis could advance M&A theories, specifically about acquiring firms' decisions regarding the welfare of target stakeholders. We reveal that target firms' CSR has a significant influence on acquirers' decisions concerning how to manage target stakeholders, but only selectively, and those decisions are made based upon whether a certain CSR practice has the potential to create financial value. Acquirers focus on certain stakeholder groups rather than paying attention to a broader group of all stakeholders. Accordingly, this research contributes to our understanding of the acquirer CSR policy in the post-acquisition integration process and acquirer's attention to target stakeholders.

The remainder of this paper is organized as follows: in the next section, we build on theory about acquirers' target stakeholder management and their CSR decisions in the integration process. The third section presents the methods and the data used to test the hypotheses, and the fourth presents the results of our statistical analyses, followed by a discussion of our results and conclusion with suggestions for future research.

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THEORETICAL FRAMEWORK

Stakeholder Management and Firm Value

Given the complex relationship of a firm with a diverse stakeholder group, stakeholder management theory offers a process by which individuals/groups can identify, measure, and evaluate businesses and it presents a model to understand them within a stakeholder network (Freeman 1984; Walsh 2005). Stakeholder management theory emphasizes business ethics when interacting with diverse stakeholder groups and the importance of managing relationships between an organization and its many stakeholders (Freeman, Harrison, & Wicks, 2007). It became prominent in the strategy/performance discussion (i.e., Godfrey, 2005; Hillman & Keim, 2001).

Successful organizations are those that can encourage cooperation with stakeholders that benefits both the firm and the stakeholders (Barringer & Harrison, 2000; Harrison, Bosse, & Phillips, 2010), for example, fostering the development, selection, and deployment of internal change initiatives (Sharma & Henriques, 2005), the emergence of dynamic capabilities related to organizational innovation (Aragón-Correa & Sharma, 2003), or the increase in legitimacy perceptions and reputation (King, 2008). These, in turn, positively impact the firm's financial performance (Hillman & Keim, 2001; Waddock & Graves, 1997). In contrast, when stakeholders' right is violated, they will likely not support the firms, negatively impacting the firm's financial performance. Barnett and Solomon (2012) argue that the ability to create/add value and avoid/minimize moral failures of stakeholders will largely impact financial performance.

Many firms take an instrumental stakeholder management approach (Jones et al., 2007) which describes the level of a firm's relationship with stakeholders and how a particular type of stakeholder treatment is associated with competitive advantage. They believe that they will increase the long-term value of the firm by catering to non-shareholding stakeholders. However, CSR practices may be costly and may require managerial time. Over- allocation of firm's resources will impede the firm's financial performance (Harrison et al., 2010). Scholars have found mixed results in examining the link between CSR practice for its stakeholders and firm performance (see reviews by Margolis, Elfenbein, Walsh, 2009) and question the causal link between them.

Target Stakeholder and Post-Acquisition Integration

Acquirers seek to capture integrative benefits through creating efficiencies via economies of scale/scope and increase revenue from market expansion (Cording et al., 2008; Zollo & Singh, 2004). However, it is difficult to realize benefits given challenges of post-acquisition integration dynamics (Haspeslagh & Jemison, 1991; Stahl & Voigt, 2008). Post-acquisition integration can be riddled with culture clashes (Cartwright & Cooper, 1993; Stahl & Voigt, 2008). Culture clashes can include differences in organizational culture (Stahl & Voigt, 2008), governance structures (Wang & Dewhirst, 1992), and identity issues between the acquirer and the target (Maguire & Phillips, 2008). A firm's organizational culture, governance structures, and identity will impact its stakeholder management and its CSR policy and practices. In other words, there is a heterogeneity in CSR policy and practices and how stakeholders are treated across firms (Harrison, Bosse, & Phillips, 2010; Hillman & Keim, 2001; Waddock & Graves, 1997, Tantalo & Priem, 2014). This heterogeneity can help to explain the variance in acquisition performance as discussed below.

Prior studies on stakeholder management and acquisition performance have focused on the acquirer firm's stakeholder management. If the acquirers have been building a good relationship with their stakeholders, their stakeholders will strongly support and cooperate with the firm in the integration process, which in turn, positively impacts acquisition performance (Deng et al., 2013). Another study discusses that if the acquirer has good stakeholder management skills, it will deploy it in the integration process, thus achieving a better synergy effect, which in turn results in a positive acquisition performance (Bentinazzi & Zollo, 2014).

However, less attention has been paid in the literature on how acquiring firm managers actually make a decision regarding target stakeholders' welfare in the integration process. The direction of transfer of capabilities and resources in the acquisition context will depend on the relative power and strengths of the acquirer and the target. Considering a dominant role of acquiring firms in general, if the acquirer has a superior CSR policy and practice, compared to the target, its CSR practices will transfer to the target and thus improving the target's CSR.

In the case of the target having a superior CSR compare to the acquirer, we ask, Are acquirers likely to maintain (support) and implement the target's superior CSR in the combined firms? We also ask, in the case of the target having more CSR problems than the acquirers, are the acquirers likely to remedy the problem in the post-acquisition integration process? In this study, we develop and test a theory about acquiring firm managers' target stakeholder management practices. For this, we focus on differences in CSR between target and acquirer and its impact on the change in the combined firm's CSR policy and practices as well as its acquisition performance in the integration process.

The post-acquisition integration process (i.e., the period when firms come together and begin to work toward the acquisition's purpose, Haspeslagh & Jemison, 1991, p. 105) is a critical phase of M&A (Calipha, Tarba, & Brock, 2010). It involves selecting, valuing, and understanding a target firm's resources (Capron & Shen, 2007). It can be complicated for the acquiring firm managers to consider all of the target's different stakeholder groups and allocate resources to CSR practice for the target stakeholders. The acquirer's managers may or may not include target's stakeholders such as employees and/or suppliers in making managerial decisions (Ellis, Reus, & Lamont, 2009), might be due to a lack of information on target's stakeholders or time and money constraint as they work to achieve their acquisition objective (i.e., expansion the market and reducing any overlapping work for cost efficiency).

Attention that acquirer's managers pay to their relationship with different target stakeholder groups may vary during the acquisition integration processes (Haspeslagh &

Jemison, 1991; Pablo, Sitkin, & Jemison, 1996). In this study, we assume that, acquiring firm managers pay attention selectively to target stakeholders' welfare because it is difficult to simultaneously consider both target stakeholder and shareholder's value unless, target managers have specifically request to maintain their CSR policy and practice at the same level after acquisition and acquirers has agreed to that in the due diligence process. In addition, the acquiring managers may likely not pay attention to target's CSR problem areas. For example, if the target has a community-related CSR problem, that problem will persist in the combined firm. Managing target stakeholders may come with costs that could offset the benefits from a good relationship with them during the acquisition process. We assume that, rather than remedying target's CSR problems, acquiring managers more likely focus on business issues for smooth integration of the two firms' operation.

Next, we develop our hypotheses in related to target's four different stakeholder groups – community, employees, environmental stakeholders, and consumers. Accordingly, we focus on five CSR dimensions – community, diversity, employee, environment, and product.

Hypothesis Development

Target's Community CSR in post-acquisition integration

When firms pay attention to their community and provide philanthropic initiative (e.g., charitable giving, support for housing and education, and volunteer programs), the local community will benefit (Marquis, Glynn, & Davis, 2007). Firms need to secure from their local community and governments a "license to operate'. They request to place community-related infrastructure, pay taxes, and create community relations, philanthropic and volunteer programs (Groshen & Grothe 1989). In this way, they are more engaged in their communities. The acquiring firm's efforts to maintain a good relationship with the target's local communities could avoid any reduction of legitimacy or any negative reactions (e.g., protests from local stakeholder activists) (Eesley & Lenox, 2006), customer retention problems (King & Soule, 2007), and prevent conflicts between the acquiring firm and local community. Expanding philanthropic initiatives can positively influence investor and employee perceptions (Griffin, 2004), which can positively impact acquisition performance.

However, firms regard community services and philanthropy as discretionary and not as a source of competitive advantage (Porter & Kramer 2002) because community services are often not immediately critical to the firm's financial performance or future survival of the firm; their benefits will only be realized in the long term (Eesley, Decelles, & Lenox, 2015). Community is considered as a secondary stakeholder (Clarkson 1995) without any direct economic relationship with the firm. Acquiring firms will differ in their philanthropic activities after acquisition. Getting involved in community activities and philanthropy would increase the complexity for acquiring firms, such as requiring community analysis, communication, and increase philanthropic costs (King, 2008; Marquis & Lounsbury, 2007). Corporate philanthropy could be disregarded during restructurings due to cost efficiency concerns and philanthropic stakeholders will get overlooked and improperly managed. As innovative corporate giving, volunteer and community relations programmers are usually dominant in a firm's headquarter area, when the headquarter's ownership is changed, the firm's innovative community-related corporate practices will disappear (Waddock & Graves, 2006). However, doing nothing could limit the acquiring firm's legitimacy (Vasi & King, 2012).

Based on the above information, we assume that acquiring firm managers will likely not pay attention to the community of the target firm in the post-acquisition integration process, which will negatively affect the target community by experiencing a reduction of corporate community involvement. We argue that when the target has a superior community-related CSR, compared to the acquirer, acquiring firms will likely abandon the target's superior community-related CSR, and thus will not impact the combined firm's community-related CSR. Acquiring firm managers may believe that the benefits would not exceed the costs of maintaining the target's community service. Unless the acquirers have high moral value and are likely to serve the community for altruistic purposes, they may not likely invest in the target's superior community-related CSR. We set our first hypothesis is as follows:

> ***Hypotheses 1a:*** *In the case of the target firm having superior community-related CSR than that of the acquiring firm in pre-acquisition, target's superior community-related CSR will likely be abandoned rather than supported in the post-acquisition integration process.*

In the case of the target having more community (concerns) (e.g., investment controversies, negative community impact, and Tax disputes) problems than the acquirer, we argue that such problems will carry over to the combined firm, since acquiring firm managers will likely not pay attention to remedying the community problem in the post-acquisition integration process. Thus, the target's community-related CSR problems will likely contribute to increasing community-related CSR problems in the combined firm. We argue that acquiring firm managers will not allocate resources to obtaining any information about the target's community-related CSR problems and will not spend their managerial time and money on remedying them. They may believe that managing relationships with target community will not negatively impact acquisition performance. Thus, our next hypothesis is as follows:

Hypotheses 1b*: In the case of the target having more community-related CSR problems than the acquiring firm in pre-acquisition, target's those CSR problems will likely carry over to the combined firm in the post-acquisition integration process.*

Diversity

Diversity is part of employee-related CSR. Employee- and culture diversity can be a possible source of competitive advantage (Cox 1994; Orlando 2000), since companies supporting diversity could attract a better workforce and have potential advantages in creativity and problem-solving (Cox 1994). Other literature argues for negative impact of cultural diversity on outcomes (Jehn, Northcraft, & Neale, 1999). According to the knowledge-based view of the firm and decision-making perspectives, the firm plays a critical role in using individual employee's knowledge through integrating and coordinating them (Grant, 1996) and diversity improves decision-making effectiveness, leading to superior performance (Cox, Lobel, & McLeod, 1991). Kogut and Zander (1993) argue that firms provide a mechanism for creating/transferring knowledge. Richard, Murthi, and Ismail (2007) found a positive relationship between diversity and firm financial performance.

Acquirers are likely to underestimate the potential problems due to differences between the cultures, attitudes, and knowledge of the acquirer's and target's workforce (Greenwood, Hinings, & Brown, 1994). Acquiring frim have their own workforce characteristics and routine, and they prefer to impose them on the targets (King & Soule, 2007). We expect that acquiring firm managers will abandon any potentially superior diversity-related CSR of the target in the integration process, which will have no impact on the change in the combined firm's diversity CSR. Our next hypothesis is as follows:

Hypothesis 2.a*: In the case of the target firm having superior diversity in its workforce and board of directors than that of the acquiring firm in pre-acquisition, target's superior diversity-related CSR will likely be abandoned rather than supported in the post-acquisition integration process.*

When the target has less diversity in its workforce and board of directors than the acquirer, we argue that it will not impact the combined firm. Since acquiring firm managers will likely transfer their own diverse workforce practices into their target, the problem of the target's lack of diversity will disappear in the integration process. We set our next hypothesis as follows:

Hypothesis 2.b: *In the case of the target firm having less diversity in its workforce and board of directors than acquirer's in pre-acquisition, those problems will be remedied and will not carry over to the combined firm in the post-acquisition integration process.*

Employees

A firm with a high employee-related CSR (e.g., Union relations, no-layoff policy, cash profit sharing, compensation & benefits, and health/safety) has better workforce relationships (Rousseau & Wade-Benzoni, 1994). Employees, as internal stakeholders, are most closely associated with the firm's operations. There is much evidence supporting the strong positive relationship between employee-related CSR and financial performance. M&As will disrupt existing relationships between the firm and its employees and especially, target's employees will experience changes (benefits or harms) in their employee-related CSR, resulting in economical and emotional stress. Prior literature (Cartwright & Schoenberg, 2006) showed the impact of M&As on social identity issues of the target employees and their work productivity.

Employee engagement in the post-acquisition integration process is essential for a smooth integration and a successful integration. However, acquiring firm managers are likely not to devote their time to analyze the target's workforce issues and not to include their perspectives because this will increase coordination costs and complexity in the post- acquisition integration process. In the case of the acquirer having good employee-related CSR, it can transfer that CSR to the target if the two firms share similar knowledge on products, markets, and processes (Bettinazzi & Zollo, 2014).

When considering differences in employee-related CSR between target and acquirer, we argue that when target has a superior employee-related CSR, maintaining and transferring it to the combined firm would increase coordination costs and thus acquiring firm managers will not maintain and transfer the target's superior employee-related CSR to the combined firm. Rather, they would prefer to transfer the acquirer's own employee-related CSR to the target and likely to unify its own employee-related CSR in the combined firm in the post-acquisition integration process. While it is reported that abandoning target's superior employee-related CSR could result in unexpected loss of target's high quality employees (Ranft & Lord, 2002), we expect that acquiring firm managers may not pay attention to target's superior employee-related CSR. Our next hypothesis is as follows:

> ***Hypothesis 3.a****: In the case of the target firm having superior employee-related CSR than the acquirer in pre-acquisition, target's superior employee-related CSR will likely be abandoned rather than supported in the post-acquisition integration process.*

When the target has more employee-related CSR problems than acquirer, we assume that the acquiring firm will not likely remedy the problems and thus the problem will persist in the combined firm in the post-acquisition integration process. Our next hypothesis is as follows:

***Hypotheses 3b**: In the case of the target firm having more employee-related CSR problems than the acquirer in pre-acquisition, those problems will not be remedied and will carry over to the combined firm in the post-acquisition integration process.*

Environment

Environment-related CSR (e.g., beneficial products and services, pollution prevention, recycling, alternative fuels) broadly affect a diverse stakeholder group, such as customers, community, and environmental groups (Berchicci & King, 2007). Most industries accept the importance of environment-related CSR. For example, even the financial service industry engages in green practices by going paperless and saving energy. It also produces a sustainable report to the public, highlighting their green practices. Active environmental management can increase firm performance (Dowell et al., 2000) and can be a source of competitive advantage (Russo & Fouts 1997). Whether a firm invests more on environment-related CSR will depend on its ethical consideration, or the power of environmental stakeholders (Pfaff & Sanchirco, 2000).

We argue that acquiring firm managers engagement in environment-related CSR in the post-acquisition integration process will depend on whether that practice will positively impact acquisition performance. Otherwise, they might not further invest in environment-related CSR. In recent years, there has been a great demand on firms' environmental practices. We assume that when the target has a superior environment-related CSR than the acquirer, the acquirer will likely support and transfer that CSR to the combined firm. Our next hypothesis is as follows:

***Hypothesis 4.a**: In the case of the target firm having a superior environment-related CSR than the acquirer's in pre-acquisition, the target's superior environment-related CSR will likely be supported and carry over to the combined firm.*

We assume that while acquiring firms are likely to support and learn the target's superior environment-related CSR, they will not devote time and money to remedy the target's environment-related CSR (e.g., hazardous waste, regulatory problems, production of ozone-depleting chemicals, emissions, agricultural chemicals and climate change) problems in the integration process unless they are obligated by U.S. regulatory laws. Thus, we expect that the target's environment-related CSR problem will carry over to the combined firm. Our next hypothesis is as follows:

Hypothesis 4.b*: In the case of the target firm having more environment-related CSR problems than the acquirer in pre-acquisition, those problems will not be remedied and will carry over to the combined firm in the post-acquisition integration process.*

Products

Product quality allows firms to attract more consumers. As consumers have an economic or market-based relationship with a firm (Lawrence & Weber 2014), firms providing reliable products/services can build customer trust and can enjoy high levels of customer retention and new customer acquisitions (Capron & Shen, 2007), as well as better firm performance. In the M&A context, customer relationships can change due to increased formalization by the acquirer (e.g., greater use of formal contracts, standardized procedures) and reduced informal social and technical exchanges with consumers (Bocconcelli, Snehota, & Tunisini, 2006). Product quality or availability could also be diminished after acquisition. However, we argue that when the target has superior product-related CSR (e.g., quality, R&D, innovation, social opportunities, customer relations), acquiring firm managers will likely maintain and transfer that CSR to the combined firm because they may value preserving the target's superior product-related CSR. By learning product-related CSR from the target, acquiring firm managers can retain the target's brand name and existing customers and introduce new products/services, which could result in better acquisition performance. Our next hypothesis is as follows:

Hypothesis 5.a*: In the case of the target firm having a superior product-related CSR than the acquirer's in pre-acquisition, the target's superior product-related CSR will likely be supported and carry over to the combined firm.*

We argue that when the target has more product-related CSR (e.g., product Quality & Safety, marketing & advertising, anticompetitive practices) problems than the acquirer, the acquirer will not likely remedy it in the integration process because doing so may require investment a great deal of managerial time and money. Thus, the problems will persist and will transfer to the combined firm. Our next hypothesis is as follows:

Hypotheses 5.b: *In the case of the target firm having more product-related CSR problems than the acquirer in pre-acquisition, those problems will not be remedied and will carry over to the combined firm in the post-acquisition integration process.*

METHODOLOGY

Sample

To construct our sample, we first identify all 1,224 acquisition announcements between 1995–2013 that meet the following criteria from SDC Platinum database: (1) the deal value disclosed in SDC is greater than $1 million, (2) the acquirer holds less than 50% of the target's shares before the announcement and holds 100% of shares after transaction, (3) the acquirer and the target are publicly traded, (4) exclude hostile takeover, self-tenders, exchange offers, repurchases, spinoffs, leveraged buyouts (LBOs) and acquirer is financial buyer, (5) the acquirer is listed in the Kinder, Lynderburg and Domini (KLD) database and has at least two-year KLD information available after completion of M&A deal, (6) deals have stock returns and financial data available from the Center for Research in Securities Prices (CRSP) and Compustat. Only 456 of these 1,224 acquisitions have KLD ratings for the target firm, because target firms tend to be smaller and are not included in the KLD database, resulting in 456 acquisitions (made by 307 firms)[1]. Deal characteristics are obtained from SDC Platinum.

Variables and measures

Dependent Variable

We used a multinomial logit estimator with clustering on the same-firm observation. We estimated a multinomial logit model predicting the likelihood of three possible outcomes: (1) if the acquiring firm's CSR strength scores or concern scores (in each CSR dimension) increased from the year of acquisition to the second year after acquisition), we denoted as "1", (2) if the acquiring firm's CSR strength scores or concern scores (in each CSR dimension) have no change from the year of acquisition to the second year of acquisition), we denoted as "0" – this is a base category, (3)) if the acquiring firm's CSR strength scores or concern scores (in each CSR dimension) decreased from the year of acquisition to the second year of acquisition), we denoted as "-1".

Independent variable

For the independent variable, we used the Kinder, Lynderburg and Domini (KLD) database (e.g., Hillman & Keim, 2001; Waddock & Graves, 1997). We focused on five dimensions – community, diversity, employees, environment, and products – of the seven CSR dimensions in the KLD ratings. Each CSR dimension contains several separate binary item

[1] Acquirers in manufacturing (49.3%), financial (23.6%), service (17.5%), trade (5.47%), and natural resources (4.2%). Our final sample of 456 acquisitions, in terms of acquirer and deal characteristics, didn't differ statistically significantly from the sample of 1224 cases for which we had acquirer information available. To check out outliers, we conduct both residual-based tests and visual inspection (McWilliams & Siegel, 1997). We didn't find any outliers

measures of firm engagement in both positive practices (strengths) and negative practices (concerns). If a firm engages in a selected activity, it is marked as one, otherwise zero.

In each dimension, CSR strength and concern score are separately calculated by using the adjusted score measurement adopted from Manescu (2009) and Deng, Kang, & Low (2013) instead of a simple summation approach (i.e., use the raw KLD scores). The adjusted score for each dimension is calculated as follows: we divide the sum of the strength (concern) scores for each dimension in the year preceding the announcement by the total number of strength (concern) indicators included in KLD that year for that dimension to derive adjusted strength (concern) scores for that dimension, Then, we calculate the difference in CSR strength (concern) scores between target and acquirer [= target's CSR strength (concern) score – acquirer's CSR strength (concern)].

The independent variable is a dummy variable: (1) if the target has a higher CSR strength (concern) score, we denoted it as "1", (2) if the target and acquirer have same CSR strength (concern) score or if the acquirer has a higher CSR strength (concern) score than that of the target, we denoted it as "0". We employ this in each dimension of CSR.

Control Variables

We control for the characteristics of acquirers and deal characteristics that might affect the acquirers' decision to abandon- vs. supporting the target's superior CSR practices or ignoring vs. remedying target's CSR problems in the integration process.

<u>Characteristics of acquirers</u>

- Acquirer's firm size (log of book value of total assets)
- Acquirer's free cash flow (operating income before depreciation – interest expenses– income taxes– capital expenditures, scaled by book value of total assets)

- Acquirer resource slack (measured as the ratio between its current assets and current liabilities): it is expected that acquirer with a higher resource slack may be more flexible to support target's superior CSR.
- Acquirer's previous performance (measured as its return on equity (ROE) in the year preceding the acquisition that might affect the acquirer's decision to abandon or supporting target's superior CSR practices
- Acquirer's R&D intensity (R&D expenditure divided by total sale)
- Acquirer's advertising intensity (advertising expenditure divided by total sale)

All of these are measured at the fiscal year end prior to an acquisition announcement.

- Acquirer's acquisition experience, especially when acquiring the firm with CSR rating scores are available (measured using a cumulative count of all prior acquisitions completed from 1995 onward) that could affect the acquirer's likelihood of abandoning or supporting the target's CSR in the post-acquisition process.

<u>Deal characteristics</u>

- Size difference between acquirer and target (measured by acquirer's total employee divided by target's total employee prior acquisition): when target is larger than the acquirer, it might be that target's superior CSR might be continuously supported by acquiring firm.
- Relative deal size (measured by the ratio of the deal value to the acquirer's market value)
- Acquirer's previous ownership (Toehold dummy; one if the acquirer holds at least 5% of the target shares prior to the acquisition and zero otherwise): previous equity-based relationships between the target and acquirer could impact the availability of information to the acquiring firm, which might include target's CSR information as well as its impact on financial performance.

- Acquisition costs (premium paid 1-day before acquisition): as it is justified by the presence of synergies (i.e., the extra value of the combined firm vis-à-vis the sum of the values of the acquiring and acquired firms independently, Sirower, 1997). If acquirer paid higher premium, we expect that acquirer likely abandon any target's superior CSR or ignore target's CSR problems to recover the costs.
- Method of payment (all–stock deal dummies)
- An indicator for the use of defensive tactics (dummy variable)
- Tender offer dummy
- Industry relatedness dummy (based on a match between 3–digit SIC codes of acquirer and target)**:** In the related industry, acquirer may have a better sense of identifying target's salient stakeholders and CSR practices that positively impact financial performance. It might be also easy for acquirer to facilitate the target's superior CSR activity in the combined firm. On the other hand, it is also possible that for cost efficiency, acquirer might not support for target's superior CSR activity after acquisition. When the two firms operate in unrelated industry, acquirer may/may not support the target's superior CSR activity for market expansion.
- Geographic distance (log of distance between two firm)
- Industry control (one–digit SIC code dummy)
- Announcement year control (Moeller et al., 2005).

Model

We test our hypotheses regarding the acquiring firm's decision to pay attention to the target stakeholders' welfare in the post-acquisition integration process, which could impact the changes in the combined firm's CSR strength and concern rating scores: increasing, no change, or decreasing. Since there is no unambiguous ordering of alternatives à priori, we chose the multinomial logistic regression (which does not assume any ordering à priori) for the analysis. We also used OLS regression by using continues variable for dependent variables, changes in the combined firm's CSR in each CSR dimension and using same dummy variable for independent variables.

Analyses and Results

Table 1 show the correlation matrix, suggesting that collinearity is not likely to be a problem.

Insert **Table.1** here

Table.2(1) and Table.2(2) show the results of multinomial logistic regressions. In Model.1in Table.2(1) (testing Hl.a), there is no significant impact of difference in community strength between target and acquirer on change in the combined firm's community strength score. In Table.3,4,5 (using OLS regression), we also found no significant impact of difference in community strength on change in the combined firm's community strength, thus H1.a is not supported. At least, we can predict that acquirers seem not to carry over the target's superior community-related CSR in the combined firm.

In Model.2 in Table.2(1) (testing Hl.b), when the target has a higher community concern scores than the acquirer, comparing to when the target and the acquirer have same community scores or when the acquirer has a higher community concern score, the combined firm's community concern scores are 17.87 times more likely to "Increase" vs. "No change" (*$p= 0.05$ level*). The similar results are found in Model.2 in Table.3&4 (using OLS regression), indicating that the target's community concerns seem to transfer to the combined firm, thus H1b is supported.

In Model.3 in Table.2(1) (testing H2.a), when the target has a higher diversity strength scores than the acquirer, comparing to when the target and the acquirer have same diversity strength scores or when the acquirer has a higher diversity strength score, the combined firm's diversity strength scores are more likely to "No change" vs. Increase" (*at a p-value 0.05 level*). But, there is no statistically significant impact of difference in diversity strength scores on change in the combined firm's diversity strength score in Model.3 in Table.3.4(using OLS regression), suggesting that the target's superior diversity-related CSR will not transfer to the combined firm, accordingly, H2a is supported.

In Model.4 in Table.2(1) (testing H2.b), when the target has a higher diversity concern score than the acquirer, comparing to when the target and the acquirer have same diversity concern scores or when the acquirer has a higher diversity concern score, the combined firm's diversity concern scores are more likely to "No change" (*odd ratio: 0.038, at a p-value 0.05 level*). We found a positive impact of the difference in diversity concern scores on change in the combined firm's diversity concern score in Model.4 in Table.3 (using OLS regression, after one year of acquisition) but not in in Model.4 in Table.4 (after two-year of acquisition). Altogether, this suggests that the target's diversity-related CSR concern seems to transfer to the combined firm in first year after acquisition, but will be remedy in second year after acquisition, accordingly, H2b is supported.

In Model.5 in Table.2(1) (testing H3. a), when the target has a higher employee strength score than the acquirer, comparing to when the target and the acquirer have same employee strength scores or when the acquirer has a higher employee strength score, the combined firm's employee strength scores are likely to "No change" (odd ratio: 0.123, *at a p-value 0.1 level*) vs. "Decrease". We found no significant impact of the difference in employee strength scores on change in the combined firm's employee strength score in Model.5 in Table.3 &4 (using OLS regression). Altogether, this suggests that the target's employee-related CSR seems not to transfer to the combined firm, accordingly, H3a is supported.

In Model.6 in Table.2(1) (testing H3. b), when the target has a higher employee concern score than the acquirer, comparing to when the target and the acquirer have same employee concern scores or when the acquirer has a higher employee concern score, the combined firm's employee concern scores are 1.84 times more likely to "Increase" (odd ratio: 1.837, *at a p-value 0.1 level*) vs. "No Change". But, we found no significant impact of the difference in employee concern strength scores on change in the combined firm's employee concern score in Model.6 in Table.3 &4 (using OLS regression). Altogether, this suggests that the target's employee-related CSR problem seems not to strongly transfer to the combined firm, accordingly, H3b is marginally supported.

In Model.7 in Table.2(2) (testing H4a), when the target has a higher environmental strength score than the acquirer, comparing to when the target and the acquirer have same environmental strength scores or when the acquirer has a higher environmental strength score, the combined firm's environmental strength scores are 5.93 times more likely to "Increase" vs. "No Change" (*odd ratio: 5.929, at a p-value 0.1 level*). We found a positive impact of the difference in environmental strength scores on change in the combined firm's environmental strength score in Model.7 in Table.3 but not in Table. 4 (using OLS regression). Altogether, this suggests that the target's environment-related CSR seems to transfer to the combined firm earlier (after one year of acquisition), accordingly, H4a is supported.

In Model.8 in Table.2(2) (testing H4b), when the target has a higher environmental concern score than the acquirer, comparing to when the target and the acquirer have same environmental concern scores or when the acquirer has a higher environmental concern score, the combined firm's environmental concern scores are 11.55 times more likely to "Increase" vs. "No Change" (*odd ratio: 11.553, at a p-value 0.05 level*). We found a positive impact of the difference in environmental concern scores on change in the combined firm's environmental concern score in Model.8 in Table.3 & Table. 4 (using OLS regression). Altogether, this suggests that the target's environment-related CSR problems seem to transfer to the combined firm, accordingly, H4b is supported.

In Model.9 in Table.2(2) (testing H5a), when the target has a higher product strength score than the acquirer, comparing to when the target and the acquirer have same product strength scores or when the acquirer has a higher product strength score, the combined firm's product strength scores are more likely to "Increase" vs. "No Change" (*odd ratio: 2.735*), but statistically insignificant). However, we found a statically significant positive impact of the difference in product strength scores on change in the combined firm's product strength score in Model.9 in Table.3 & Table. 4 (using OLS regression). Altogether, this suggests that the target's superior product- related CSR seem to transfer to the combined firm, accordingly, H5a is supported.

In Model.10 in Table.2(2) (testing H5b), when the target has a higher product concern score than the acquirer, comparing to when the target and the acquirer have same product concern scores or when the acquirer has a higher product concern score, the combined firm's product concern scores are 43.82 times likely to "Increase" vs. "No Change" (*odd ratio: 43.816, p=0.05 level*). But, we found no significant positive impact of the difference in product concern scores on change in the combined firm's product concern score in Model.10 in Table.3 & Table. 4 (using OLS regression). While we need more detail analysis, based upon the result of multinomial logistic regression, the target's product- related CSR problems seem to transfer to the combined firm, accordingly, H5b is supported.

Insert Table.2(1), Table 2(2), Table 3, and Table4 here.

Additional Tests

- We combine all strength (concern) scores for the five CSR dimensions, measure the difference in total strength (concern) scores between the target and acquirer, and check the effect of difference in change in the combined firm's total strength scores (Model 11 in Table 3&4). We found no statistical significant, indicating the target's superior CSR generally does not transfer to the combined firm. In contrast, we found the statically significant positive effect of difference in total concern score on change in the combined firm's total concern scores (Model 12 in Table 3&4), indicating that the target's CSR problems are transferring to the combined firm.
- We include following variables in our testing models: target's characteristics, a technology sector indicator (Masulis, Wang, & Xie, 2007), acquirer- and target market-to-book ratio, intra-state target indicator, acquirer debt ratio, acquirer's CEO incentives and other characteristics (ownership, cash pay as a percentage of total pay, tenure, and age, are derived from ExecuComp), corporate governance and board structure, acquirer's market competition. Our results do not change.
- In the additional analysis of the combined firm's long-term stock performance, we found that acquiring a firm with a superior environment- and product-related CSR increases stock prices on the second year after acquisition, suggesting that the financial market values an acquisition involving a superior environment- and product-related CSR. We also found that the financial market punishes acquirers that do not remedy target's product-related CSR

problems on the third year after acquisition. It could be that carrying over target's product-related CSR problems to the combined firm will negatively impact synergy potentials.

- We also compared change in CSR between a firm experiencing M&A and other matching firms (in terms of industry and firm size) not experiencing M&A using difference in difference method. We find that there is no statistically significant difference, indicating that M&A did not impact the combined firm's CSR.

Discussion and Conclusion

Our study suggests that acquirers seem not to take into consideration the target's community and employees compared to environmental stakeholders and consumers. Our empirical analysis of data indicates that only the target's superior environment-related CSR and product-related CSR increase the combined firm's environment-related CSR (supporting H4a) and product-related CSR (strength) (not supporting H5a in multinomial regression but supporting H5a in OLS regression) over one, two, and three years following acquisition. This finding indicates that the target community and employees will experience significant changes in their CSR, as their good CSR practices will be discarded. That is, they will suffer economically or mentally after acquisition, compared to environmental stakeholders and consumers. Acquirers seem to believe that there is no financial risk of not keeping the same level of the target's community- and employee-related CSR practices in the combined firm in the post-acquisition integration process, while they believe that transferring the target's environment- and product-related CSR could have a positive impact on acquisition performance.

Our empirical analysis also indicates that acquiring managers seem not to consider the target's CSR problems. It shows that among the five CSR dimensions, the target's community-related CSR problems seem to transfer to the combined firm, thus increasing the combined firm’s community-related CSR problems (supporting H1b) to a statistically significant degree. The target’s environment-related CSR problems seem to also transfer to the combined firm, thus increasing the combined firm’s environment-related CSR problems (supporting H4b) to a statistically significant degree. Likewise, the target’s product-related CSR problems seem to also transfer to the combined firm, thus increasing the combined firm’s product-related CSR problems (supporting H5b) to a statistically significant degree.

In contrast, as we expected, the target’s diversity-related CSR problems seem not to transfer to the combined firm (supporting H2b). The target’s employee-related CSR problems seem to transfer to the combined firm, but to a lesser degree, increasing the combined firm’s employee-related CSR problems (supporting H3b), but not significantly.

While acquiring firm managers tend not to pay attention to the target’s CSR problems in all five CSR dimensions, it seems that community-, environment-, and product-related CSR problems directly increase the combined firm’s CSR problems in these dimensions, unlike diversity- or employee-related CSR problems that can be more easily resolved with or without the acquiring firm manager’s efforts. In contrast, to resolve the target’s community-, environment-, and product-related CSR problem requires greater efforts and time, which may not be so easily addressed during the integration process.

Stakeholder management theory suggests that firms need to meet the interests of a broad group of stakeholders, not only of one or a few stakeholders (Bridoux & Stoelhorst, 2014; Tantalo & Priem, 2014). However, our study indicates that acquiring firms mainly focus on environmental stakeholders and consumers. Acquiring firms could benefit from creating a bridge with a broad group of stakeholders. Stakeholder management theory also emphasizes a firm’s ability to plan through coordinating multiple stakeholders (Freeman & Evan, 1990) as well as reducing the potential for loss of value (e.g., adverse legislation, regulatory penalties, or consumer retaliation) (Godfrey, 2005; Graves & Waddock, 1994), which lead to potential post-acquisition monetary penalties and sanctions. Value created through managing stakeholders may be hard to detect using shareholder stock returns since stock value does not represent the big picture. Future studies should investigate the underlying reasons why acquiring firm managers do not pay attention to the target community and employees in the integration process. Is it really due to cost and time constraints as we argued? Revealing the acquiring firm manager's motivation for ignoring them could help to understand post-integration process dynamics.

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		Mean	Std.Dev.	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Change in community strength score (3-level)	0.07	0.58	-1.00	1.00	1.00															
2	Change in community concern score (3-level)	0.03	0.42	-1.00	1.00	-0.13	1.00														
3	Change in Diversity strength score (3-level)	0.11	0.69	-1.00	1.00	0.10	0.01	1.00													
4	Change in Diversity concern score (3-level)	0.07	0.56	-1.00	1.00	0.05	0.00	-0.07	1.00												
5	Change in Employee strength score (3-level)	0.18	0.66	-1.00	1.00	0.16	-0.14	0.00	-0.05	1.00											
6	Change in Employee concern score (3-level)	0.10	0.66	-1.00	1.00	-0.04	-0.03	0.15	0.03	0.07	1.00										
7	Change in Environmental strength score (3-level)	0.16	0.54	-1.00	1.00	0.16	0.08	0.09	0.04	0.08	0.08	1.00									
8	Change in Environmental concern score (3-level)	-0.03	0.48	-1.00	1.00	-0.12	0.03	0.06	0.03	-0.11	0.02	0.01	1.00								
9	Change in Product strength score (3-level)	0.07	0.42	-1.00	1.00	0.10	0.09	0.13	-0.06	0.02	0.02	0.18	-0.02	1.00							
10	Change in Product concern score (3-level)	0.01	0.53	-1.00	1.00	-0.10	0.07	0.06	0.10	-0.01	0.00	0.01	0.11	0.00	1.00						
11	Difference in community strength score (2-level)	0.05	0.22	0.00	1.00	0.02	-0.01	0.03	-0.03	0.01	-0.04	-0.03	0.06	0.06	-0.04	1.00					
12	Difference in community concern score (2-level)..	0.04	0.21	0.00	1.00	-0.05	0.19	0.00	-0.01	-0.11	0.07	0.03	-0.05	0.02	0.03	-0.05	1.00				
13	Difference in Diversity strength score (2-level)	0.28	0.45	0.00	1.00	-0.01	-0.04	0.00	0.16	0.10	-0.04	0.05	0.02	0.00	0.01	-0.05	0.03	1.00			
14	Difference in Diversity concern score (2-level)	0.06	0.24	0.00	1.00	-0.02	-0.02	-0.01	0.02	0.06	0.05	-0.13	0.07	0.05	0.06	-0.02	0.04	-0.05	1.00		
15	Difference in Employee strength score (2-level)	0.18	0.38	0.00	1.00	0.01	-0.02	0.09	-0.01	0.05	0.21	-0.02	0.02	-0.05	-0.03	-0.05	-0.04	-0.03	0.01	1.00	
16	Difference in Employee concern score (2-level)	0.05	0.21	0.00	1.00	0.01	0.13	0.02	0.01	0.00	0.03	0.05	-0.01	0.04	-0.04	0.05	0.00	-0.07	0.03	0.01	1.00
17	Difference Environmental strength score (2-level)	0.03	0.18	0.00	1.00	0.02	-0.01	-0.01	-0.04	-0.05	0.07	-0.01	0.29	-0.06	-0.03	0.01	0.14	-0.09	0.11	-0.02	0.14
18	Difference Environmental concern score (2-level)	0.05	0.22	0.00	1.00	-0.06	-0.04	-0.05	0.04	0.06	0.00	-0.05	0.06	0.01	0.22	0.04	0.00	0.08	0.11	-0.03	0.00
19	Acquirer’s firm size (log)	9.37	1.77	4.69	14.52	0.10	0.00	0.10	-0.10	0.08	0.08	0.17	-0.09	0.11	0.04	0.04	0.13	0.00	0.03	-0.12	-0.06
20	Acquirer’s free cash flow	0.13	0.09	-0.18	0.58	0.00	0.06	-0.02	-0.07	0.13	0.11	0.12	-0.06	0.08	-0.05	0.01	-0.09	0.00	-0.01	0.01	0.13
21	Acquirer resource slack	-2.52	38.85	-412.08	310.57	-0.05	0.00	-0.06	0.05	-0.07	-0.05	-0.06	0.04	-0.03	0.07	0.02	0.02	0.06	0.03	0.00	-0.09
22	Acquirer’s return on equity	0.10	0.08	-0.57	0.85	-0.04	-0.02	0.09	-0.12	-0.05	0.03	-0.07	-0.03	-0.03	0.02	-0.08	0.08	0.02	0.03	-0.09	0.07
23	Acquirer’s R&D intensity	0.03	0.06	0.00	0.80	0.03	-0.03	-0.09	0.03	0.07	0.04	0.10	-0.10	0.01	-0.04	-0.06	-0.09	0.03	0.05	0.11	-0.06
24	Acquirer’s advertising intensity	0.01	0.02	0.00	0.20	-0.05	0.04	-0.01	0.05	0.01	0.04	0.06	-0.03	0.06	0.01	0.10	-0.05	-0.06	-0.02	0.01	-0.03
25	Size difference between acquirer and target	0.45	1.88	0.00	27.57	-0.02	0.00	0.00	0.03	0.00	0.00	-0.04	0.04	-0.02	0.01	-0.01	0.00	-0.07	0.15	0.07	0.02
26	Relative deal size	-2.08	1.79	-7.18	2.00	-0.07	0.06	0.02	0.07	-0.08	-0.01	-0.13	0.13	-0.07	0.00	0.11	-0.04	-0.12	0.10	0.04	0.20
27	Acquirer’s previous ownership	0.02	0.15	0.00	1.00	-0.02	0.03	0.11	0.01	-0.09	0.07	0.09	-0.02	0.08	-0.12	0.10	-0.03	-0.06	-0.04	-0.03	0.04
28	Acquirer’s acquisition experience	1.71	1.39	1.00	9.00	0.08	-0.10	-0.05	-0.07	0.16	0.20	0.23	-0.15	0.20	-0.15	0.00	0.05	0.04	-0.01	0.01	-0.03
29	Acquisition costs	31.10	27.98	-85.14	229.34	-0.02	0.05	-0.10	-0.04	0.10	0.03	0.05	-0.23	0.08	-0.05	-0.08	-0.09	-0.05	0.00	0.01	0.02
30	Method of payment	0.13	0.34	0.00	1.00	0.01	-0.07	0.07	0.10	-0.04	-0.04	-0.05	0.05	0.05	0.01	0.14	0.07	-0.01	-0.02	0.00	0.01
31	Defensive tactics	0.04	0.20	0.00	1.00	0.05	0.01	0.09	0.03	-0.01	-0.03	0.00	-0.01	-0.01	-0.03	0.05	0.01	-0.01	-0.01	-0.04	0.01
32	Tender offer dummy	0.18	0.38	0.00	1.00	0.06	-0.02	-0.03	0.01	0.15	0.02	0.09	-0.15	0.08	-0.04	0.00	-0.04	0.04	0.00	-0.02	-0.02
33	Industry relatedness dummy	0.57	0.50	0.00	1.00	-0.03	0.03	0.07	-0.04	-0.09	0.03	-0.01	-0.01	0.03	-0.04	0.02	0.10	-0.01	-0.01	0.12	-0.02
34	Geographic distance	5.71	2.07	-9.74	7.93	0.08	-0.07	-0.02	-0.01	-0.03	-0.07	0.00	-0.06	0.03	0.07	0.03	-0.07	0.07	-0.15	0.01	0.01
		17	**18**	**19**	**20**	**21**	**22**	**23**	**24**	**25**	**26**	**27**	**28**	**29**	**30**	**31**	**32**	**33**			
17	Difference Environmental strength score (2-level)	1																			
18	Difference Environmental concern score (2-level)	0.07	1																		
19	Acquirer’s firm size (log)	-0.08	-0.03	1																	
20	Acquirer’s free cash flow	0.093	-0.08	-0.16	1																
21	Acquirer resource slack	0.021	0.024	0.01	-0.06	1															

22	Acquirer's return on equity	0.115	-0.08	0.264	0.043	0.019	1												
23	Acquirer's R&D intensity	-0.09	-0.11	-0.25	0.065	-0.03	-0.31	1											
24	Acquirer's advertising intensity	-0.06	0.012	-0.04	0.322	0	-0.06	0.073	1										
25	Size difference between acquirer and target	0.092	0.033	-0.15	-0.04	0.003	-0.04	-0.04	-0.03	1									
26	Relative deal size	0.189	0.135	-0.65	0.251	0.004	-0.2	0.06	0.02	0.235	1								
27	Acquirer's previous ownership	-0.03	-0.03	0.071	0.036	0.02	-0.09	-0.03	0.068	-0.03	-0.01	1							
28	Acquirer's acquisition experience	-0.08	-0.05	0.453	0.085	-0.14	0.007	0.086	0.053	-0.09	-0.43	0.02	1						
29	Acquisition costs	-0.05	0.003	0.054	0.175	-0.04	-0.03	0.041	0.174	-0.07	-0.16	0.03	0.105	1					
30	Method of payment	0.072	0.086	0.031	-0.19	-0	-0.04	-0.07	-0.05	0.003	0.031	0.029	-0.09	-0.1	1				
31	Defensive tactics	0.085	0.002	-0.02	0.066	0.028	-0.04	-0.02	-0.04	0.006	0.131	-0.03	-0.08	-0.04	0.176	1			
32	Tender offer dummy	-0.09	-0.11	0.008	0.204	-0.06	-0.05	0.162	0.108	-0.08	-0.1	-0.07	0.155	0.249	-0.17	-0.01	1		
33	Industry relatedness dummy	-0.01	-0.02	-0.09	-0.08	0.049	-0.03	0.076	-0.14	-0.06	0.054	0.04	0.006	-0.04	0.057	-0.04	-0.08	1	
34	Geographic distance	-0.15	-0.01	-0.01	0.012	0.05	-0.1	0.07	0.081	-0.07	-0.03	0.05	-0	0.016	-0.1	-0.05	0.047	0.029	

Table.1 Correlation Table. N=456, absolute value > =0.104 is significant at p = 0.05.

Table.2(1) Main effects from multinomial logit (using odd ratios)

	Model 1: H1a testing DV= Change in community strength rating score (3level)		Model 2: H1b testing DV= Change in community concern rating score (3level)		Model 3: H2a testing DV= Change in Diversity strength score (3level)		Model 4: H2b testing DV= Change in Diversity concern rating score (3level)		Model 5: H3a testing DV= Change in Employee strength rating score (3level)		Model 6: H3b testing DV= Change in Employee concern rating score (3level)	
Based category = No change	Decrease vs. No-change	Increase vs. No-change	Decrease vs. No-change	Increase vs. No-change	Decrease vs. No-change	Increase vs. No-change	Decrease vs. No-change	Increase vs. No-change	Decrease vs. No-change	Increase vs. No-change	Decrease vs. No-change	Increase vs. No-change
Independent variable												
Difference in community strength score (if Target > acquirer, "1", otherwise, "0"	1.062	1.483										
	(1.079)	(1.343)										
Difference in community concern score			0.000**	17.877**								
			(0.000)	(15.229)								
Difference in Diversity strength score					0.081**	0.410*						
					(0.067)	(0.162)						
Difference in Diversity concern score							0.038**	0.884				
							(0.031)	(0.354)				
Difference in Employee strength score									0.123*	0.920		
									(0.120)	(0.530)		
Difference in Employee concern score											0.044**	1.837+
											(0.048)	(0.597)
Control Variables												
Acquirer's firm size (log)	1.940**	2.340**	1.755**	2.254**	1.357+	1.633**	1.130	0.918	1.587**	1.671**	1.255+	1.470**
	(0.314)	(0.415)	(0.340)	(0.585)	(0.220)	(0.188)	(0.152)	(0.129)	(0.243)	(0.222)	(0.164)	(0.182)
Acquirer's free cash flow	5.349	25.998	197.789	90.155	12.954	19.048	0.545	0.298	7.745	26.334	0.006*	0.622
	(14.802)	(61.984)	(776.881)	(412.810)	(30.740)	(38.862)	(1.269)	(0.647)	(20.241)	(53.761)	(0.015)	(1.443)
Acquirer resource slack	0.999	0.996	1.005	1.004	0.999	0.997	0.998	1.006*	1.000	0.996	1.004	1.003+
	(0.004)	(0.003)	(0.004)	(0.003)	(0.004)	(0.003)	(0.005)	(0.003)	(0.005)	(0.003)	(0.004)	(0.002)
Acquirer's return on equity (ROE)	0.020*	0.003**	1.370	0.301	0.059	3.350	9.965	0.399	78.299+	1.423	0.404	1.767
	(0.037)	(0.007)	(2.660)	(1.123)	(0.156)	(5.697)	(19.049)	(0.902)	(200.202)	(2.628)	(0.866)	(3.246)
Acquirer's R&D intensity	14.577	222.955+	27.730	0.000	73.756	14.409	23.004	1.426	1648.415+	25.655	0.002*	7.151
	(75.510)	(660.042)	(124.084)	(0.000)	(206.585)	(40.737)	(96.611)	(3.155)	(6457.016)	(87.878)	(0.007)	(26.594)
Acquirer's advertising intensity	0.000	0.000**	0.000+	0.000	7.477	0.053	0.281	0.040	342.555	6217.853	5.42e+07*	9.109
	(0.001)	(0.000)	(0.000)	(0.000)	(61.997)	(0.469)	(2.892)	(0.292)	(4266.623)	(69197.483)	(4.35e+08)	(69.790)
Size difference b/w acquirer and target	0.979	0.711	0.741	0.479	0.739	0.986	0.961	0.902+	0.987	1.078	0.880	0.948
	(0.058)	(0.390)	(0.358)	(0.268)	(0.287)	(0.047)	(0.068)	(0.048)	(0.106)	(0.087)	(0.211)	(0.049)
Relative deal size	0.896	0.832	0.932	0.739*	0.837	0.932	0.944	1.109	1.162	0.994	0.858	1.160
	(0.120)	(0.117)	(0.145)	(0.114)	(0.123)	(0.111)	(0.144)	(0.160)	(0.186)	(0.121)	(0.119)	(0.154)
Acquirer's previous ownership	0.581	0.896	1.026	0.930	1.339	0.363	0.553	0.273	0.633	9.558*	1.801	0.641
	(0.587)	(0.665)	(0.975)	(1.098)	(1.738)	(0.346)	(0.624)	(0.276)	(0.632)	(10.502)	(2.860)	(0.464)
Acquirer's acquisition experience	1.144	0.918	1.064	0.913	1.042	0.979	0.883	0.705*	1.043	1.037	0.836	1.433**
	(0.168)	(0.140)	(0.204)	(0.189)	(0.134)	(0.132)	(0.133)	(0.125)	(0.172)	(0.143)	(0.122)	(0.199)
Acquisition costs	1.015+	1.008	0.995	1.009	1.003	0.996	1.004	0.997	0.988*	0.991+	1.001	1.008
	(0.008)	(0.006)	(0.007)	(0.008)	(0.005)	(0.005)	(0.006)	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
Method of payment	1.325	1.674	0.487	1.712	1.878	1.000	0.895	0.518	0.930	0.779	0.938	1.201
	(0.676)	(1.102)	(0.285)	(1.264)	(1.126)	(0.434)	(0.491)	(0.229)	(0.438)	(0.335)	(0.482)	(0.448)
Defensive tactics	2.780	0.233*	0.438	0.667	0.649	0.359	0.371	0.271	0.481	0.544	0.145*	0.242*
	(3.251)	(0.153)	(0.593)	(0.608)	(0.550)	(0.245)	(0.372)	(0.241)	(0.435)	(0.379)	(0.132)	(0.157)
Tender offer	1.204	0.891	1.123	2.688+	1.879	0.956	1.964	1.549	2.240	0.944	1.070	0.909
	(0.602)	(0.320)	(0.613)	(1.609)	(0.955)	(0.356)	(0.975)	(0.681)	(1.376)	(0.341)	(0.513)	(0.351)
Industry relatedness	0.899	0.950	2.804*	1.596	2.340*	1.045	1.375	2.571**	1.159	1.198	0.955	0.992
	(0.336)	(0.326)	(1.372)	(0.801)	(0.808)	(0.290)	(0.463)	(0.864)	(0.436)	(0.363)	(0.353)	(0.318)
Geographic distance	0.928	1.083	0.975	0.731**	1.110	1.088	1.068	1.028	0.994	1.016	1.273**	1.036
	(0.100)	(0.104)	(0.123)	(0.073)	(0.102)	(0.065)	(0.094)	(0.058)	(0.083)	(0.063)	(0.115)	(0.060)

Acquirer's R&D (missing variable dummy)	1.026	0.980	1.070	2.667	0.218**	0.936	0.831	1.107	0.535	1.269	1.563	2.633*
	(0.576)	(0.449)	(0.748)	(2.222)	(0.121)	(0.413)	(0.393)	(0.621)	(0.305)	(0.625)	(0.743)	(1.149)
Acquirer's advertising (missing variable dummy)	0.422*	0.481+	0.618	1.185	0.791	0.821	2.053	1.313	0.542	1.031	2.079+	1.334
	(0.181)	(0.214)	(0.416)	(0.707)	(0.318)	(0.268)	(0.980)	(0.505)	(0.256)	(0.372)	(0.854)	(0.484)
N	456		456		456		456		456		456	
chi2	4207.702**		.		1922.241**		7039.662**		4411.209**		4730.186**	
bic	1050.909		785.276		1199.345		1051.271		1139.667		1144.912	

Note: All Multinomial logistic regressions control for announcement year effects and for industry effects, whose coefficients are not included for brevity. Standard errors clustered by acquirers. The first row in the table shows odd ratios and the second row in parentheses is standard error; † p< 0.10 * p< 0.05 ** p< 0 .01

Table.2 (2): Main effects from multinomial logit (using odd ratios)

	Model 7: H4a testing		Model 8 H4b testing		Model 9: H5a testing		Model 10: H5b testing	
	DV= Change in Environmental strength score (3level)		DV= Change in Environmental concern rating score (3level)		DV= Change in Product strength rating score (3level)		DV= Change in Product concern rating score (3level)	
Based category = No change	Decrease vs. No-change	Increase vs. No-change	Decrease vs. No-change	Increase vs. No-change	Decrease vs. No-change	Increase vs. No-change	Decrease vs. No-change	Increase vs. No-change
Independent variable								
Difference in Environment strength score	0.995	5.929+						
	(1.365)	(5.615)						
Difference in Environment concern score			0.000**	11.553**				
			(0.000)	(9.339)				
Difference in Product strength score					0.000**	2.735		
					(0.000)	(2.088)		
Difference in Product concern score							0.544	43.816**
							(0.801)	(38.514)
Control variables								
Acquirer's firm size (log)	1.718**	1.864**	2.654**	2.042**	1.994**	1.636**	1.450**	1.617**
	(0.307)	(0.248)	(0.638)	(0.437)	(0.503)	(0.229)	(0.204)	(0.238)
Acquirer's free cash flow	0.465	72.007*	371.738+	177.698+	0.018	330.605*	0.111	18.699
	(1.692)	(155.047)	(1294.849)	(529.153)	(0.069)	(892.423)	(0.376)	(47.330)
Acquirer resource slack	0.991	0.998	1.004+	1.012*	1.006	1.003	0.998	1.004
	(0.008)	(0.003)	(0.002)	(0.006)	(0.004)	(0.003)	(0.002)	(0.004)
Acquirer's return on equity (ROE)	3.081	0.004**	11425.585**	13.436	18.391	0.010	19.909	1.679
	(7.731)	(0.008)	(34395.066)	(28.905)	(38.600)	(0.039)	(46.909)	(3.860)
Acquirer's R&D intensity	0.021	0.268	56727.670**	0.000*	14.459	44.839	0.113	0.771
	(0.177)	(0.929)	(1.93e+05)	(0.000)	(42.861)	(190.120)	(0.527)	(4.746)
Acquirer's advertising intensity	33.351	0.085	4.10e+05	15444.918	0.000	0.006	0.075	9.425
	(424.262)	(0.900)	(3.80e+06)	(1.50e+05)	(0.000)	(0.063)	(0.984)	(80.666)
Size difference b/w acquirer and target	0.703	0.852	0.930	0.898	1.002	1.026	0.988	0.946
	(0.466)	(0.283)	(0.300)	(0.143)	(0.051)	(0.046)	(0.087)	(0.107)
Relative deal size	1.073	0.839	1.032	1.035	0.987	1.042	1.000	0.943
	(0.209)	(0.115)	(0.206)	(0.161)	(0.179)	(0.146)	(0.162)	(0.121)
Acquirer's previous ownership	4.49e+06**	0.643	2.036	3.00e+07**	1.02e+07**	0.581	0.142*	1.692
	(4.34e+06)	(0.382)	(1.912)	(3.52e+07)	(6.81e+06)	(0.655)	(0.119)	(2.326)
Acquirer's acquisition experience	0.880	0.954	0.896	0.792	0.883	1.338*	1.082	0.903
	(0.139)	(0.114)	(0.162)	(0.181)	(0.235)	(0.184)	(0.171)	(0.164)
Acquisition costs	1.002	0.993	1.011	0.967**	1.002	1.008	1.005	1.006
	(0.009)	(0.006)	(0.007)	(0.012)	(0.009)	(0.007)	(0.006)	(0.006)
Method of payment	0.390	1.379	1.188	0.798	1.28e+06**	0.809	1.558	1.494
	(0.319)	(0.665)	(0.986)	(0.564)	(7.59e+05)	(0.427)	(0.995)	(0.923)
Defensive tactics	0.594	0.139*	1.151	2.998	2.83e+06**	1.915	0.134+	1.794
	(1.329)	(0.128)	(1.434)	(4.588)	(1.99e+06)	(1.869)	(0.161)	(1.709)
Tender offer	1.595	1.010	0.938	1.951	0.985	0.526+	1.515	1.043
	(0.992)	(0.425)	(0.417)	(1.555)	(0.455)	(0.202)	(0.713)	(0.482)
Industry relatedness	3.006*	1.319	1.012	1.161	1.347	1.027	1.035	1.459
	(1.370)	(0.437)	(0.468)	(0.575)	(0.648)	(0.344)	(0.397)	(0.539)
Geographic distance	0.944	0.924	1.070	0.994	0.943	1.036	0.888	1.007
	(0.123)	(0.072)	(0.067)	(0.129)	(0.098)	(0.071)	(0.070)	(0.074)

Acquirer's R&D (missing variable dummy)	0.626	0.525	1.813	0.451	1.430	1.718	0.567	0.881
	(0.410)	(0.282)	(1.542)	(0.257)	(1.091)	(0.964)	(0.363)	(0.429)
Acquirer's advertising (missing variable dummy)	1.922	1.285	4.106*	2.506	0.382+	0.915	1.578	1.469
	(1.317)	(0.529)	(2.920)	(1.438)	(0.213)	(0.395)	(0.840)	(0.630)
Constant	0.000**	0.005*	0.000**	0.000**	0.000**	0.000**	0.068	0.000**
	(0.000)	(0.010)	(0.000)	(0.000)	(0.000)	(0.001)	(0.143)	(0.000)
N	456		456		456		456	
chi2	.		.		.		4610.163**	
bic	948.242		807.816		694.645		1018.337	

Note: All Multinomial logistic regression control for announcement year effects and for industry effects, whose coefficients are not included for brevity. Standard errors clustered by acquirers. The first row in the table shows odd ratios and the second row in parentheses is standard error. † p< 0.10 * p< 0.05 ** p< 0 .01

Table.3 OLS Regression Result

(DV: continuous variables, change in CSR for one year after acquisitions, IV: dummy variable)

	Model1	Model2	Model3	Model4	Model5	Model6	Model7	Model8	Model9	Model10	Model11	Model12
	DV: Change in Community strength score (Year1-Year0)	DV: Change in Community concern score (Year1-Year0)	DV: Change in diversity strength score (Year1-Year0))	DV: Change in diversity concern score (Year1-Year0	DV: Change in Employee strength score (Year1-Year0))	DV: Change in Employee concern score (Year1-Year0)	DV: Change in Environment strength score (Year1-Year0))	DV: Change in Environment concern score (Year1-Year0)	DV: Change in Product strength score (Year1-Year0)	DV: Change in Product concern score (Year1-Year0)	DV: Change in total strength score (Year1-Year0)	Change in total concern score (Year1-Year0)
Difference in community strength score (if Target > acquirer, "1", otherwise, "0"	0.015											
	(0.028)											
Difference in community concern score		0.150**										
		(0.071)										
Difference in Diversity strength score			-0.045									
			(0.028)									
Difference in Diversity concern score				0.050***								
				(0.019)								
Difference in Employee strength score					-0.004							
					(0.035)							
Difference in Employee concern score						0.011						
						(0.022)						
Difference in Environment strength score							0.159**					
							(0.068)					
Difference in Environment concern score								0.160***				
								(0.060)				
Difference in Product strength score									0.144**			
									(0.064)			
Difference in Product concern score										0.005		
										(0.025)		
Difference in total strength score											0.191	
											(0.136)	
Difference in total concern score												0.282***
												(0.068)
Control variables												
Acquirer's firm size (log)	0.020	0.030	-0.018	-0.026	-0.072*	0.022	-0.009	0.036	0.017	0.033	-0.201	0.093
	(0.044)	(0.073)	(0.039)	(0.036)	(0.039)	(0.059)	(0.056)	(0.028)	(0.049)	(0.033)	(0.147)	(0.134)
Acquirer's free cash flow	-0.719**	0.062	-0.452	0.048	-0.263	0.119	-0.448	0.387*	0.109	0.140	-1.841	0.679
	(0.314)	(0.516)	(0.316)	(0.284)	(0.334)	(0.441)	(0.530)	(0.214)	(0.336)	(0.309)	(1.240)	(0.775)

Acquirer resource slack	0.000	-0.000	-0.000	0.000	-0.000	0.000	0.000	-0.000	0.000**	-0.000	0.001*	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)
Acquirer's return on equity (ROE)	-0.004	-1.308*	0.197	-0.526**	0.363	0.305	-0.574	0.061	0.051	-0.281	-1.124	-1.881*
	(0.307)	(0.694)	(0.357)	(0.230)	(0.312)	(0.321)	(0.513)	(0.273)	(0.274)	(0.236)	(1.119)	(0.980)
Acquirer's R&D intensity	0.938	2.696	-1.020	-0.284	-1.403	0.805	0.203	-0.267	-0.059	-0.836	-1.482	2.888
	(0.963)	(1.859)	(1.349)	(0.727)	(1.096)	(0.921)	(1.395)	(0.491)	(0.776)	(0.949)	(2.994)	(2.265)
Acquirer's advertising intensity	3.126*	0.953	0.974	-0.298	1.148	-1.118	5.646***	0.825	-2.815*	-1.306	-1.087	-0.600
	(1.866)	(3.457)	(1.390)	(1.246)	(2.218)	(1.655)	(2.062)	(0.927)	(1.465)	(2.114)	(5.474)	(5.425)
Size difference b/w acquirer and target	0.033	-0.026	0.054**	0.020	0.021	-0.010	-0.019	-0.023	-0.051	-0.028	0.095	-0.002
	(0.032)	(0.043)	(0.024)	(0.025)	(0.034)	(0.048)	(0.029)	(0.019)	(0.039)	(0.023)	(0.124)	(0.086)
Relative deal size	-0.016	-0.034***	-0.004	-0.009	0.008	0.007	-0.026**	-0.004	-0.003	0.008	-0.069	-0.028
	(0.012)	(0.011)	(0.009)	(0.007)	(0.007)	(0.010)	(0.012)	(0.005)	(0.012)	(0.008)	(0.043)	(0.023)
Acquirer's previous ownership	0.017	-0.348**	0.174**	0.014	0.036	-0.085	-0.203***	-0.088**	-0.092**	0.090	-0.209	-0.509**
	(0.057)	(0.147)	(0.069)	(0.048)	(0.061)	(0.055)	(0.061)	(0.044)	(0.046)	(0.068)	(0.169)	(0.251)
Acquirer's acquisition experience	0.000	-0.004	0.003	-0.003	-0.017	0.039***	-0.001	0.001	0.002	-0.023*	0.038	0.000
	(0.020)	(0.015)	(0.012)	(0.008)	(0.020)	(0.015)	(0.016)	(0.009)	(0.012)	(0.013)	(0.041)	(0.029)
Acquisition costs	-0.001*	-0.000	0.000	-0.000	-0.001**	-0.000	-0.000	-0.000	-0.002***	-0.000	-0.005**	-0.002
	(0.000)	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.000)	(0.002)	(0.001)
Method of payment	-0.001	0.027	0.017	0.043	0.037	-0.027	0.037	0.032*	-0.043	0.013	-0.015	0.114
	(0.027)	(0.077)	(0.038)	(0.043)	(0.033)	(0.042)	(0.047)	(0.019)	(0.034)	(0.044)	(0.139)	(0.115)
Defensive tactics	-0.075	0.180	-0.001	0.027	-0.031	0.008	0.091	-0.076	-0.009	0.009	0.413*	0.101
	(0.075)	(0.191)	(0.056)	(0.054)	(0.089)	(0.094)	(0.084)	(0.049)	(0.044)	(0.050)	(0.214)	(0.243)
Tender offer	-0.026	0.022	0.010	0.017	-0.008	0.001	-0.004	0.009	-0.019	0.029	0.016	0.090
	(0.023)	(0.049)	(0.025)	(0.027)	(0.029)	(0.033)	(0.045)	(0.020)	(0.036)	(0.027)	(0.108)	(0.069)
Industry relatedness	0.051*	0.010	-0.034	-0.031*	0.007	-0.017	0.014	-0.010	0.031	-0.059***	0.162	-0.089
	(0.030)	(0.033)	(0.026)	(0.017)	(0.029)	(0.031)	(0.029)	(0.016)	(0.025)	(0.022)	(0.103)	(0.057)
Geographic distance	0.014**	-0.005	0.000	-0.007	-0.000	-0.004	0.005	0.004	-0.010	-0.002	0.011	-0.016
	(0.006)	(0.010)	(0.005)	(0.005)	(0.005)	(0.005)	(0.008)	(0.005)	(0.007)	(0.005)	(0.019)	(0.016)
Acquirer's R&D (missing variable dummy)	-0.036	-0.201	0.049	0.228***	0.050	0.102	-0.135	-0.080	-0.088	0.046	-0.146	0.208
	(0.067)	(0.188)	(0.052)	(0.057)	(0.085)	(0.099)	(0.087)	(0.054)	(0.062)	(0.048)	(0.212)	(0.323)
Acquirer's advertising (missing variable dummy)	0.171***	0.003	-0.025	-0.026	-0.021	-0.036	0.130	-0.015	0.129	-0.077	0.382	-0.055
	(0.047)	(0.073)	(0.071)	(0.060)	(0.080)	(0.047)	(0.088)	(0.043)	(0.108)	(0.052)	(0.335)	(0.132)
												(0.068)
constant	-0.306	-0.254	-0.047	0.054	0.993**	-0.425	0.048	-0.347	0.103	-0.222	1.999	-1.317
	(0.449)	(0.802)	(0.372)	(0.362)	(0.427)	(0.586)	(0.528)	(0.280)	(0.453)	(0.324)	(1.449)	(1.318)
No. of Obs.	456	456	456	456	456	456	456	456	456	456	456	456
R-Squared	0.325	0.353	0.279	0.352	0.334	0.346	0.442	0.479	0.303	0.385	0.525	0.544

Note: All regressions control for announcement year effects and for industry effects, whose coefficients are not included for brevity. Standard errors clustered by acquirers. The first row in the table shows the parameter estimate and the second row in parentheses is standard error; † p< 0.10 * p< 0.05 ** p< 0 .01

Table.4 OLS Regression Result

(DV: continuous variables, change in CSR for 2 years after acquisitions IV: dummy variable)

	Model1 DV: Change in Community strength score (Year2-Year0)	Model2 DV: Change in Community concern score (Year2-Year0)	Model3 DV: Change in diversity strength score (Year2-Year0))	Model4 DV: Change in diversity concern score (Year2-Year0	Model5 DV: Change in Employee strength score (Year2-Year0))	Model6 DV: Change in Employee concern score (Year2-Year0)	Model7 DV: Change in Environment strength score (Year2-Year0))	Model8 DV: Change in Environment concern score (Year2-Year0)	Model9 DV: Change in Product strength score (Year2-Year0)	Model10 DV: Change in Product concern score (Year2-Year0)	Model11 DV: Change in total strength score (Year2-Year0)	Model12 Change in total concern score (Year2-Year0)
Difference in community strength score (if Target > acquirer, "1", otherwise, "0"	-0.016											
	(0.042)											
Difference in community concern score		**0.138***										
		(0.061)										
Difference in Diversity strength score			-0.001									
			(0.030)									

Difference in Diversity concern score				0.033								
				(0.022)								
Difference in Employee strength score					-0.012							
					(0.043)							
Difference in Employee concern score						0.030						
						(0.029)						
Difference in Environment strength score							0.120					
							(0.076)					
Difference in Environment concern score								0.153**				
								(0.068)				
Difference in Product strength score									0.175**			
									(0.085)			
Difference in Product concern score										0.025		
										(0.043)		
Difference in total strength score											0.142	
											(0.131)	
Difference in total concern score												0.290***
												(0.068)
Control Variable												
Acquirer's firm size (log)	0.059	0.130*	0.036	-0.029	-0.044	0.044	0.097	0.057	0.131*	0.033	0.241	0.223*
	(0.047)	(0.067)	(0.044)	(0.041)	(0.048)	(0.055)	(0.064)	(0.037)	(0.071)	(0.050)	(0.198)	(0.131)
Acquirer's free cash flow	-0.761**	-0.643	-0.210	-0.011	-0.989**	0.681	-0.003	0.268	0.318	-0.167	-1.568	0.313
	(0.352)	(0.483)	(0.303)	(0.347)	(0.409)	(0.460)	(0.498)	(0.310)	(0.403)	(0.362)	(1.436)	(1.184)
Acquirer resource slack	-0.000***	0.000	-0.000	0.000	-0.000	0.000	0.000	0.000	0.000**	0.000	-0.000	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Acquirer's return on equity (ROE)	-0.035	0.165	0.567*	-0.240	-0.408	-0.028	-0.665	0.173	-0.260	0.045	-2.118*	0.513
	(0.362)	(0.410)	(0.290)	(0.261)	(0.379)	(0.423)	(0.555)	(0.331)	(0.322)	(0.317)	(1.269)	(0.875)
Acquirer's R&D intensity	1.223*	0.354	-0.044	-0.688	1.769**	0.210	1.359	-1.979*	0.719	1.056	8.758**	-1.177
	(0.691)	(0.993)	(0.927)	(0.996)	(0.887)	(1.481)	(1.362)	(1.160)	(1.281)	(0.792)	(3.498)	(3.671)
Acquirer's advertising intensity	4.037**	-0.470	-0.092	0.036	3.269	-1.231	5.749***	1.533	-3.328*	1.776	-0.824	-7.178
	(2.038)	(3.374)	(1.599)	(1.400)	(2.520)	(1.804)	(1.869)	(1.123)	(2.010)	(1.773)	(5.739)	(6.375)
Size difference b/w acquirer and target	-0.030	0.022	0.011	0.073*	-0.012	-0.030	-0.056	-0.009	-0.065	-0.040	-0.105	0.154
	(0.034)	(0.036)	(0.025)	(0.044)	(0.032)	(0.046)	(0.045)	(0.019)	(0.060)	(0.046)	(0.188)	(0.096)
Relative deal size	-0.016	-0.014	0.013*	-0.008	0.027*	0.010	-0.014	0.001	0.010	0.016	-0.020	-0.022
	(0.013)	(0.010)	(0.008)	(0.009)	(0.014)	(0.009)	(0.012)	(0.006)	(0.010)	(0.011)	(0.042)	(0.023)
Acquirer's previous ownership	0.060	-0.226*	0.052	0.067	0.084	-0.077	-0.219***	-0.027	-0.047	0.063	-0.100	-0.182
	(0.050)	(0.123)	(0.049)	(0.057)	(0.086)	(0.055)	(0.066)	(0.051)	(0.044)	(0.053)	(0.204)	(0.227)
Acquirer's acquisition experience	-0.021	0.014	-0.028***	0.004	-0.017	0.042**	-0.000	0.012	0.022	-0.042***	-0.098*	0.008
	(0.015)	(0.013)	(0.009)	(0.008)	(0.018)	(0.016)	(0.019)	(0.010)	(0.019)	(0.013)	(0.051)	(0.031)
Acquisition costs	-0.001	0.001	-0.001	-0.000	-0.000	0.000	-0.000	-0.001**	-0.000	-0.001*	-0.002	-0.002
	(0.001)	(0.001)	(0.001)	(0.000)	(0.000)	(0.000)	(0.001)	(0.000)	(0.001)	(0.000)	(0.002)	(0.001)
Method of payment	-0.010	-0.041	0.003	0.040	0.090**	0.012	0.030	-0.008	-0.028	0.033	0.099	-0.001
	(0.030)	(0.055)	(0.034)	(0.052)	(0.040)	(0.057)	(0.060)	(0.028)	(0.047)	(0.053)	(0.136)	(0.158)
Defensive tactics	-0.092	0.234	-0.106*	0.044	0.053	-0.038	-0.132	-0.121*	-0.157**	-0.016	-0.109	0.202
	(0.083)	(0.174)	(0.057)	(0.062)	(0.081)	(0.115)	(0.094)	(0.070)	(0.061)	(0.065)	(0.168)	(0.248)
Tender offer	-0.088**	0.028	-0.032	-0.013	-0.049	0.015	-0.023	0.018	-0.001	0.044	-0.121	0.069
	(0.042)	(0.038)	(0.031)	(0.023)	(0.046)	(0.037)	(0.043)	(0.025)	(0.045)	(0.035)	(0.151)	(0.076)
Industry relatedness	0.024	-0.077***	-0.040	-0.010	0.021	-0.054*	0.021	-0.002	-0.023	-0.013	0.095	-0.097
	(0.039)	(0.029)	(0.025)	(0.017)	(0.030)	(0.031)	(0.033)	(0.019)	(0.032)	(0.029)	(0.117)	(0.060)
Geographic distance	0.011*	-0.017**	0.007	-0.005	-0.012	0.001	0.021**	0.007	-0.010	0.010	0.035	0.002
	(0.006)	(0.007)	(0.006)	(0.005)	(0.010)	(0.006)	(0.009)	(0.006)	(0.008)	(0.008)	(0.026)	(0.017)
Acquirer's R&D (missing variable dummy)	-0.003	-0.465**	0.167***	0.227***	0.055	0.204**	-0.124	0.004	-0.031	0.012	0.207	0.109
	(0.071)	(0.218)	(0.063)	(0.072)	(0.107)	(0.079)	(0.093)	(0.044)	(0.076)	(0.058)	(0.242)	(0.309)
Acquirer's advertising (missing variable dummy)	0.157***	0.118	0.026	0.002	-0.048	0.038	0.056	-0.049	0.019	-0.079	0.205	0.049
	(0.057)	(0.091)	(0.068)	(0.035)	(0.069)	(0.054)	(0.090)	(0.058)	(0.099)	(0.053)	(0.251)	(0.153)
constant	-0.553	-1.127	-0.339	0.009	0.796	-0.800	-0.819	-0.498	-1.020*	-0.319	-1.972	-3.002**

	(0.499)	(0.717)	(0.425)	(0.414)	(0.540)	(0.506)	(0.566)	(0.366)	(0.593)	(0.490)	(1.826)	(1.210)
No. of Obs.	456	456	456	456	456	456	456	456	456	456	456	456
R-Squared	0.347	0.456	0.473	0.277	0.375	0.377	0.468	0.527	0.256	0.476	0.506	0.580

Note: All regressions control for announcement year effects and for industry effects, whose coefficients are not included for brevity. Standard errors clustered by acquirers The first row in the table shows the parameter estimate and the second row in parentheses is standard error, † $p< 0.10$ * $p< 0.05$ ** $p< 0.01$