The impact of organisational and managerial acquisition experience on M&A performance

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ABSTRACT

This study examines the influence of acquisition experience of Australian publicly listed acquirers and that of their top management team (TMT) on the performance (measured as stock market reaction around the acquisition announcement) of mergers and acquisitions completed during the period 2006-2012. We draw on the psychological literature on groups' effectiveness in complex decisions making to develop a theoretical framework to complement the traditional organisational learning theory used in the research on acquisition experience. We use this literature to argue that firms will make higher quality acquisition decisions that will result in better acquisition performance to the extent that their TMT has experience with, and resulting knowledge in, acquisition decision making. The results support our prediction, while finding that organisational acquisition experience, on its own, does not influence the acquisition performance. Also, drawing on additional insights from psychological research on the hubris hypothesis in the case of corporate takeovers (Roll, 1986), this paper predicts and finds that the interaction between organisational and TMT acquisition experience has a positive impact on acquisition performance. Overall, the paper extends the acquisition experience literature and explains the inconclusive results obtained in prior studies that focused on organisational learning theory and neglected the managerial acquisition experience.

Keywords: mergers and acquisitions; acquisition experience; organisational learning; top management team.

1. INTRODUCTION

Acquisition continues to be one of the most popular corporate growth strategies (Mehra, 2011). The most common theoretical rationale for undertaking M&A activity lies within the corporate interest to maximise wealth for the acquiring firm's shareholders (King et al., 2004; Lubatkin, 1983, 1987; Zou et al., 2012). However, in contrast to the on-going popularity and underlying theoretical motives, the value from acquisitions accrues primarily to the owners of target firms at the time of acquisitions, while shareholders in the acquiring firm frequently experience share price underperformance, which makes the benefits to investors in acquiring firms questionable (Agrawal and Jaffe, 2000; Hayward, 2002; Teerikangas and Very, 2006).

The popularity of acquisitions in spite of its apparent lack of success creates a rich array of research opportunities. In particular, Agrawal and Jaffe (2000) highlighted that while acquisitions are not performing well *on average* from the point of view of the acquirer, there appears to be a wide variation in acquisition performance. The desire to understand the determinants of this variance lies at the heart of much M&A research (Cartwright and Schoenberg, 2006).

One of the potential determinants of acquisition performance seems to be acquisition experience. This factor is recognised as an under-researched topic (Barkema and Schijven, 2008; King et al., 2003). M&A research has made a significant advancement in understanding that the success of acquisitions rest upon synergy realisation, which in turn depends on the underlying process of acquisition decision making, including prudent targe selection (Ramaswamy, 1997) and effective post-acquisition integration (Chatterjee and Lubatkin, 1990; Haspeslagh and Jemison, 1991). In spite of all these understandings into *what* needs to be done, however, most firms do not seem to know *how* to do it, as the majority of acquisitions continue to fail (Barkema and Schijven, 2008). Acquisition experience seems to be one of the main mechanisms by which firms may learn how to do it in order to achieve favourable acquisition performance (Hayward, 2002).

In one of the first studies of acquisition experience, Bruton et al. (1994) analysed the potential performance implications of acquisition experience of distressed firms

between 1979 and 1987.[1] Arguing that experienced acquirers (1) better understand when to acquire and when not to, (2) better understand what outside financial, legal or other resources are needed, and (3) know more than inexperienced acquirers about the key success factors for successful integration, they find that distressed firms exhibits a positive relationship between experience and acquisition performance. Similarly, Fowler and Schmidt (1989) selected a sample of 42 acquirers from manufacturing industry over the period from 1975 to 1979 and find a positive relation between acquisition experience and performance. Fowler and Schmidt (1989) interpret their results as meaning that acquisition experience leads to more synergy realisation and more effective acquisition integration process. Both Bruton et al. (1994) and Fowler and Schmidt (1989) provide some evidence on the relationship between acquisition experience and performance, but given the narrow samples in these two studies, it is difficult to conclude that acquisition performance is necessarily better for experienced acquirers.

In a more recent analysis, Haleblian and Finkelstein (1999) examined the prior experience on 449 acquisitions from 1980 to 1992 and find a U-shaped relation with performance. The authors interpret this finding as evidence that after a threshold level of experience is attained, firms become sufficiently capable of appropriately discriminating between, and generalise across, deals, thereby realising experience benefits. Even though Haleblian and Finkelstein (1999)'s study is one of the most complete examinations of the acquisition experience question to date, it is constrained by the adoption of a simplified definition of acquisition experience to ease sample collection.[2] Haleblian and Finkelstein (1999) have suggested that future studies should consider a more generalisable definition of acquisition experience.

Two of the most recent published articles on this topic did not take into consideration Haleblian and Finkelstein (1999)'s recommendation and continued to conduct their analysis by limiting the definition of acquisition experience to large acquisitions, in terms of asset size, to alleviate sample collection difficulties. In one such study, Zollo and Singh (2004) studied the effect of organisational acquisition experience using a sample of 228 acquisitions performed by US commercial banks. Arguing that experienced acquirers are more capable at handling the integration stage of the

[1] Bruton et al. (1994) define a distressed firm as having two consecutive years of declining net income and return on investment prior to the acquisitions.

[2] Haleblian and Finkelstein (1999) define acquisition experience as US domestic acquisition deals that have an asset value of greater than $10 million.

acquisition, they use a subjective measure of acquisition performance (see Haleblian and Kim, 2006) and find a non-significant effect of acquisition experience on acquisition performance. In another study, Hayward (2002) limited the sample to acquisitions performed by 100 of the largest companies by market capitalisation and finds non-significant performance implications of prior acquisition experience and concludes that organisational acquisition experience may be insufficient to derive high acquisition performance. Nevertheless, given limited samples used, both Zollo and Singh (2004) and Hayward (2002) acknowledged that future studies must re-address this issue in other empirical settings and geographical contexts to develop a more generalisable evidence of organisational learning in the context of M&As. Table 1 presents a summary of empirical research on the relation between acquisition experience and performance.

Insert TABLE 1 here

Overall, the extant literature on acquisition experience has primarily focused on gaining a deeper understanding of the direct link between the firm's own acquisition experience and performance. Although this perspective captures an important aspect of learning by assuming that acquisition performance improves as the task is repeatedly performed over time, it imposes a strong assumption about learning phenomenon in that firms can only benefit from their own experiences in undertaking acquisitions (Barkema and Schijven, 2008). The accumulation of prior experiences by the firm in itself, however, may not be a source of sustained competitive advantage, since much of the specialised knowledge resides in the decision makers of the organisation, who may leave the firm (Laamanen and Keil, 2008; Reus, 2012). One explanation why the extant literature on acquisition experience has failed to reach an empirical consensus on the "learning-by-doing" hypothesis despite strong theoretical support may be that, in order to explain how acquirers improve their understanding of the ways acquisitions should be managed, it has exclusively focused on the firm's direct experiences in making acquisitions (Zollo and Singh, 2004). Another important, but neglected dimension of acquisition experience is the degree of experience held by the TMT independent of the firm (i.e. that obtained at *other firms* either as executives or directors).

There has been some confusion in differentiating the experience of the organisation and that of the TMT in the extant research, but they are clearly two different dimensions of experience, which may independently affect the performance of further acquisitions (Kiessling and Harvey, 2006; Vasilaki and O'Regan, 2008). At the construct level, organisational experience is seen as a key factor that improves the quality of the organisational routines, while TMT's experience improves the decision making capacity of the decision makers of the organisation (McDonald et al., 2008). At the measurement level, the two dimensions of experiences are very different, especially in the Australian setting for two main reasons. First, executives tend to change firms quite often, and their experience in other firms may prove beneficial in their firm's acquisitions. In Australia, the executive turnover rates are higher than in any other popular research settings (e.g. US, UK) used in directly related studies (Krug and Hegarty, 1997; Setiawan et al., 2011). This characteristic displayed in the Australian market was thought to be important for the current paper because it indicates a higher divergence between acquisition experience of the firm and that of its TMT, which in turn makes the benefit of the TMT's own prior experience, including those *at other firms* on their firm's performance more noticeable (Daellenbach and McCarthy, 1999). Second, a general practice is that directors and executives serves on the governing bodies of a several firms at the same time, being involved in decision making and probably in other acquisitions; the acquisition experience gained in other firms in this manner may prove to be beneficial for the current acquisition.

Academics from accounting, finance, and management disciplines studying the effect of acquisition experience on firm level performance (e.g. Cuypers et al., 2008; Haunschild and Beckman, 1998; Westphal et al., 2001) have stated that although organisational learning theory provides a powerful paradigm for characterising the effects of prior organisational acquisition experience on acquisition performance, the broad brush with which it paints the relationship may need the help of a complementary theoretical framework to characterise the impact of the experience that top management team brings to the firm (Cuypers et al., 2008; Haunschild and Beckman, 1998; Hitt et al., 2001; Kiessling and Harvey, 2006; Westphal et al., 2001). The upper echelons theory and strategic leadership theory implies that experience of the top managers, and resulting knowledge are reflected in their strategic decision making (Cannella and Monroe, 1997; Hambrick and Mason, 1984; Hambrick, 2007), and therefore TMT's experience may influence the quality of decisions they make in acquisitions of their firm

and therefore the post-acquisition performance. However, there has been little, if any, systematic efforts to "unpack" this basic notion and to conduct an empirical research on the performance effects of top management team's experience in the context of corporate acquisitions. This paper seeks to address this important gap. In doing so, the paper will begin by testing the relation between organisational acquisition experience and performance to provide a direct comparison with the extant research.

The remainder of this paper is structured as follows. First, section 2 reviews the relevant literature that contains the relevant theories used in articulating a proposition on the effect of prior acquisition experience on acquisition performance and formulates the hypotheses for this study. Section 3 summaries the sample selection process and the research method used. Descriptive statistics and the results of the hypotheses tests are presented in section 4. Section 5 concludes the paper and highlights the implications of the results. Finally, section 6 acknowledges limitations and provides recommendations for research refinement along with fruitful avenues for future research.

2. THEORY AND HYPOTHESES DEVELOPMENT

Although acquisitions are often not performing well from the perspective of the acquirer, it has been claimed in the business press and by academics that firms with previous acquisition experience are more likely to achieve better post-acquisition performance than those without such experience (Barkema and Schijven, 2008; Haleblian and Finkelstein, 1999; Lubatkin, 1983). Financial media and business pundits have consistently emphasised that the modern marketplace is heavily knowledge-based, and the success of a firm's strategic initiative, including acquisitions, is greatly influenced by the degree of related knowledge held by the organisation, and by its key decision makers (Grant, 1996; Hamel, 2000). Correspondingly, the knowledge-based view of the firm (Grant, 1996; Kogut and Zander, 1992; Nelson and Winter, 1982) indicates that the outcome of a strategic initiative of the firm is determined by the degree with which the acquiring firm develops collective abilities in managing acquisitions from prior experience (Zollo and Singh, 2004). The organisational learning theory also posits that firms might be able to learn how to better manage acquisition processes by simply doing more acquisitions, and, thereby, tacitly forming and refining organisational routines that might directly influence the performance of subsequent acquisitions (Lubatkin, 1987).

Extant literature on acquisition experience predominantly draws upon the organisational learning theory developed and applied in a manufacturing setting (e.g. Yelle, 1979) to test whether learning from prior acquisitions takes place within acquirers. The central argument in organisational learning theory as applied to M&As is that through accumulation of experience in making acquisitions, firms develop important acquisition process related knowledge and skills to better manage acquisitions, which may be necessary in enhancing acquisition performance (Vasilaki and O'Regan, 2008). Based on the inferences firms make from the knowledge obtained through experience, they develop and refine organisational routines that can be applied to subsequent activities of similar nature (Levitt and March, 1988; Nelson and Winter, 1982). Routines are defined as sets of actions that reflect the prior experience of an organisation with a particular activity (Nelson and Winter, 1982). Once organisational routines are established through accumulation of prior experiences, they can become a source of competitive advantage and often play a vital part in the construction of a firm's strategic actions by complementing, or substituting for, strategic decision-making instructions (Gulati, 1995). In the context of M&As, this theory implies that organisations with previous acquisition experience will be better able to make inferences from prior deals and develop M&A routines, which in turn offers the potential to improve acquisition performance (Lubatkin, 1983). This is referred to as "learning-by-doing" hypothesis (Kolb, 1984).

More specifically, the acquisition process related knowledge developed through prior experience may positively influence performance through three underlying mechanisms. First, acquisition experience may build facilitating processes for the identification of appropriate target that has the potential to generate synergies when combined with the acquirer (Hitt et al., 1998). In particular, experienced acquirers are more capable at identifying suitable targets before their competitors, thereby reducing the risk of competitive bidding from other firms that may lead to an auction-type contest (Barney, 1986). Auctions tend to lead to increased acquisition premiums, and are one of the primary causes of poor post-acquisition performance (Jemison and Sitkin, 1986). Second, experienced acquirers are less likely to become entwined in a cycle of escalating commitments in the deal negotiation phase. Escalating commitments are said to have negative impact on acquisition performance because they often result in deal completion at unreasonably high costs, thereby reducing the chance of achieving high performance (Haspeslagh and Jemison, 1991). Third, acquisition experience may also

facilitate integration of acquired firm's resources post-acquisition, which may be critical in achieving high post-acquisition performance. Unexperienced acquirers are less likely to succeed in the integration phase because they often fail to recognise the quality of the resources residing in the target due to arrogance (Cuypers et al., 2008). Correspondingly, Bruton et al. (1994) argues that experienced acquirers are more capable than inexperienced firms at recognising critical elements for successful integration and know when to acquire and to integrate and when not to. Therefore, organisational learning from prior experience and the resulting routines developed may be crucial in attempting to enhance the performance of acquisitions.

Although each acquisition experience may present unique decision contexts (Zollo and Winter, 2002), organisational learning theory posits that repeated exposures to any types of acquisition decisions should result in emergence of general patterns that may lead to the development of tacit and implicit knowledge (Haspeslagh and Jemison, 1991; Nelson and Winter, 1982). Therefore, firms might be able to learn how to better manage the acquisition process by simply doing more acquisitions, and thereby tacitly forming and refining organisational routines that might directly impact the performance of subsequent acquisitions. This "learning-by-doing" hypothesis can be formally stated as follows.

Hypothesis 1: *The performance of an acquisition is positively related to the prior organisational acquisition experience of the acquirer.*

However, as previously mentioned, merely looking at the acquiring company's cumulative experience with M&As may be underestimating the complexity of the learning processes taking place in this context for two reasons. First, in theory, acquisitions are seen as opportunities for knowledge exploration (Vermeulen and Barkema, 2001). This would include capitalising on, or exploring the benefits of prior M&A experience of the acquirer's TMT *at other firms* (Kiessling and Harvey, 2006; McDonald et al., 2008).[3] Second, the knowledge based view of the firm asserts that the

[3] As the TMT members tend to move in the job market, as well as serve on the board of directors of many companies as the same time, their experience may be totally different from the their firm's organisational experience as it may include experience in dealing with acquisitions at other firms, while not necessarily capturing the experience of the organisation with prior acquisitions performed prior to them joining the organisation. Therefore, we extend the work of scholars interested in the strategic implications of prior experiences by discussing the role of prior experience of the acquirer's top managers and directors in performing acquisitions at other firms, together with the experience developed in the current firm. The theoretical argument here, inspired by organisational learning theory, is that, independent of the organisational learning, the top managers' and directors' experience with acquisitions *at other firms* and

experience of a firm is integrated with that of its executives to achieve favourable outcomes (Grant, 1996). Therefore, extant studies adopting organisational perspective in testing acquisition experience-performance relation is, to some extent, empirically flawed, as it may underestimate an acquirer's aggregate experience base (Kale et al., 2002; Zollo and Singh, 2004) by failing to take the experience of its top management team into account (Kiessling and Harvey, 2006). As emphasised by Hitt et al. (2001) little more can be gained by continuing to replicate the organisational experience-performance relationship, and instead it is time for a change in the research focus towards the underlying acquisition experience by the decision maker that contributes to this relationship. Although most of research on M&A has ignored the potential benefits of prior M&A experience held by the TMT, the literature on M&A has consistently referred the decision maker's lack of experience of acquisitions as a potential cause of acquisition failure (Jemison and Sitkin, 1986; Lubatkin, 1987; Vasilaki and O'Regan, 2008).

TMT is defined as a group of most influential senior executives with an overall responsibility for the organisation (Hambrick and Manson, 1984). It is important to understand that members of TMT, as decision makers of the firm, are heavily involved in the strategic decision making of organisations (Simons et al., 1999; Papadakis and Barwise, 2002), and play a significant role in influencing organisational strategies and outcomes (Carmeli and Schaubroeck, 2006). This influence extends to mergers and acquisitions (Kitching, 1967). In accordance to the upper echelons theory (Hambrick and Mason, 1984; Hambrick, 2007), the organisation becomes a reflection of the TMTs actions and strategic decisions and assists in explaining the competitive behaviour of an organisation (Kiessling and Harvey, 2006). Similarly, strategic leadership theory holds that companies are reflection of their top managers and that the specific knowledge from the prior experience of the top managers is reflected not only in their decisions, but also in their assessment of decision situations (Cannella and Monroe, 1997). Both of these theories indicate that the TMT impact on the outcome of a strategic event like an acquisition because of their decisions (Haspeslagh and Jemison, 1991; Napier, 1989). These decisions are based upon the TMT's personal knowledge obtained from their prior experiences in acquisitions (Cyert and March, 1963), including that of from other

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the resulting expertise in complex decision-making provides a facilitating process in the strategic initiative of the firm and benefits the firm by improving the performance.

firms, as directors or managers. The quality of the strategic decisions made by the TMT is a primary component in determining the success or failure of a strategic initiative of a firm (Ansoff, 1988; Child, 1972; Priem, 1994).

Also, a widely accepted notion in the psychological literature of group decision making effectiveness is that TMT come up with effective solutions to complex organisational problems using two strategies: (1) employing *analogical reasoning* (e.g. Anderson et al., 1997); and (2) employing *abstract knowledge* about the present problem (e.g. McDonald et al., 2008). The knowledge that TMT develops from their prior experiences with acquisition decision making enhances their ability of making effective decisions to better manage acquisitions using both analogical reasoning and abstract knowledge (McDonald et al., 2008). Moreover, experience also leads to a development of more complete mental-models of the critical causal relationships of a relevant domain, which improves the decision makers' capacity to separate important information from those that are unimportant (Glaser and Chi, 1988; Sternberg, 1997). In another words, accumulation of experience in a particular strategic domain, such as corporate acquisitions, facilitates the development of more extensive and effectively organised abstract knowledge in acquisition decision making, thereby improving the decision maker's ability to make quality decisions using abstract reasoning (Ericsson and Lehman, 1996, VanLehn, 1996).

Taking all these theoretical perspectives together, we predict that TMT's experience with acquisition decision making and resulting knowledge will have positive effects on the performance of further acquisitions. Therefore we offer the following hypothesis:

Hypothesis 2: *The performance of an acquisition is positively related to the prior acquisition experience of the acquirer's top management team*.

Nevertheless, the organisational learning theory posits that acquiring firms, by repetitively engaging in acquisition activity, develop and refine organisational routines associated with the management of the acquisition process. The resulting routines may directly influence acquisition performance (Haleblian and Kim, 2006). The organisational routines may indeed provide a competitive advantage in managing acquisition processes; however, the realisation of this benefit ultimately depends on the decision maker. The benefits of organisational acquisition experience, and resulting organisational routines will be lost or go unexploited if the current TMT that are making acquisition decisions does not recognise its existence or potential benefits (Cuypers et

al., 2008; Kiessling and Harvey, 2006). Both the willingness and the competence to diagnose the benefit that lies in an organisational experience, and resource base, may be difficult for the current TMT.

The hubris hypothesis discussed in Roll (1986) implies that business decision makers are often blinded by their confidence towards their own experiences, and negatively biases towards other information such as their firm's experience prior to their appointment. Jemison and Sitkin (1986) argue that this behaviour results from two forces, namely, defensiveness and arrogance. Defensiveness is driven by the executive member's unfamiliarity with their firm's acquisition decisions and procedures prior to their appointment. Arrogance, on the other hand, is a result of TMT's unfitting belief that their current systems and practice are superior, and sees no benefit of referencing past events of their organisation. In practice, it is quite common that the above defensiveness or arrogance of the TMT not to reference information other than their own knowledge to be reflected in TMT's decision making (Cuypers et al., 2008). This may also add to the argument of why extant literature that has exclusively focused on organisation's own experience failed to amount an empirical consensus.

As the TMT repeatedly experience acquisition decision making collectively, they may start developing a different attitude, which allows them to better reference the problems faced in the organisation's prior acquisition decisions to effectively come with optimal solutions for their further acquisitions. Collective acquisition experience of the TMT should therefore lessen its defensiveness by allowing it to better assess the future acquisitions. Similarly, arrogance is expected to decline as the TMT collectively experience more acquisitions – well performing acquisitions as well as worse performing ones - and its attention and gratitude of the organisation's M&A experience should grow (Jemison and Sitkin, 1986). Taken together, these arguments lead to the following interaction hypothesis:[4]

Hypothesis 3: *The performance of an acquisition is positively related to the interaction between the prior acquisition experience of the acquirer's top management team and that of the organisation.*

[4] This interaction hypothesis may not hold if all the TMT's acquisition experience is gained in the current firm. In acknowledgement of this limitation, when testing Hypothesis 3, 17 cases (which represent only 0.02% of the sample) where all TMT's acquisition experience is gained at the current firm are removed from the sample.

3. DATA AND RESEARCH DESIGN

3.1 Research setting

The aim of this study is to improve our understanding of the effects of acquisition experience on performance by exploring the explanatory role of organisational experience, TMT's experience, and their interaction. The sample includes all completed acquisitions announced by firms listed on the Australian Stock Exchange (ASX) during the period from 2006 to 2012. This setting was deemed to be particularly well suited for our research purposes for several reasons that will be presented next.

First, structuring the sample with no industry restrictions and analysing all types of acquisitions (e.g. cross-border acquisitions, medium and small-sized acquisitions) is expected to add valuable insights to the acquisition literature. It is important to note that our research setting differs from those employed in the directly related literature. Haleblian and Finkelstein (1999) study the impact of acquisition experience on post-acquisition performance by limiting the acquisition experience to only large domestic acquisitions.[5] More recent studies by Zollo and Singh (2004) and Hayward (2002) further limited the generalisability of their results by focusing on large acquirers in a single industry. Such narrow samples are considered a serious limitation of the extant literature. The organisational learning theory, which provides the theoretical framework for the above work, directly implies that, while simpler tasks can be learnt through a narrow range of experiences, more complicated tasks such as an acquisition requires more broader types of experiences (Reus, 2012). Therefore, the recent reviews of M&A literature has consistently accentuated the need for more comprehensive samples to ensure a higher degree of external validity of the results and to maintain consistency with the organisational learning theory argument (Barkema and Schijven, 2008; Haleblian and Finkelstein, 1999; Hayward, 2002; Zollo and Singh, 2004). However these concerns were seldom taken into consideration in empirical studies due to the difficulties in data collection. This paper, through hand collection of data, achieved a more generalisable sample. This is expected to improve the external validity of the results and the construct validity of the organisational experience variable (Barkema and Schijven, 2008; Reus, 2012).

[5] Haleblian and Finkelstein (1999) define acquisition experience as the number of prior domestic acquisition deals that involve targets with an asset value greater than $10 million.

Second, holding the acquirer firm's country constant alleviates home country effects. In addition, by having only Australian acquirers in the sample, the collection of information about acquiring firm involved a single database, providing more reliable data. As a result, keeping the host country constant increases both the reliability and construct validity of the current study (Cook and Campbell, 1979; Schwab, 1999). In addition and more importantly, Australian firms exhibited extremely high executive turnover rates during the sample period of the current study (Setiawan et al., 2011; Temkin, 2008), much higher than the turnover rates experienced in popular research settings (e.g. US, UK) used in directly related studies (Krug and Hegarty, 1997; Setiawan et al., 2011). This characteristic displayed in the Australian sample is thought to be important for the current paper because it indicates a higher divergence between acquisition experience of the firm and that of the TMT, which in turn (1) mitigates concerns of multicollinearity in our empirical model and (2) makes the influence of the TMT's experience, including those *at other firms,* on their firm's performance more noticeable (Daellenbach and McCarthy, 1999).

Third, the study period from 2006 to 2012 is considered to be particularly relevant. The year 2006 is chosen to be the starting year because Australia adopted the International Financial Reporting Standards in 2005. Thus, to ensure that the same financial reporting standards are applied consistently throughout the study period, we decided to start the sample period from 2006 (we use data from 2005 for the acquisitions announced in 2006 for some control variables). By safeguarding a constant use of IFRS, we can ensure a high degree of comparability of accounting information used in our models (Clark, 2004).

The sampling process is summarised in Table 2, together with the distribution of the final sample by financial year of acquisition. The final sample of 851 observations is significantly larger than those generally used in related M&A studies, given that sample size of related studies only ranges from 97 to 449 observations as seen in Table 1.

Insert TABLE 2 here

3.2 Model for testing hypothesis 1

To test this hypothesis in order to replicate the results of previous studies on acquisition experience that failed to incorporate the TMT's experience into their analysis, the model developed by Haleblian and Finkelstein (1999) and adapted by Toft (2010) is employed as a benchmark model. To improve the predictive validity of the original Haleblian and Finkelstein (1999) model, additional controls variables were hierarchically added.[6] This improved model is denoted as Model 1 and it is presented below:

$$PERF_{i,t}=\alpha_0+\beta_1 ORGEXP_{i,t}+\beta_2 RELATED_{i,t}+\beta_3 FOREIGN_{i,t}+\beta_4 PAYMENT_{i,t}+ \quad (1)$$
$$+\beta_5 ATTITUDE_{i,t}+\beta_6 SIZE_{i,t}+\beta_7 DEBT_{i,t}+\beta_8 FCF_{i,t}+\beta_9 PREPERF_{i,t}+$$
$$+\text{year dummies}+\text{industry dummies}+\varepsilon_{i,t}$$

In this model, *PERF* is the acquisition performance; *ORGEXP* is the organisational acquisition experience; *RELATED* is the acquirer to target business similarity; *FOREIGN* is a dummy variable where 1 is the acquisition of a non-Australian target and 0 otherwise; *PAYMENT* is the percentage of stock payment out of the total payment made in an acquisition deal; *ATTITUDE* is the attitude of the acquisition (e.g. hostile, neutral, or friendly); *DEBT* is the debt to equity ratio of the acquirer; *FCF* is the free cash flow of the acquirer; *PREPERF* is the acquirer's pre-acquisition performance; and $\varepsilon_{i,t}$ is the regression error term. These variables are explained next.

Dependent variables

Following Haleblian and Finkelstein (1991), we measure acquisition performance using short-term cumulative abnormal returns. As depicted in Table 1, this measure has been widely used in the M&A literature that examined the effect of acquirer's experience on acquisition performance (e.g. Fowler and Schmidt, 1989; Haleblian and Finkelstein, 1991; Hayward, 2002). The more recent works on M&A performance still shows a strong support for short-term cumulative stock returns as measurement base for acquisition performance (e.g. Toft, 2010).

To determine the influence of an acquisition on a firm, excess returns estimated based on normal returns measured over a 250-day period starting from 280 days prior to the announcement of acquisition (day $t - 280$ to day $t - 30$, where t is the announcement date) are averaged over an event window. For primary analysis, we computed excess

[6] The original Haleblian and Finkelstein (1999) model does not control for firm size (*SIZE*), cross-border acquisition (*FOREIGN*), industry of the acquiring firm (industry dummies) or management characteristics.

returns from five trading days before to five trading days after the announcement of an acquisition event. There are two reasons for selecting this measurement window. First, the (-5,+5) window has been demonstrated in the extant literature to have high predictive validity of ex post measure of acquisition performance (Campbell and Wasley, 1993; Haleblian and Finkelstein, 1999; Hannan and Wolken, 1989; Kaplan and Wiesbach, 1992; Lang et al., 1991; Rhoades, 1994; Zollo and Singh, 2004). Second, a number of studies studying the impact of organisational acquisition experience on performance have used the (-5,+5) window in measuring acquisition performance (e.g. Fowler and Schmidt, 1989; Haleblian and Finkelstein, 1999; Zollo and Singh, 2004). Therefore, the use of (-5,+5) window facilitates more direct comparison of the results with the related studies. However in acknowledgment of other popular windows used in strategic performance measurement, namely (1,+1), (-2,+2), (-3,+3), (-10,+10) event window intervals, we also report the results in those intervals as a sensitivity test.

Nevertheless, it should be acknowledged here that short-term cumulative stock returns measures market reaction towards an announcement of acquisition instead of actual acquisition performance. However, there is evidence that short-term measures of cumulative stock return are valid measures of acquisition performance, demonstrating that event study methodology has predictive validity (Kale et al., 2002), consistent with the efficient market hypothesis. Sirower (1997) found that the acquirer's returns at the time of an acquisition announcement were representative of the long-term estimation of acquisition performance. Healy et al. (1992) found a strong and positive relationship between abnormal stock returns at merger announcements and post-merger increase in cash flows. Accordingly, Kaplan and Weisbach (1992) found that well performing acquisitions, as compared with bad performing ones, were related to higher acquisition returns at announcement, indicating that markets can reasonably forecast long-term acquisition performance over short-term windows. Hence, extant evidence on event study method's predictive validity is consistent with the assumption that abnormal returns are a strong and valid indicator of acquisition performance.

Although the validity of short-term cumulative abnormal returns in measuring acquisition performance depends on the assumption of the efficient market hypothesis, the short-term cumulative stock returns remains the most suitable measure of performance in acquisition for at least three other reasons: (1) Firstly, the effect of a strategic event like acquisitions is not immediately reflected in the accounting numbers in the financial statements of the acquirer because normally it takes six months to three

years before the acquirer realises the effects (Rhoades, 1994). During this period, many multifarious factors, including changes in product mix, management, investment strategy, as well as further acquisitions, may affect the performance (Haleblian and Kim, 2006). This creates a difficulty in isolating the effect of acquisition on performance from other confounding factors, and to date, there is no widely recognised model for capturing this long-term return (especially due to the difficulty in capturing the level of post-acquisition integration). When using short-term stock returns, on the other hand, it is much easier to distinguish among the performance effects of individual acquisitions. (2) Secondly, a major problem with using accounting profitability measures is that the accounting data can be easily manipulated by the firm and often is not adjusted for a firm's risk and difficult to interpret when companies operate in various industries (Datta, 1991; Datta et al., 1992; Hoskisson et al., 1993; King et al., 2004). Market based performance measures are not subject to the biases of accounting based measures but have to be interpreted in light of the assumptions of the efficient market hypothesis. (3) Thirdly, while an acquisition is a strategic event, there are cases where firms acquire other firms with no expectation of an increase in accounting profits in the short to medium term. For example, after the Global Financial Crisis, there was an increase in the number of acquisitions performed in order to expand the acquirers' geographical scope (Collins et al., 2009). Such acquisitions often weaken acquirers' accounting performance by increasing operating costs (Haleblian and Kim, 2006), and thus may be considered failed acquisitions from an accounting standpoint, even though they have actually achieved the acquirers' strategic intent. Due to above reasons, we use short-term cumulative stock returns for the tests in the paper.

Independent variables

Relevant studies that have examined the effect of acquisition experience on performance has consistently conceptualised the acquiring organisational acquisition experience as the sum of recent acquisitions undertaken by the firm (Haleblian and Finkelstein, 1999; Haunschild, 1993; Hayward, 2002). Consistent with the literature, we define organisational acquisition experience as the number of acquisitions experienced by the firm, *starting from five years prior to the sample deal until one year prior*. For the purpose of this research, controlling for experience using the 5 years period prior to the sample acquisition appears suitable because benefits of learning can become

forgotten or trapped when the experience is out-of-date (Huber, 1991).[7] Controlling for prior experience beyond the 5 year period may overestimate the ability of firms to remember past events (Barkema and Schijven, 2008).

Control variables for deal characteristics

When the target and the acquirer operate in a similar industry, market interprets it as an increased chance of synergy realisation (Haleblian and Finkelstein, 1991). Therefore, we expect acquirer-to-target relatedness to be positively related to our measure of performance. To measure relatedness, we follow Morck et al. (1990) and use 2-digit SIC codes. The *RELATED* dummy variable is coded 1 if the acquirer and target 2-digit SIC codes are identical, 0 otherwise.

Foreign acquisitions may generate lower returns than domestic acquisitions, because the acquirer is less familiar with foreign targets (Yung, 2001).[8] Consistent with Hayward (2002), we control for cross-border acquisitions by incorporating a dummy variable *(FOREIGN)* that takes a value of 1 for an acquisition of a non-Australian target and 0 otherwise.

The post-acquisition cumulative abnormal returns have been found to have a negative association with the fraction of the consideration paid using acquirer's stock (Datta et al., 1992; Travlos, 1987) because the type of consideration may exhibit a signal to the market of the acquirer's value. A stock offer tends to signal that the management feels their firm is overvalued (Myers and Majluf, 1984), while cash offers tend to signal that an acquiring firm's management believes their firm is undervalued (Travlos, 1987). Consistent with Haleblian and Finkelstein (1991), the form of consideration offered (*PAYMENT*) is measured as a percentage of the consideration paid in the acquirer's common stock.

Browne and Rosengren (1987) found that hostile acquisitions are negatively related to acquirer returns by attracting multiple bidders which drives higher premiums. Consistent with Haleblian and Finkelstein (1999), *ATTITUDE* codes friendly acquisitions as 0, neutral acquisitions as 1, and hostile acquisitions as 2.

[7] There is a general trend towards acquisition experience measures based on longer period of times. Zollo and Singh (2004) include all acquisitions since the foundation of the acquiring firm. However, in the management literature, it has been emphasised that when applying organisational learning theory in the context of complex corporate strategies, such as mergers and acquisitions, the experience variable should be measured over an intermediate period of about five years (Berieter, 1985; Rogoff, 1990).

[8] However, the acquirer may have prior experience with foreign acquisitions that may increase the level of familiarity with foreign targets. This possibility is left for further research.

Control variables for acquirer characteristics

Acquirer's size represents the pre-acquisition quality of the acquiring firm's resource endowment which may influence its strategic choices, in turn affecting acquisition performance (Zollo and Singh, 2004). Therefore, consistent with Haleblian and Kim (2006), we controlled for acquirer size (*SIZE*) measured as natural logarithm of the acquirer's total assets one year before the acquisition.

The research on corporate acquisitions indicates that slack could influence acquisition performance, although the direction is unclear. Hitt et al. (1993) contended that greater slack reduces the costs of debt and provides financial security. Consistent with their expectations, they found that acquirer slack, in the form of a large amount of available cash or a favourable debt position is associated with high performing acquisitions. In contrast, Jensen (1986) argued that firms with large amounts of free cash flow (a concept similar to slack) will be more likely to undertake low-benefit or sometimes value-destroying mergers. To the extent this is true, slack will be negatively related to acquisition performance. Consistent with Haleblian and Finkelstein (1999), we measured slack in two ways. First, slack was conceptualised as average debt-to-equity ratio (*DEBT*), a conventional measure inversely related to slack. Second, we measured the percentage of free cash flow (*FCF*) as (Operating Income - Taxes - Interest Expense - Preferred Dividend - Common Dividend) / Equity. Both variables were measured in the financial year preceding the acquisition.

Morck et al. (1990) showed that acquiring firm's pre-acquisition performance is positively related to post-acquisition performance, hinting that firms with better financial performance are better acquirers. Pre-acquisition performance (*PREPERF*) was measured as the acquiring firm-level ROA based on the latest annual report prior to acquisition year.

Control variables for environment characteristics

We controlled for the potential effects of macroeconomic conditions on acquisition activity by entering the acquisition years as dummy variables into the model. We also controlled for the potential effects of industry conditions on acquisition performance by including industry dummies. Both the year dummies and industry dummies were not significant, and results were substantially unchanged when they were excluded from the analysis.

3.3 Model for testing hypothesis 2

Hypothesis 2 predicts a positive relation between the number of acquisitions experienced collectively by the TMT and the performance of further acquisitions. We follow Hitt et al. (2001) and Haleblian and Kim (2006)'s recommendation and added the indicator of TMT acquisition experience (*TMTEXP*) to Model 1. Furthermore, we hierarchically added controls for management characteristics, namely the number of people in the TMT and the board of directors (*GROUP*) and their gender diversity (*GENDER*). While the management literature has largely disregarded the management characteristics controls due to the lack of empirical support and difficulty in data collection (e.g. McDonald et al., 2008), several authors have recommended controlling for them to ensure that the improvement in the model fit is not a result of non-experience related qualities of the executives. The resulting model, denoted as Model 2, is expressed as follows:

$$PERF_{i,t}=\alpha_0+\beta_1 TMTEXP_{i,t}+\beta_2 ORGEXP_{i,t}+\beta_3 RELATED_{i,t}+\beta_4 FOREIGN_{i,t}+ \quad (2)$$
$$+\beta_5 PAYMENT_{i,t}+\beta_6 ATTITUDE_{i,t}+\beta_7 SIZE_{i,t}+\beta_8 DEBT_{i,t}+\beta_9 FCF_{i,t}+$$
$$+\beta_{10} PREPERF_{i,t}+\beta_{11} GROUP_{i,t}+\beta_{12} GENDER_{i,t}+\text{year dummies}+$$
$$+\text{industry dummies}+\varepsilon_{i,t}$$

Some might suggest that a potential problem associated with the ordinary least squares regression approach to jointly examine the two proposed test variables is multicollinearity. Multicollinearity will be present if linear (or non-linear) dependencies exist between organisational experience variable and TMT experience variable. This is theoretically plausible as there can be overlaps between the acquisition experiences of the TMT and organisation, if the TMT remained employed in the firm during the measurement period. This can be serious problem as multicollinearity results in a decline of the precision of parameter estimates (Ofir and Khuri, 1986). However, as explained earlier, Australian firms exhibited extremely high executive turnover rates during the study period (Setiawan et al., 2011; Temkin, 2008), which indicates a high divergence between the acquisition experiences of the firm and that of the TMT, which may mitigate multicollinearity concerns. As Fox (1984, p. 153) remarked that "collinearity is commonly thought to be a data problem rather than a model-specification problem". Indeed, the correlation matrix presented in Table 4 reveals that there are no multicollinearity risks between the organisational and TMT's prior acquisition experience.

Independent variables

Related research have habitually empirically tested, and conceptualised, group experience with decision making on a strategic event, such as an acquisition, as the sum of the experience of group's individual members (Faraj and Sproull, 2000; Kerr and Tindale, 2004; McDonalds, 2004; McGrath, 1984; Reagans et al., 2005). We adopt this conceptual approach in the current paper. More specifically, we measured TMT's prior acquisition experience (*TMTEXP*) as the total number of acquisitions experienced by the TMT in the five years prior to the sample deal.[9] The TMT, for the purpose of this study, captures the key management personnel according to AASB 124's definition (including executives and directors).

Controls for management characteristics

The total group size of the TMT and board of directors has been suggested to have some effects on firm's financial performance, while it is unclear in which direction. Hermalin and Weisbach (2001) proposed a negative relationship between group size and performance due to a difficulty in effectively communicating strategic decisions, leading to the possibility of lower firm performance; however, they also pointed out that larger groups may have a broader and possibly richer pool of experience from which to draw. There is no clear theoretical consensus on the group size-firm performance relationship. As such, size of the TMT and board (*GROUP*) is included as a control.

The gender diversity of TMT is considered to have some impact on firm performance, but the underlying arguments and empirical evidence are inconclusive. Smith et al. (2006) suggests that gender diversity increases creativity and innovation and improve firm performance, as these characteristics are not randomly distributed in the population, but tend to vary systematically with gender. Brammer et al. (2007) proposes a subjective argument that a presence of a female member may be due to an ethic reason to obtain gender diversity; the firm, as a result, fails to select the most able candidate and consequently damage their financial performance. Consistent with Campbell and Minguez-Vera (2008), gender diversity (*GENDER*) is included as a dummy variable that equals 1 if a female is present on the board or as a TMT member, otherwise 0.

[9] In a supplementary analysis, we also tried multiple substitutes to experience aggregation that were also referenced in the literature (namely, the mean and median level of experience and experienced denoted as a dummy variable). While the results are unchanged, each of these alternative approaches to aggregation reduced the fit of the empirical models.

3.4 Model for testing hypothesis 3

Hypothesis 3 predicts that the interaction between organisational and TMT's acquisition experience is positively related to acquisition performance. We tested the hypothesised interaction between the *ORGEXP* and *TMTEXP* using the product term approach (Coenders et al., 2008; Haleblian and Kim, 2006; Klein and Moosbrugger, 2000; Ping, 1998). This involves introducing a new variable, i.e. *PRODUCT=ORGEXPxTMTEXP*. In the estimation of the interaction term, *ORGEXP* and *TMTEXP* were centred by subtracting the mean from each predictor variable to address the potential problem of multicollinearity, as recommended by Aiken and West (1991) and Cohen (1978)[10]. The resulting *PRODUCT* variable is hierarchically added to Model 2 to form Model 3. Model 3 used to test Hypothesis 3 can be written as below:

$$PERF_{i,t}=\alpha_0+\beta_1 PRODUCT_{i,t}+\beta_2 TMTEXP_{i,t}+\beta_3 ORGEXP_{i,t}+\beta_4 RELATED_{i,t}+ \quad (3)$$
$$+\beta_5 FOREIGN_{i,t}+\beta_6 PAYMENT_{i,t}+\beta_7 ATTITUDE_{i,t}+\beta_8 SIZE_{i,t}+\beta_9 DEBT_{i,t}+$$
$$+\beta_{10} FCF_{i,t}+\beta_{11} PREPERF_{i,t}+\beta_{12} GROUP_{i,t}+\beta_{13} GENDER_{i,t}+$$
$$+\text{year dummies}+\text{industry dummies}+\varepsilon_{i,t}$$

3.5 Data collection process

Acquisition data is sourced from the Securities Data Corporation (SDC) database. SDC was selected because it provides the most comprehensive coverage on M&A transactions for our research setting, and has been frequently used in related M&A research (e.g., Haleblian and Finkelstein, 1999; Haleblian and Kim, 2006; Hayward, 2002; McDonald et al., 2008). As recommended by Haleblian and Kim (2006), to obtain a more generalisable sample, we identified all M&A transactions, including both cross-border and domestic deals and acquisitions of all sizes, as all types of deals may benefit the acquirer through accumulation of experience (Collins et al., 2009).

The initial sample obtained from the SDC was identified according to three criteria: (1) The acquirer was an Australian publicly listed company; (2) The transaction was a "completed" and "majority" firm acquisition rather than an asset acquisition; (3) The effective date of the transaction was during the acquirers' financial years 2006 to 2012. Applying these sampling criteria, 1345 acquisitions were initially identified.

[10] Regardless of the complexity of the regression equation, centering has no effect on the regression coefficients (Moosbrugger et al. (in press)).

Acquisitions with an unlisted acquirer are excluded because the acquisition performance cannot be measured due to lack of data.[11] Moreover, we do not incorporate the acquisitions managed by the firm's TMT members in other private organisations in our measure of TMT experience because the benefits of experience from complex decision-making in private organisations are not directly transferable to listed companies (Ponomariov and Boardman, 2012).

Consistent with Haleblian and Finkelstein (1999), "completed acquisitions" are defined as acquisitions in which the bidding firm goes beyond making an offer and distributes the consideration (cash or securities) to obtain control over the target, and "majority" acquisitions are acquisitions in which ownership by the acquiring firm of the target exceeds 50 per cent. Failed acquisition attempts and partial purchases (e.g. M&A deals of partial assets, acquisitions of minority interest, and acquisitions with post-acquisition ownership interest under 50%) are not considered in this study because, as there may not be an effective transfer of control (Demsetz, 1983), the acquisition experience will not have a significant impact on acquisition performance or market valuation (Chatterjee and Lubatkin, 1990; Haleblian and Kim, 2006).

The data used to control for acquirer characteristics and environmental conditions is sourced from the Compustat database accessible through Wharton Research Data Services (WRDS). Missing information was supplemented by manually collecting data from Morningstar FinAnalysis and Morningstar DatAnalysis. Raw data for estimating accounting based performance are obtained from the company's annual reports available on Morningstar DatAnalysis and from financial data available on Morningstar FinAnalysis. Market return data used to calculate the dependent variable, cumulative abnormal returns, was gathered from the Datastream Worldscope database maintained by Thomson Reuters.

The list of executives and directors required for the estimation of TMT acquisition experience is collected from SIRCA Corporate Governance database. We emphasise here that while the sample period of acquisitions is between 2006 and 2012, we collected data from SIRCA Corporate Governance database from 2001 in order to fully capture the TMT experience record insofar as they were involved in firms that undertook acquisitions over the 5 years prior to sample acquisitions. Data on TMT characteristics, namely, the group size of the TMT and board of directors combined and

[11] This is consistent with acquisition experience research (e.g. Haleblian and Finkelstein, 1999; Zollo and Singh, 2004).

gender diversity, was also collected from SIRCA Corporate Governance database and supplemented by hand collection from the annual reports available on Morningstar DatAnalysis.

4. RESULTS AND ANALYSIS

The descriptive statistics for the variables used in the main tests of this paper are presented in Table 3. For the sample containing 851 acquisitions, the mean value of acquisition performance (*PERF*) measured as cumulative abnormal stock returns over the (-5,+5) event window is 0.03, statistically equivalent to 0 (p-value = 0.017). This result is in line with other findings (e.g. Agrawal and Jaffe, 2000), that average abnormal returns to the acquiring firm are statistically equivalent to zero. This suggests that, on average, acquisitions do not result in significant performance improvements. This result reinforces the need for a better understanding of potential determinants of acquisition performance.

The mean of the organisational acquisition experience (*ORGEXP*) is 1.510, indicating that, on average, the sample acquirers have been involved in 1.510 acquisitions five years prior to the sample acquisition. This is slightly lower than the mean value of organisational experience exhibited in Haleblian and Finkelstein (1999). The cause of the difference is likely to be the longer time interval that Haleblian and Finkelstein (1999) has used to capture organisational experience. However, longer intervals have been criticised for neglecting potential for experience to be forgotten or become obsolete due to change in the market conditions (Hayward, 2002). Therefore this paper intentionally adopts a shorter interval in the estimation of the organisational acquisition experience variable.

Insert TABLE 3 here

The median value of organisational acquisition experience, however, is zero. This means that organisational acquisition experience is positively skewed and majority of firms have no acquisition experience in the past five years. The same trend is also exhibited in the TMT's acquisition experience (*TMTEXP*). The mean acquisition

experience of the TMT in the past 5 years is 3.120 while the median value is zero suggesting a positive skewness in the *TMTEXP* distribution.[12]

Overall the descriptive statistics of the control variables are very much in line with those exhibited in related studies, with an exception of *SIZE* and *ATTITUDE*. The mean value of *SIZE* at 18.42 sits slightly lower than 22.4 in Hayward (2002). However, this has been expected as extant literature has deliberately limited their sample to larger companies to ease data collection. The mean value of *ATTITUDE* is 0.02, much lower than 0.14 exhibited in Haleblian and Finkelstein (1999). This is a result of a characteristic exhibited in Australian sample (compared to that of the US) that a majority of acquisition deals are friendly (Brewster and Launders, 2001).

Descriptive statistics on the other control variables on deal characteristics (*RELATED, FOREIGN, PAYMENT*) and acquirer characteristics (*DEBT, FCF, PREPERF*) are in line with Haleblian and Finkelstein (1999) and Hayward (2002). The descriptive statistics on management characteristics (*GROUP, GENDER*) are consistent with Kiel and Nicholson (2003) for Australian firms.

The Pearson correlation matrix of the variables included in all tests is reported in Table 4. The acquisition experience interaction variable *PRODUCT* exhibits a positive correlation with the predictor variables ORGEXP and TMTEXP by construction. Although there appears that some significant correlation exists between the explanatory variables, none of the bivariate correlation exceeds 0.5 in absolute values suggesting low level of collinearity.[13] Due to space limitations, the presented correlation matrix does not include variables used in sensitivity tests.[14]

Insert TABLE 4 here

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[12] To address this point of concern, regressions were repeated after deleting outliers and influential points to safeguard the validity of the results, with no significant changes in the results.

[13] Nevertheless, in an interest of thoroughness, an analysis of the Variance Inflation Factors (VIF) has been conducted to test for multicollinearity. The VIFs of all independent and control variables for models used in the current paper are less than 2. All the above evidence suggests there is no serious risk of multicollinearity problem between independent and control variables.

[14] None of the correlation coefficients of the additional variables exceeded 0.5 in absolute values. Furthermore, the VIF of these additional variables did not exceeded 2 suggesting no serious risk of multicollinearity problem.

Hypothesis 1 predicts that organisational acquisition experience is positively related to the performance of acquisitions. The regression results are presented in Table 5. The year and industry dummy variables are included in the regression but not presented due to space limitations.

Insert TABLE 5 here

The regression coefficient for the test variable, organisational acquisition experience (ORGEXP), is positive but insignificant. This result is consistent throughout all five measurement intervals of the cumulative abnormal stock returns. This indicates that, after controlling for deal characteristics, acquirer characteristics and external environment, organisational acquisition experience does not significantly influence the performance of acquisitions, and therefore Hypothesis 1 is not supported, a result in line with prior relevant literature.[15]

The results are consistent with evidence provided by Kale and Singh (2007) for organisational experience in general and Zollo and Singh (2004), and Hayward (2002) in the context of corporate acquisitions. These authors found no significant relationship between organisation's prior experience in undertaking a particular strategic initiative and the strategic performance and questioned the validity of the traditional organisational learning theory perspective in explaining the benefit of experience in the context of strategic initiative such as corporate acquisitions. One explanation of the results is that the accumulation of prior experiences of the firm, on itself, may be insufficient to ultimately yield a high acquisition performance, since much of the specialised knowledge gained from prior experiences resides in the decision makers of the organisation, who may leave the firm and join competitors (Laamanen and Keil, 2008; Reus, 2012). Consequently, there is a clear need to explore the explanatory role of

[15] To ensure that the insignificant relation between ORGEXP and PERF is not a result of unduly influence by extreme observations, we repeated the test by removing all outliers. Following Francis and Schipper (1999), outliers refer to observations with an absolute student residual greater than 3.0. However, the results are unchanged. We also repeated the test by removing both outliers and influential points (defined as observation with absolute Cook's distance greater than 3.0), but results are unchanged.

TMT's acquisition experience on the performance of corporate acquisitions, which is the pivot of this paper.

In the interest of thoroughness, to ensure that the insignificant relation between organisational acquisition experience and performance is not due to the measure of experience, attempts are made to use different proxies that were referenced in strategic experience literature outside acquisitions. While no alternative measurement of *ORGEXP* has been proposed in the context of corporate acquisitions, studies that have examined the impact of experience in the performance outcomes of strategic alliances under the organisational learning theory have commonly used a dummy variable to capture experience (e.g. Markides and Ittner, 1994). Following Markides and Ittner (1994), a dummy variable is used to measure *ORGEXP* (=1 if the acquirer has at least one acquisition in the past five years, otherwise =0). Consistent with the main test, however, in non-tabulated results, the coefficient on this new variable is positive but not significant. This indicates that the presence of organisational experience does not significantly influence the performance of further acquisitions. This result is consistent throughout all five measurement intervals used in the estimation of the cumulative abnormal returns conducted.

Hypothesis 2 predicts that TMT's acquisition experience is positively related to the performance of acquisitions. The regression results are presented in Table 6.

Insert TABLE 6 here

With regards to the regression coefficients for the explanatory variables, Table 6 shows that *TMTEXP* is positive and significant (β=.005, $p<0.01$). This result is robust across all five measurement intervals used in the estimation of *PERF*. This indicates that after controlling for deal characteristics, acquirer characteristics, external environment, organisational experience and management characteristics, the TMT's acquisition experience positively influence acquisition performance.[16] In addition, the results in Table 6 depict that, consistent with results presented earlier, the coefficient on *ORGEXP*

[16] Furthermore, to ensure this result is not a consequence of the influences by extreme observations we repeated the tests by removing outliers and influential points, but results are unchanged.

is still insignificant across all five measurement windows. Taken as a whole, these findings provide strong evidence of the performance implications of TMT's acquisition experience, while showing that organisational experience in making acquisitions on its own does not have a significant effect on acquisition performance.

The approach to aggregating TMT's experience was guided by psychological research on effective group decision making. The benefit of experience with acquisitions over time is tested as a function of the number of acquisitions experienced by the TMT in the five years prior to the sample acquisition. In a separate analysis, we used two alternative approaches in aggregating TMT experience that has been referenced in the literature.

Firstly, following McDonald et al. (2008), we measured *TMTEXP* as mean and median number of experiences held by TMT members and directors. Consistent with the main regression, the sensitivity results (available on request) reveal that *PERF* was moderately and positively related to *TMTEXP* (β=.009, $p<0.1$ for mean, β=.017, $p<0.05$ for median), supporting Hypothesis 2. As with the main tests, the sensitivity test results are robust across all five measurement intervals used to measure *PERF*. On the other hand, the coefficient of *ORGEXP* was again insignificant.

Secondly, following Markides and Ittner (1994), TMT experience was estimated as a dummy variable (=1 if the TMT have at least one acquisition experience in the past five years, otherwise =0). To control for organisational acquisition experience, we measured *ORGEXP* also as a dummy variable. Consistent with the main test, in non-tabulated results, the coefficient on *TMTEXP* is positive and significant (β=.091, $p<0.05$). This result is robust throughout the five measurement intervals used in the estimation of the cumulative abnormal stock returns. Furthermore, consistent with the main tests, the coefficient of *ORGEXP* was still insignificant.

Hypothesis 3 predicts that the interaction between *ORGEXP* and *TMTEXP* positively influences the acquisition performance of further acquisitions (even if organisational experience on its own does not have any performance implications). The regression results are presented in Table 7.

Insert TABLE 7 here

The coefficient of the interaction term, *PRODUCT*, is positive and statistically significant (β=.003, p<0.05). This implies that the interaction between *ORGEXP* and *TMTEXP* has a positive influence on *PERF*. Consequently, Hypothesis 3 is supported. This result is robust across all five measurement intervals commonly used in the estimation of PERF.[17] The coefficient of *TMTEXP* is 0.012 and statistically significant (p<0.05), and this is supportive of Hypothesis 2. In contrast, while the coefficient of *ORGEXP* is positive, it is insignificant, not supporting Hypothesis 1. These results are consistent with the evidence found in Model 1 and Model 2, which suggests that organisational acquisition experience on its own does not have any performance implications, but the experience of the TMT does have a direct and positive influence.

5. DISCUSSION AND CONCLUSION

The objective of this study is to improve our understanding of the effects of acquisition experience by exploring the explanatory roles of organisational experience, TMT experience, and their interaction. While the notion on potential beneficial effects of prior acquisition experience is admittedly not a novel one, the literature on this topic has been explicitly concerned with how the performance of a firm's acquisition is influenced by the firm's own prior acquisition experience through the lens of organisational learning theory. The theoretical argument used in this research has been that firms learn and develop organisational routines from their prior experiences in making acquisitions and, as a consequence, we should expect a positive relation between the number of acquisitions that a firm has completed in the past and the performance of its acquisition. Interestingly, empirical research has failed to amount consistent evidence to confirm this.

One explanation of this empirical ambiguity lies in the fact that through its emphasis on "learning-by-doing" hypothesis from an organisational perspective, extant research has largely disregarded the opportunities for the organisation to benefit from the experience of the key decision makers (Kiessling and Harvey, 2006). Theoretically, M&As offer opportunities for knowledge exploration. Given that the TMT is one of the key sources of knowledge of the organisation, this would involve making use of, or exploring the experience and resulting knowledge residing in the TMT (Vermeulen and Barkema,

[17] Moreover, to ensure that the results are not driven by outliers, we repeated the test after removing outliers and influential points, but results are unchanged.

2001). A research design that disregards the experience of the top management is to some extent, empirically flawed, by underestimating an acquirer's aggregate experience base (Hitt et al., 2001).

In this paper, we address this issue in the literature by looking at the organisational as well as the top management team's acquisition experience to provide a more complete understanding of the effects of experience on a firm's acquisition performance. Inspired by McDonald et al. (2008), we used theoretical arguments supported by findings from psychological research on group decision making effectiveness to develop a theoretical framework that describes the effect of TMT's acquisition experience on the performance of further acquisitions by the firm.

The paper makes a significant contribution to the acquisition experience literature that has previously failed to amount an empirical consensus on the effect of prior experience accumulation on strategic performance (including acquisitions). The paper represents the first systematic attempt to develop a theoretical model that delineates how the experience brought to the acquirer's and its top management team (including the experience gained at other firms) might enhance the quality of the acquirer's strategic decisions, and consequently improve firm-level strategic performance outcomes in the context of acquisitions.

The results of this study suggest that organisational experience in acquisition decision making, on its own, does not affect acquisition performance and that top management team's experiences with acquisitions, including those at other firms, provide a competitive advantage in acquisition decision making of a the firm, and positively affect the performance of further acquisitions. The results also show that TMT's acquisition experience not only has a direct influence on performance outcomes, but also may have an indirect influence by capitalising on the organisation's own acquisition experience. Overall, the results are contrary to the traditional organisational learning theory argument but supportive of the human resource view perspective that the accumulation of prior firm experiences on itself, may be insufficient to ultimately yield a higher acquisition performance, since much of the specialised knowledge gained from prior experiences resides in the decision makers of the organisation, who may leave the firm and join competitors (Laamanen and Keil, 2008; Reus, 2012). Our results suggests that researchers need to clearly distinguish between TMT's and organisation's experience variable and recognise their distinct properties in order to avoid the inconsistent modelling of some variables leading to erroneous conclusions.

The implications of the study for the research on organisational learning in the context of strategy are also substantive as we look at the benefits of experience that were not directly experienced by the acquiring firm. Organisational learning scholars have been trapped to think that a firm is incapable of benefiting from prior experience of *other firms*, but the results highlight that top managers' experience outside the firm can benefit the organisation. The current paper provides a strong empirical support to the idea that experience accumulated from other firms by its TMT does provide a significant strategic benefit to the firm. This implies that the narrow concept of organisational learning theory should be revised, at least when used in a strategic environment. This represents a case of knowledge grafting (Huber, 1991), a phenomenon that was seldom studied at the organisational level.

Additionally, an expressed need in the current M&A research is to examine the interactions between potential determinants of acquisition performance (Hitt et al., 1998; Hoskisson and Hitt, 1990; King et al., 2004). In this paper, by considering the interaction between organisational and TMT's acquisition experience, we was able to examine the relation between acquisition experience and performance beyond current theories that was fixated on understanding the direct influences.

Two primary managerial implications are suggested by the findings. First, the theoretical framework and empirical findings have direct implications for the practice of corporate governance. More specifically, the theoretical framework underlying this study indicates that shareholders should select and retain top managers whose prior experience fits with key elements of the firm's corporate strategy. If a firm's corporate strategy entails acquisitions, shareholders should seek to attract top managers with acquisition experience, and consider their experiences in acquisition decision making at other firms prior to their current employment. The benefits of the research findings should also flow to the target company's employees as an experienced acquirer's TMT is likely to lead to a lower rate of acquisition failure which would minimise the risk of enforced layoffs after an acquisition.

6. LIMITATIONS AND FURTHER RESEARCH

Although this study has provided valuable insights, the results should be interpreted in light of several limitations. These limitations are believed not to significantly influence the results reported in this paper. However, they should be taken into consideration

when interpreting the results. Measuring acquisition performance remains an ongoing challenge in acquisition research. In keeping with prior work on acquisitions and the characteristics of our empirical context, we used short-term cumulative abnormal stock returns. However, we do note that it reflects the market's initial reaction to news of the acquisition rather than actual acquisition performance and therefore the validity of this measure is dependent on the assumption of efficient market hypothesis.

The empirical context of this study has been the M&As performed by Australian publicly listed acquirers over the period from 2006 to 2012. The selection of the single market usually brings forth limitations in terms of the ability to generalise the results. On the other hand, this also represents the whole idea of conducting an innovative study. By understanding something about this particular context in more depth, eventually more can also be learnt about the general phenomena.

This study aimed at providing an initial framework of studying experience in the context of corporate acquisitions, and therefore the experience was only differentiated by its industry similarity and timeliness. Future studies can further differentiate the experiences into, for example, international versus domestic or similar versus dissimilar experiences (in terms of acquirer-target or target-to-target similarities).

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Table 1. Summary of research on the effects of acquisition experience on performance

Study	Measure of acquisition performance	Measure of organisational acquisition experience	Sample	Key Finding
Kusewitt (1985)	Acquirer's ROA	Number of acquisitions per year	Acquisitions by 138 US firms from 1976 to 1976	Negative relationship
Fowler & Schmidt (1989)	Short-term cumulative abnormal return	Number of acquisitions in the past 4 years	Acquisitions by 42 manufacturing firms from 1975 to 1979	Positive relationship
Bruton et al. (1994)	Perpetual performance measure	Number of acquisitions in the past 4 years	51 financially distressed acquisitions between 1979 to 1987	Positive relationship
Haleblian & Finkelstein (1999)	Short-term cumulative abnormal return	Number of acquisitions since 1948	449 acquisitions from 1980 to 1992	U-shaped relationship
Hayward (2002)	Short-term cumulative abnormal return	Number of acquisitions in the past 5 years	214 acquisitions from 1990 to 1995	No relationship
Zollo & Singh (2004)	Acquirer's ROA	Number of acquisitions since founding	228 acquisitions by US banks	No relationship

Table 2. Sampling process

Steps in the sampling process	Total
Initial sample from SDC	1345
Less: Observations with no financial statement available in FinAnalysis/DatAnalysis	54
Less: Observations with no market return data available in Datastream Worldscope database	105
Less: Observations with no management data available in SIRCA corporate governance database	335
Final sample	**851**

Sample distribution by industry sector and financial year

Industry	2006	2007	2008	2009	2010	2011	2012	Total M&As
Agriculture	1	5	2	2	3	3	1	17
Mining	32	42	44	49	50	41	47	305
Construction	3	4	4	3	1	1	0	16
Manufacturing	14	16	11	6	7	17	9	80
Transportation	8	4	16	5	7	6	8	54
Wholesale Trade	4	5	1	5	2	2	3	22
Retail Trade	3	3	4	0	1	2	1	14
Finance	29	44	18	19	24	17	9	160
Services	29	45	25	22	27	14	19	181
Public Administration	1	1	0	0	0	0	0	2
Total	124	169	125	111	122	103	97	851

Table 3. Descriptive statistics

N = 851	Minimum	Maximum	Mean	Median	Std. Deviation
PERF	-4.20	1.84	0.03	0.009	0.28
ORGEXP	0.00	13.00	1.49	0.000	2.19
TMTEXP	0.00	44.00	3.14	0.000	7.36
PRODUCT	-37.12	306.78	3.22	1.593	22.82
RELATED	0.00	1.00	0.60	0.490	0.49
FOREIGN	0.00	1.00	0.26	0.000	0.44
PAYMENT	0.00	100.00	30.12	0.000	41.87
ATTITUDE	0.00	2.00	0.03	0.000	0.19
SIZE	9.10	27.25	18.42	2.974	2.98
DEBT	-19.47	41.69	1.45	0.543	4.27
FCF	-1.51	6.83	-0.02	-0.002	0.33
PREPERF	-202.47	10.33	-0.47	0.042	7.13
GROUP	1.00	32.00	9.52	9.000	5.57
GENDER	0.00	1.00	0.04	0.000	0.20

Variable definitions: PERF=the acquisition performance measured as the acquirer's cumulative abnormal stock return over the event window (-5,+5); ORGEXP=organisational acquisition experience measured as the sum of the number of acquisitions experienced by the acquirer in the 5 years prior to the acquisition; TMTEXP=TMT's cumulative acquisition experience measured as the sum of the number of acquisitions experienced by the acquirer's top managers and directors (i.e. its key management personnel as defined in AASB 124) in the 5 year prior to the acquisition, both at the acquirer and at other firms; PRODUCT=interaction variable of ORGEXP and TMTEXP, measured as the product of those two dimensions of acquisition experience; RELATED=dummy variable where 1 denotes business similarity of the acquirer and target, measured based on 2 digit SIC codes, and 0 otherwise; FOREIGN=dummy variable where 1 denotes a non-Australian target and 0 otherwise; PAYMENT=percentage of stock paid as part of the consideration transferred; ATTITUDE=the attitude of the acquisition, measured as 0 for friendly acquisitions, 1 for neutral acquisitions and 2 for hostile acquisitions; SIZE=size of an acquirer, measured as the natural logarithm of the total assets of the acquirer 1 year prior to the acquisition; DEBT=debt to equity ratio of the acquirer 1 year prior to the acquisition; FCF=free cash flow of the acquirer 1 year prior to the acquisition, measured as (operating income – taxes – interest expense – preferred dividend – common dividend) / total equity; PREPERF=performance of the acquirer 1 year prior to the acquisition measured as return-on-assets (ROA); GROUP=number of executives and directors in the acquiring firm 1 year prior to the acquisition; GENDER=a dummy variable where 1 denotes the presence of female executive/director the acquiring firm 1 year prior to the acquisition and 0 otherwise.

Table 4. Correlation matrix

N = 851	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. PERF	1.000													
2. ORGEXP	0.053	1.000												
3. TMTEXP	0.067	0.201**	1.000											
4. PRODUCT	0.038	0.154**	0.423**	1.000										
5. RELATED	0.064	0.045	-0.059	0.014	1.000									
6. FOREIGN	0.064	0.031	0.009	-0.083*	0.009	1.000								
7. PAYMENT	0.037	0.066	0.003	-0.054	0.096	-0.164**	1.000							
8. ATTITUDE	-0.129**	-0.012	0.051	0.007	0.007	-0.009	0.073	1.000						
9. SIZE	0.087*	0.424	0.264**	0.060	-0.095**	0.099**	0.087	0.063	1.000					
10. DEBT	-0.022	0.063	0.167**	0.035	-0.078*	0.032	0.038	-0.018	0.322*	1.000				
11. FCF	0.015	-0.063	0.058	-0.003	0.026	-0.006	0.082	0.022	-0.034	0.296**	1.000			
12. PREPERF	-0.040	0.045	0.022	0.001	-0.034	0.032	-0.045	0.001	0.170*	0.042	-0.059	1.000		
13. GROUP	-0.066	0.199**	0.193**	0.081	-0.080*	0.045	-0.096	0.038	0.478*	0.317**	-0.030	0.017	1.000	
14. GENDER	-0.083*	-0.040	0.001	-0.005	0.004	0.006	0.104	-0.037	-0.005	-0.003	-0.028	0.011	0.036	1.000

Variable definitions: PERF=the acquisition performance measured as the acquirer's cumulative abnormal stock return over the event window (-5,+5); ORGEXP=organisational acquisition experience measured as the sum of the number of acquisitions experienced by the acquirer in the 5 years prior to the acquisition; TMTEXP=TMT's cumulative acquisition experience measured as the sum of the number of acquisitions experienced by the acquirer's top managers and directors (i.e. its key management personnel as defined in AASB 124) in the 5 year prior to the acquisition, both at the acquirer and at other firms; PRODUCT=interaction variable of ORGEXP and TMTEXP, measured as the product of those two dimensions of acquisition experience; RELATED=dummy variable where 1 denotes business similarity of the acquirer and target, measured based on 2 digit SIC codes, and 0 otherwise; FOREIGN=dummy variable where 1 denotes a non-Australian target and 0 otherwise; PAYMENT=percentage of stock paid as part of the consideration transferred; ATTITUDE=the attitude of the acquisition, measured as 0 for friendly acquisitions, 1 for neutral acquisitions and 2 for hostile acquisitions; SIZE=size of an acquirer, measured as the natural logarithm of the total assets of the acquirer 1 year prior to the acquisition; DEBT=debt to equity ratio of the acquirer 1 year prior to the acquisition; FCF=free cash flow of the acquirer 1 year prior to the acquisition, measured as (operating income – taxes – interest expense – preferred dividend – common dividend) / total equity; PREPERF=performance of the acquirer 1 year prior to the acquisition measured as return-on-assets (ROA); GROUP=number of executives and directors in the acquiring firm 1 year prior to the acquisition; GENDER=a dummy variable where 1 denotes the presence of female executive/director the acquiring firm 1 year prior to the acquisition and 0 otherwise.

** correlation is significant at the 0.01 level (2-tailed); * correlation is significant at the 0.05 level (2-tailed).

Table 5. Regression results for Model 1

Variables	CAR (-5,+5)		CAR (-1,+1)		CAR (-2,+2)		CAR (-3,+3)		CAR (10,+10)	
	Coef.	t-stat	Coef.	t-stat	Coef.	t-stat	Coef.	t-stat	Coef.	t-stat
Constant	0.348***	(3.193)	0.251***	(3.138)	0.225**	(2.457)	0.298***	(3.204)	0.416***	(3.276)
RELATED	0.004	(0.138)	0.025	(1.190)	0.022	(0.957)	0.016	(0.638)	-0.019	(-0.559)
FOREIGN	0.047	(1.343)	0.044*	(1.759)	0.046	(1.623)	0.044	(1.467)	0.053	(1.293)
PAYMENT	0.001	(0.991)	0.000	(0.011)	0.000	(0.101)	0.000	(0.101)	0.001	(0.221)
ATTITUDE	-0.149*	(-1.886)	-0.051	(-0.895)	-0.098	(-1.531)	-0.121*	(-1.806)	-0.146	(-1.587)
SIZE	0.019***	(3.167)	0.014***	(2.847)	0.013**	(2.425)	0.016***	(3.214)	0.022***	(3.143)
DEBT	0.000	(0.067)	0.000	(0.033)	-0.001	(0.033)	-0.001	(0.033)	0.000	(0.025)
FCF	0.023	(0.742)	0.004	(0.174)	0.013	(0.521)	0.014	(0.538)	0.051	(1.417)
PREPERF	-0.001	(-0.924)	-0.002*	(-1.951)	-0.001	(-0.901)	-0.002	(1.427)	-0.001	(-0.851)
ORGEXP	0.006	(0.667)	0.004	(0.571)	0.007	(0.875)	0.008	(0.985)	0.009	(0.818)
Industry fixed effects	*YES*		*YES*		*YES*		*YES*		*YES*	
Year fixed effects	*YES*		*YES*		*YES*		*YES*		*YES*	
Adj R^2	0.113		0.095		0.094		0.116		0.128	
N	851		851		851		851		851	

Variable definitions: CAR=the acquisition performance measured as the acquirer's cumulative abnormal stock return over the event window (-5,+5), (-1,+1), (-2,+2), (-3,+3) and (-10,+10) respectively; RELATED=dummy variable where 1 denotes business similarity of the acquirer and target, measured based on 2 digit SIC codes, and 0 otherwise; FOREIGN=dummy variable where 1 denotes a non-Australian target and 0 otherwise; PAYMENT=percentage of stock paid as part of the consideration transferred; ATTITUDE=the attitude of the acquisition, measured as 0 for friendly acquisitions, 1 for neutral acquisitions and 2 for hostile acquisitions; SIZE=size of an acquirer, measured as the natural logarithm of the total assets of the acquirer 1 year prior to the acquisition; DEBT=debt to equity ratio of the acquirer 1 year prior to the acquisition; FCF=free cash flow of the acquirer 1 year prior to the acquisition, measured as (operating income – taxes – interest expense – preferred dividend – common dividend) / total equity; PREPERF=performance of the acquirer 1 year prior to the acquisition measured as return-on-assets (ROA); ORGEXP=organisational acquisition experience measured as the sum of the number of acquisitions experienced by the acquirer in the 5 years prior to the acquisition.
*** significant at the 0.01 level (2-tailed); ** significant at the 0.05 level (2-tailed); * significant at the 0.1 level (2-tailed);

Table 6. Regression results for Model 2

Variables	CAR (-5,+5)		CAR (-1,+1)		CAR (-2,+2)		CAR (-3,+3)		CAR (-10,+10)	
	Coef.	t-stat	Coef.	t-stat	Coef.	t-stat	Coef.	t-stat	Coef.	t-stat
Constant	0.332***	(3.018)	0.236***	(2.914)	0.206**	(2.315)	0.278***	(2.957)	0.406***	(3.147)
RELATED	0.008	(0.276)	0.027	(1.286)	0.025	(1.087)	0.019	(0.762)	-0.017	(-0.525)
FOREIGN	0.033	(0.943)	0.036	(1.385)	0.037	(1.276)	0.032	(1.067)	0.040	(0.976)
PAYMENT	0.000	(0.421)	0.000	(0.441)	0.000	(0.451)	0.000	(0.442)	0.001	(0.867)
ATTITUDE	-0.155**	(-1.987)	-0.053	(-0.914)	-0.101	(-1.578)	-0.012*	(-1.679)	-0.147	(-1.598)
SIZE	0.016***	(2.686)	0.012**	(2.411)	0.009*	(1.786)	0.013**	(2.167)	0.019***	(2.675)
DEBT	0.000	(0.037)	0.001	(0.333)	-0.001	(-0.333)	-0.001	(-0.333)	0.000	(0.063)
FCF	0.021	(0.677)	0.003	(0.130)	0.012	(0.484)	0.012	(0.462)	0.049	(1.361)
PREPERF	-0.001	(-0.983)	-0.002**	(-2.001)	-0.002*	(-1.892)	-0.002*	(-1.928)	-0.001	(-0.995)
GROUP	-0.004	(-1.333)	-0.003	(-1.504)	-0.004	(-1.333)	-0.004	(1.333)	-0.005	(-1.258)
GENDER	0.009	(0.134)	0.005	(0.102)	0.000	(0.007)	0.006	(0.106)	0.080	(1.026)
ORGEXP	0.009	(0.878)	0.005	(0.714)	0.008	(0.928)	0.011	(1.375)	-0.012	(-1.091)
TMTEXP	0.005***	(2.767)	0.002**	(1.987)	0.003**	(1.995)	0.004***	(2.838)	0.006***	(2.723)
Industry fixed effects	*YES*		*YES*		*YES*		*YES*		*YES*	
Year fixed effects	*YES*		*YES*		*YES*		*YES*		*YES*	
Adj R^2	0.144		0.109		0.104		0.139		0.153	
N	851		851		851		851		851	

Variable definitions: ORGEXP=organisational acquisition experience measured as the sum of the number of acquisitions experienced by the acquirer in the 5 years prior to the acquisition; TMTEXP=TMT's cumulative acquisition experience measured as the sum of the number of acquisitions experienced by the acquirer's top managers and directors (i.e. the key management personnel as defined in AASB 124) in the 5 year prior to the acquisition, both at the acquirer and at other firms; The other variables are defined and measured in the same manner as for Model 1 (see Table 5).
*** significant at the 0.01 level (2-tailed); ** significant at the 0.05 level (2-tailed); * significant at the 0.1 level (2-tailed);

Table 7. Regression results for Model 3

Variables	CAR (-5,+5)		CAR (-1,+1)		CAR (-2,+2)		CAR (-3,+3)		CAR (-10,+10)	
	Coef.	t-stat	Coef.	t-stat	Coef.	t-stat	Coef.	t-stat	Coef.	t-stat
Constant	0.321***	(2.918)	0.232***	(2.864)	0.202**	(2.244)	0.272***	(2.894)	0.393***	(3.070)
RELATED	0.009	(0.310)	0.028	(1.333)	0.025	(1.087)	0.019	(0.761)	-0.015	(-0.455)
FOREIGN	0.036	(1.029)	0.038	(1.462)	0.038	(1.310)	0.034	(1.133)	0.044	(1.073)
PAYMENT	0.000	(0.211)	0.000	(0.184)	0.000	(0.241)	0.000	(0.222)	0.000	(0.171)
ATTITUDE	-0.167**	(-2.141)	-0.058	(-1.022)	-0.105*	(-1.671)	-0.133**	(-1.985)	-0.162*	(-1.780)
SIZE	0.017**	(2.429)	0.012**	(2.387)	0.010*	(1.666)	0.013**	(2.166)	0.019**	(2.375)
DEBT	0.000	(0.133)	0.001	(0.333)	-0.001	(-0.333)	-0.001	(-0.333)	0.000	(0.111)
FCF	0.022	(0.710)	0.003	(0.130)	0.012	(0.482)	0.013	(0.516)	0.050	(1.389)
PREPERF	-0.001	(-0.985)	-0.002*	(-1.847)	-0.002*	(-1.944)	-0.002	(-1.568)	-0.001	(-0.957)
GROUP	-0.003	(-0.974)	-0.003	(-1.512)	-0.004	(-1.333)	-0.004	(-1.333)	-0.004	(-0.995)
GENDER	0.006	(0.090)	0.004	(0.082)	-0.002	(-0.036)	0.004	(0.070)	0.076	(0.975)
ORGEXP	0.002	(0.200)	0.003	(0.429)	0.006	(0.075)	0.006	(0.753)	-0.003	(-0.251)
TMTEXP	0.012**	(2.211)	0.005*	(1.666)	0.005*	(1.667)	0.008**	(2.367)	0.014***	(2.748)
PRODUCT	0.003*	(1.707)	0.001*	(1.778)	0.001*	(1.721)	0.002*	(1.847)	0.004*	(1.819)
Industry fixed effects	*YES*		*YES*		*YES*		*YES*		*YES*	
Year fixed effects	*YES*		*YES*		*YES*		*YES*		*YES*	
Adj R^2	0.149		0.114		0.116		0.143		0.155	
N	834[a]		834[a]		834[a]		834[a]		834[a]	

Variable definitions: ORGEXP=organisational acquisition experience measured as the sum of the number of acquisitions experienced by the acquirer in the 5 years prior to the acquisition; TMTEXP=TMT's cumulative acquisition experience measured as the sum of the number of acquisitions experienced by the acquirer's top managers and directors (i.e. the key management personnel as defined in AASB 124) in the 5 year prior to the acquisition, both at the acquirer and at other firms; PRODUCT=interaction variable of ORGEXP and TMTEXP, measured as the product of those two dimensions of acquisition experience; The other variables are defined and measured in the same manner as for Model 1 (see Table 5).

[a] 17 cases (which represent 0.02% of the sample) where all TMT's acquisition experience is gained at the current firm are removed from the sample.

*** significant at the 0.01 level (2-tailed); ** significant at the 0.05 level (2-tailed); * significant at the 0.1 level (2-tailed).