

CEO'S PERSONALITY AND M&A

THE IMPACT OF CEO'S PSYCHOLOGICAL ATTRIBUTES ON
THE FIRM ACQUISITION IN THE U.S. MARKET



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- Does CEO's psychological attributes impact on his/her firm's strategic action, such as firm acquisition? (M&A)
- CEO can be categorized by “promotion focus” type and “prevention focus” type.
- CEO is the ultimate personality make strategic decision and action for the firm.
 - **Promotion focus** is concerned with “advancement, aspiration, and accomplishment”
 - **Prevention focus** is concerned with “protection, safety, and responsibility (i.e., absence of negative outcomes)”
 - **CEO incentive compensation** moderated the influence of such focus.
- Firm acquisition has two possibilities to boldly grow and advance the firm and to damage firm with major losses under significant uncertainty.
- Does it mean we can predict the propensity of the CEO's firm acquisition action based on the CEO personality?

VARIABLES & DATA

Variables

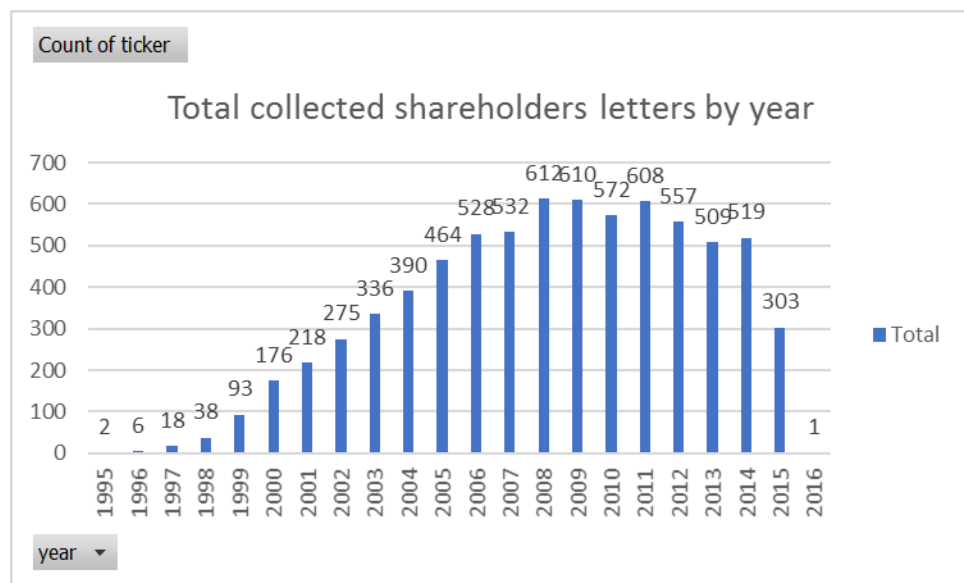
- IV: Number of firm acquisitions, value of firm acquisitions
- DV: CEO promotion focus, CEO prevention focus
- CV: Number of prior acquisitions, value of prior acquisitions, CEO age, Firm Size, Net Income, Salary, Bonuses, Options held, Options granted, Restricted stock held, CEO change

Data sets

- IV: NYSE and Nasdaq firm acquisition data between 1996-2016 from SDC database
- DV: CEO's shareholder letters by company between 1996-2016
- CV: CEO biographic data in RMDb from WRDS database
- Others: NYSE & Nasdaq ticker information (web-scraped)

DATA

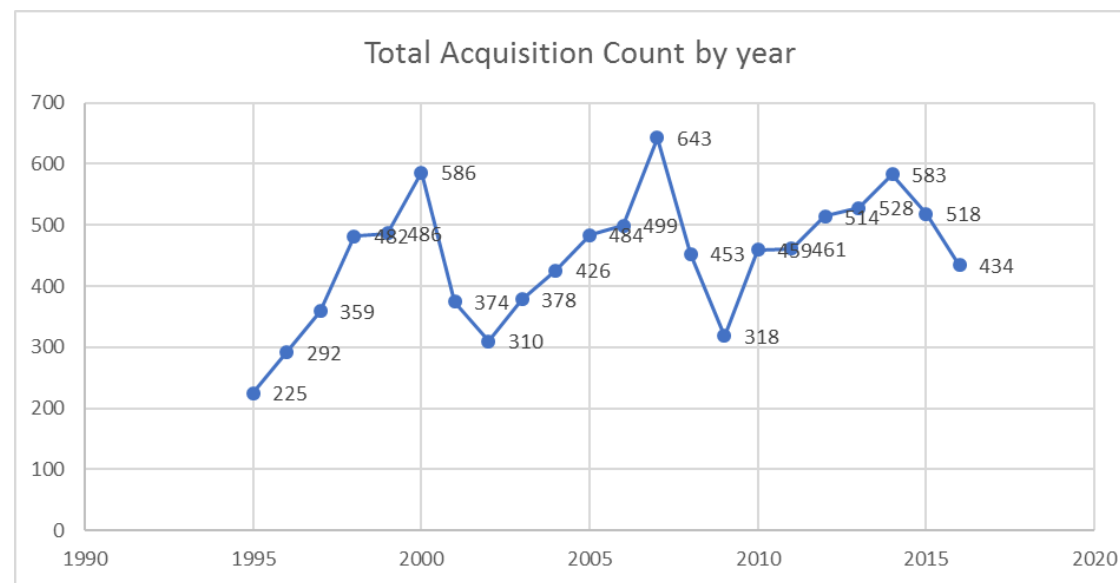
CEO shareholder letters



...to identify CEO regulatory focus:

- * Promotion focus
- * Prevention focus

Company acquisition data



...to identify firm action determined by CEO.

- * Count
- * log-transformed value in \$mills.

REGULATORY FOCUS WORD DICTIONARIES



Regulatory Focus Words

Promotion Words

Accomplish
Achieve
Advancement
Aspiration
Aspire
Attain
Desire
Earn
Expand
Gain
Grow
Hope
Hoping
Ideal
Improve
Increase
Momentum
Obtain
Optimistic
Progress
Promoting
Promotion
Speed
Swift
Toward
Velocity
Wish

Prevention Words

Accuracy
Afraid
Careful
Anxious
Avoid
Conservative
Defend
Duty
Escape
Escaping
Evade
Fail
Fear
Loss
Obligation
Ought
Pain
Prevent
Protect
Responsible
Risk
Safety
Security
Threat
Vigilance



Our dictionary also captured alternative tenses of the words used.

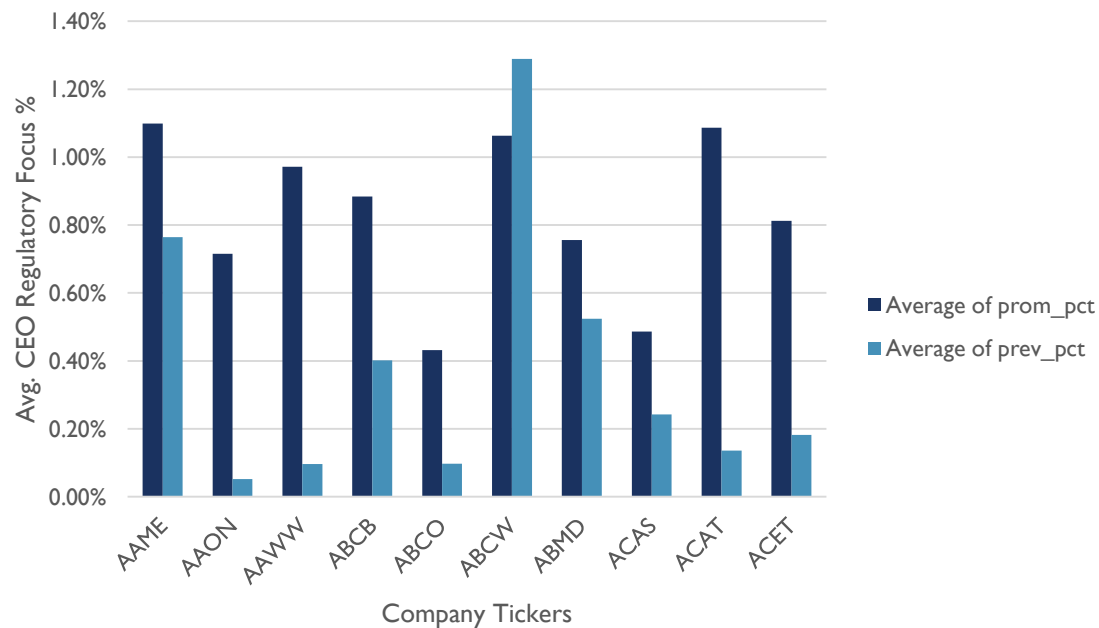
FIRM ACQUISITION & CEO REGULATORY FOCUS BY COMPANY



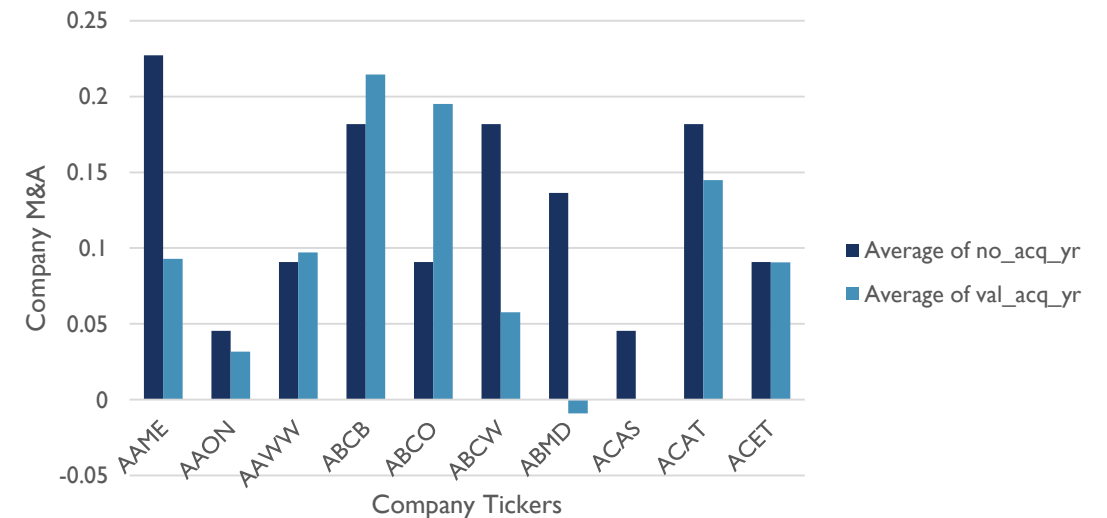
AVERAGE FIRM ACQUISITION & CEO REGULATORY FOCUS BY COMPANY BETWEEN 1996-2016

Sector :

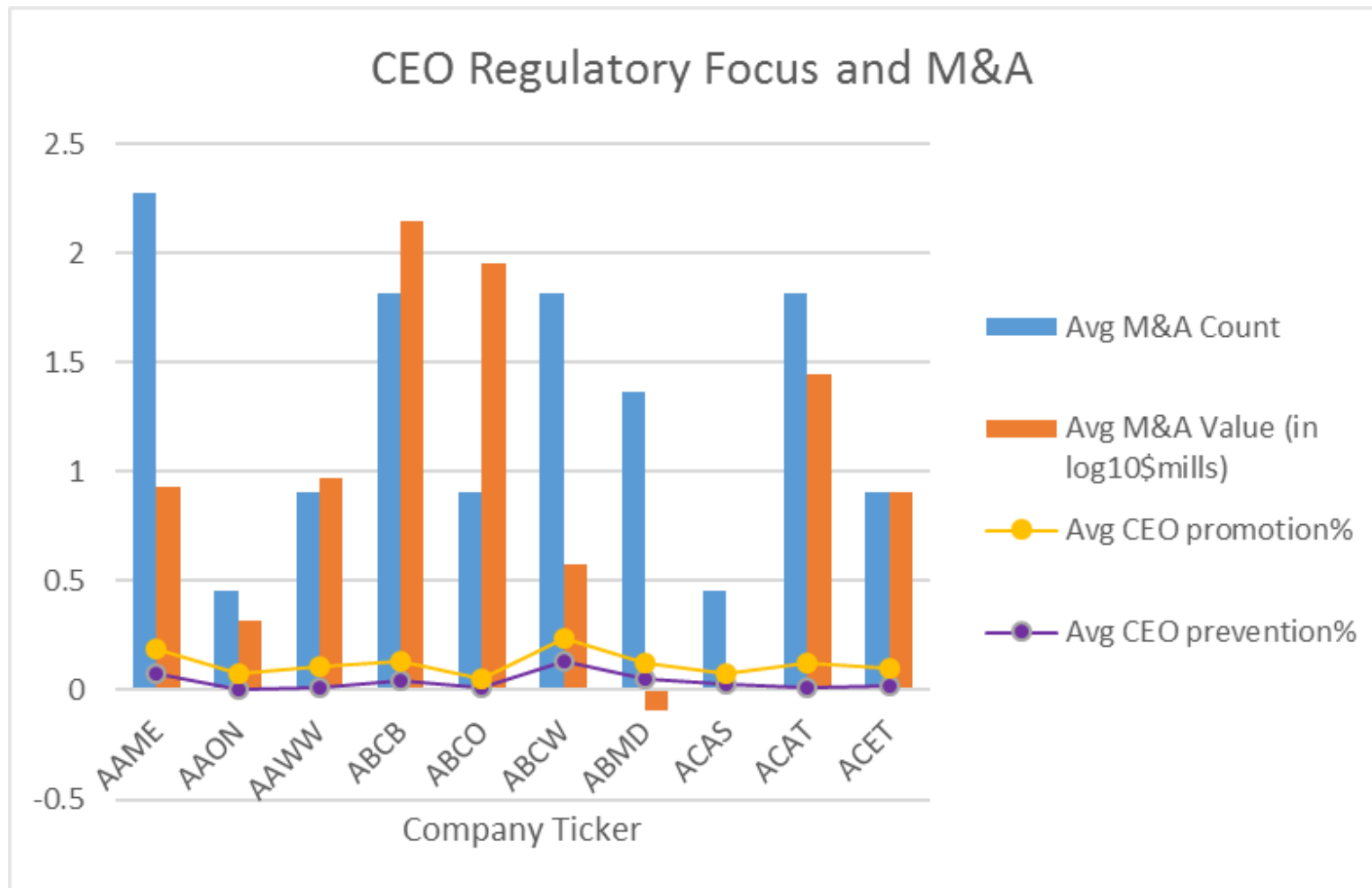
CEO Regulatory Focus by Company Between 1996-2016



M&A Counts and Values in log-transformed \$millions by Company Between 1996-2016

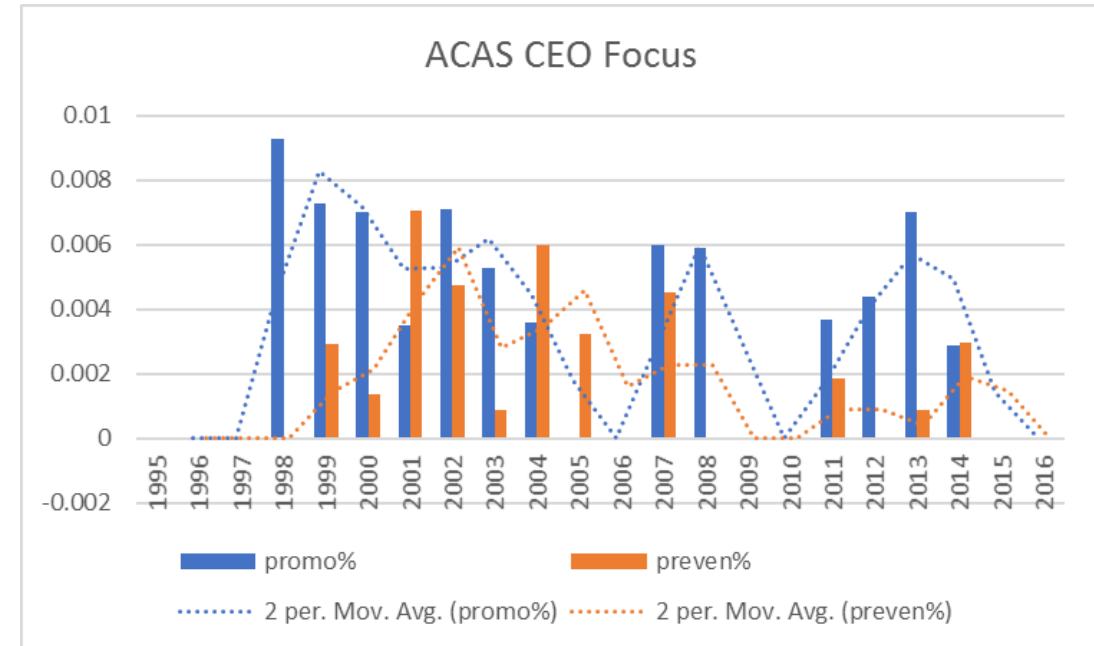
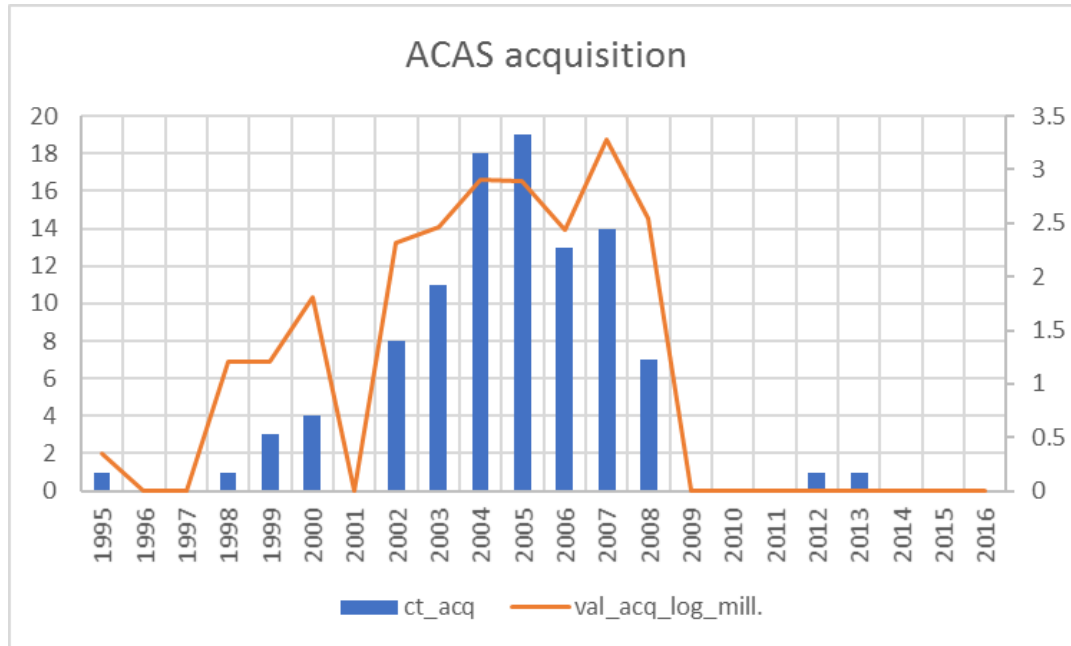


AVERAGE FIRM ACQUISITION & CEO REGULATORY FOCUS BY COMPANY BETWEEN 1996-2016



FIRM ACQUISITION & CEO REGULATORY FOCUS: FIRM-LEVEL ANALYSIS

Search Ticker :



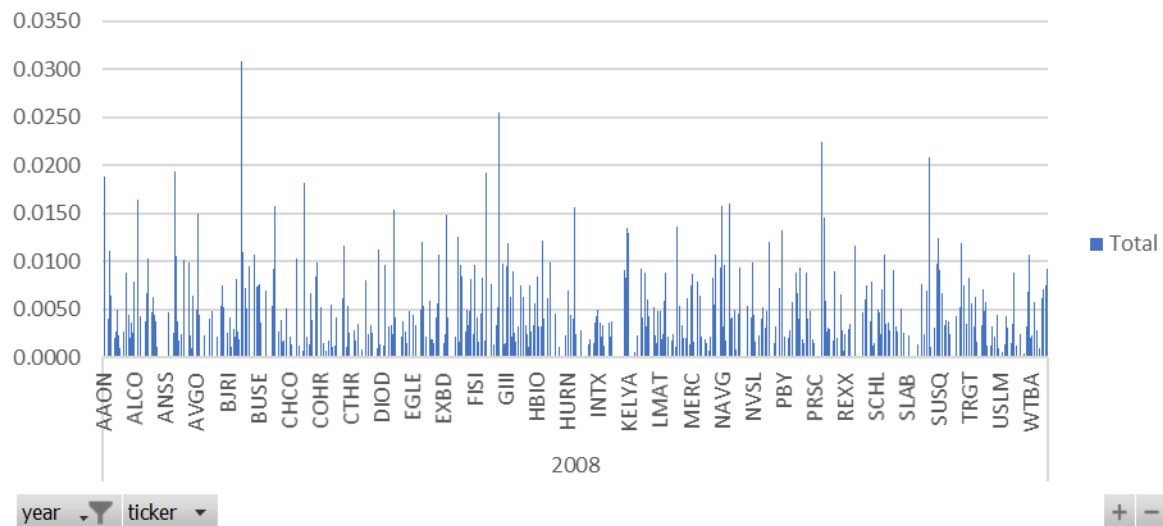


THANK YOU.

SHAREHOLDER LETTERS IN 2008 (WITH MOST DATA POINTS)

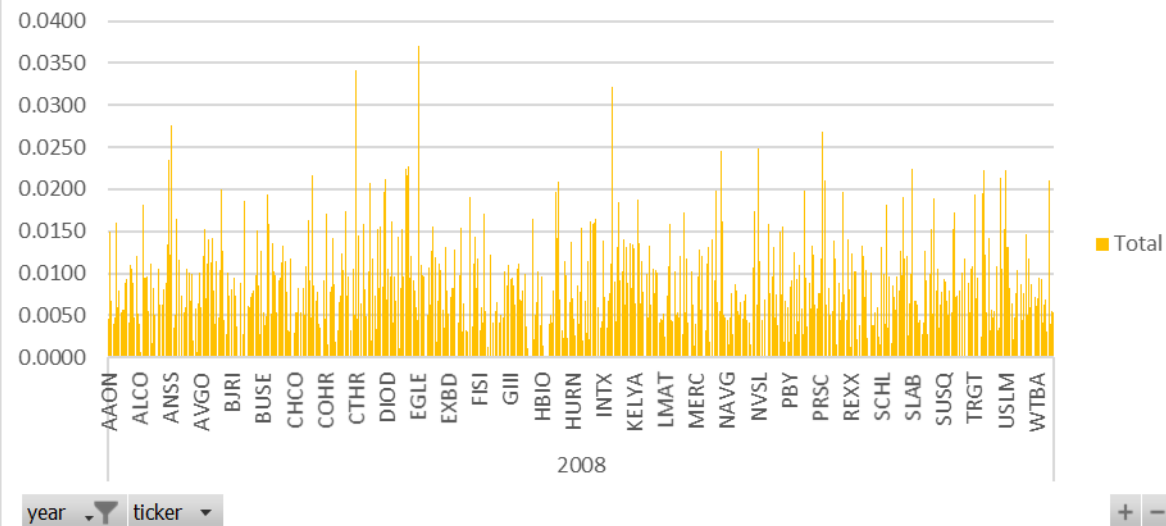
Average of prev_pct

Avg Prev focus % in 2008

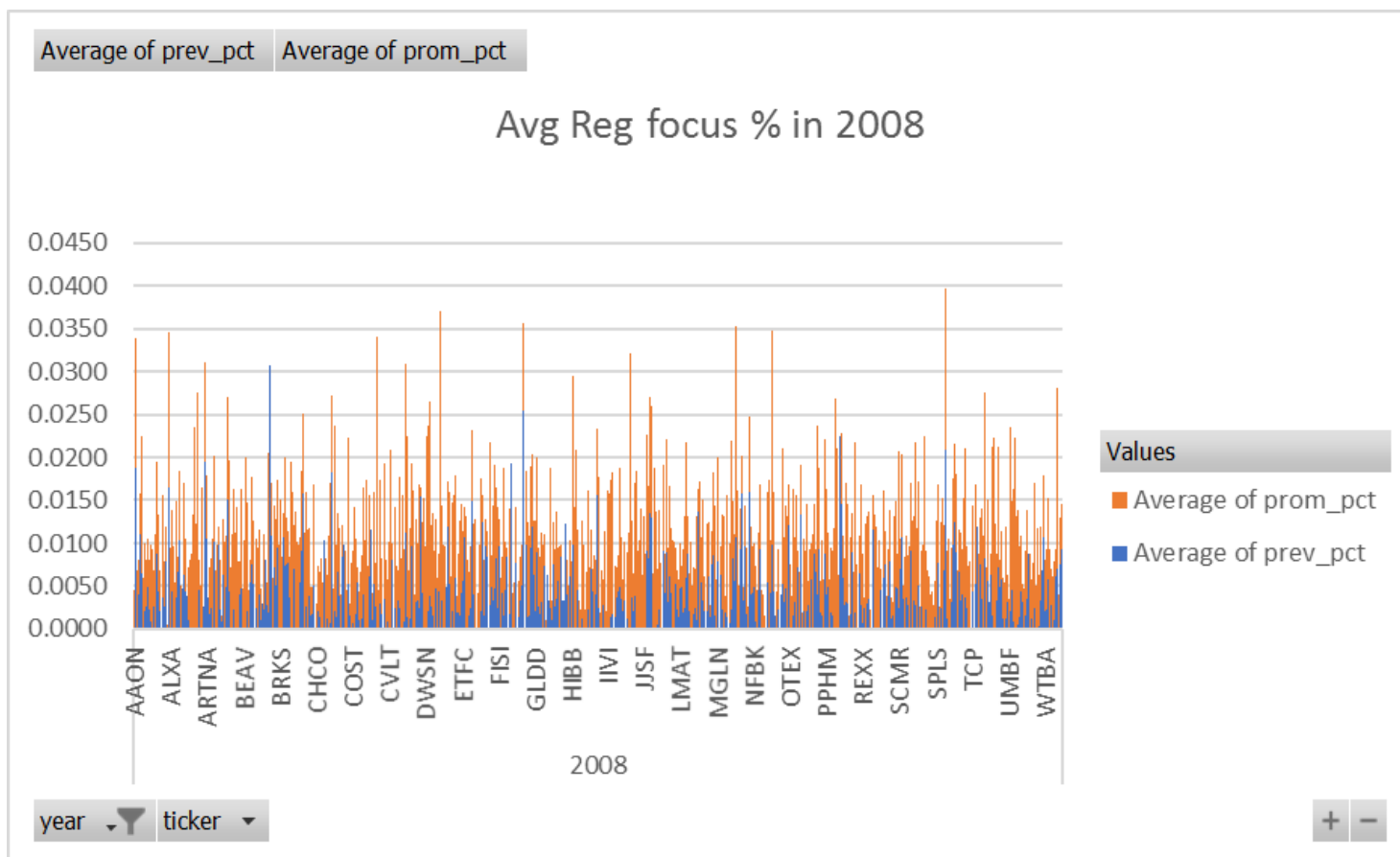


Average of prom_pct

Avg Promo Focus % in 2008



SHAREHOLDER LETTERS IN 2008 (WITH MOST DATA POINTS)



SHAREHOLDER LETTERS

