Deal or No Deal: M&A, CEOs and the Culture of Honor in the U.S. South

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Abstract: We investigate whether CEOs' adherence to cultural norms that enshrine the protection of honor is associated with lower receptiveness of their companies to being acquired. Our investigation is motivated by anthropology and social psychology research showing that people who grew up in cultures of honor feel obliged to retaliate whenever their status and property are threatened. We find target companies with CEOs who grew up in states with a culture of honor are less likely to be acquired than those with CEOs from non-honor states. Among target CEOs from honor states, those who grew up in rural counties, where honor norms have been more likely to persist, are even less receptive to M&A. Our findings continue to hold in a within-target analysis that focuses on targets with both withdrawn and completed deals but under different CEOs. The association between adherence to honor and lower receptiveness to being acquired is especially pronounced for founder CEOs, who presumably have greater power over their firms' M&A decisions. Using a probabilistic measure based on merger arbitrage spreads, we find targets' share prices reflect a lower implied probability of deal completion if their CEO is from an honor state. Finally, we find that target CEOs' ethnic origin neither confounds nor mediates the association, suggesting regional norms, rather than ethnicity, shape the adherence to honor in our setting. Collectively, our findings offer a new perspective on the role CEOs' cultural norms play in explaining corporate financial and investment choices.

Keywords: CEOs, Mergers and Acquisitions, Culture of Honor, Regional Social Norms
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1. Introduction

Financial economists have long recognized the effect of CEOs on the likelihood and outcomes of mergers and acquisitions (M&A). However, the extant literature has primarily focused on the effect of CEOs on their firms' acquisitiveness, leaving largely unexplored the potential impact of CEOs on firms' receptiveness to being acquired. Several studies suggest M&A threaten the employment of target firms' CEOs (Martin and McConnell 1991; Agrawal and Walkling 1994). In parallel, anthropology and social psychology literatures establish that men who grew up in cultures that enshrine the protection of honor are more reactive to reputational blows and feel obliged to retaliate whenever their status and property are threatened (Campbell 1965; Nisbett and Cohen 1996). Motivated by this research, we explore the association between target CEOs' adherence to honor and their receptiveness to being acquired.

M&A can have a substantial impact on acquiring and target firms, their stakeholders, and the competitive landscape. Whereas M&A yield positive returns for targets' shareholders, they yield negligible or negative returns for acquirers' shareholders. Evidence on acquirers' operating performance in the years after M&A reveals a similar pattern (Mulherin et al. 2017; Renneboog and Vansteenkiste 2019). Against this background, economists have studied the motivations for M&A (Mitchell and Mulherin 1996), the determinants of successful M&A (Golubov et al. 2015), and the effects of CEOs' incentives and individual characteristics on acquisitiveness (Datta et al. 2001; Malmendier and Tate 2008).

Anthropological evidence, largely unincorporated into financial economics research, suggests CEOs' cultural origin may explain M&A dynamics. Historical records show that, for

centuries, the U.S. South has been more violent than the North (McWhiney 1988; Fischer 1989). These records also reveal that the regional difference in violence is not uniformly distributed across all life domains but confined to incidents involving honor violations—perceived threats to one's social image and respect—such as personal insults, disputes, and crimes of passion (Pitt-Rivers 1965; Black-Michaud 1975). Observing that demographic and economic factors cannot fully explain this pattern, scholars have ascribed the heightened violence in the South to the norms instilled by its early settlers (Gastil 1971; Nisbett 1993).

Whereas most early settlers in the North were farmers from England, Germany, and the Netherlands, those in the South were herders from Ireland and Scotland (McWhiney 1988; Fischer 1989).[1] Unlike sedentary agrarian societies, pastoral societies are nomadic and rely on animals for subsistence. Consequently, whereas farmers accumulate wealth in land, herders accumulate wealth in livestock (O'Kelly and Carney 1986; Nolan and Lenski, 2015). Beginning with Campbell (1965), scholars have recognized that because livestock—the herder's most valuable asset—is mobile and easy to steal, herders must cultivate a reputation for toughness to deter raiders. To gain and vindicate this reputation in their communities, herders must respond aggressively to acts that threaten their honor, even at the cost of their lives (Cohen et al. 2018).

Prior research in sociology and political science establishes that, because norms persist, history plays a key role in shaping people's present worldviews (Bicchieri et al. 2018; Acharya et al. 2018; Gelfand et al. 2024). Consistent with this notion, several studies show that although herding no longer dominates the South, institutions and the socialization of children in the South still embody the early settlers' concern for honor (Cohen 1996; Cohen and Nisbett 1997). Indeed,

[1] The Scotch-Irish immigrated to the U.S. throughout the 18th century. They initially settled in Georgia, North Carolina, and South Carolina and gradually expanded to Kentucky, Tennessee, and Alabama. See McWhiney (1988) and Fischer (1989) for a detailed discussion of these immigration patterns.

other studies document heightened reactivity to honor violations among men who grew up in the modern South (Cohen et al. 1996; Brown 2016). These patterns echo economic evidence that local institutions and socialization within the community perpetuate regional norms (Nunn and Wantchekon 2011; Alesina et al. 2013).

Our research design leverages the cultural variation within the U.S. to investigate the association between target CEOs' adherence to honor and receptiveness to being acquired. Specifically, we analyze the biographies of 571 target CEOs engaged in either withdrawn or completed acquisitions between 1980 and 2010.[2] Motivated by Nisbett and Cohen (1996), Vandello et al. (2008), and others, we classify CEOs who grew up in states with a culture of honor as adhering to honor.

We identify target CEOs' propensity to engage in withdrawn rather than completed deals and use that as a measure of their receptiveness to being acquired. Target CEOs can adversely affect takeover attempts in various ways. For example, they might reject initial inquiries by potential suitors, adversely influence negotiations and due diligence, and influence directors and key shareholders to vote down proposals. Because such adversarial actions are usually private, and we cannot observe inquiries and negotiations that did not materialize into an announcement of a potential acquisition, we use the deal's realized outcome (i.e., whether it was "completed" or "withdrawn") to infer receptiveness to being acquired. Specifically, we presume target CEOs have a low receptiveness if their company *repeatedly* engages in withdrawn deals—without being acquired—during their tenure. Our focus on repeated withdrawals increases the likelihood they are attributable to systematic, low receptiveness, rather than to external factors.

[2] We use the 1930, 1940 and 1950 Federal Census to identify CEOs' birth states. The 1950 census generally does not cover younger CEOs who served after 2010.

Whether adherence to honor—an anthropological construct developed to trace the root cause of violence in pastoral societies—can explain nonviolent, business-related behavior such as receptiveness to M&A, is an empirical question. Fiduciary duties and corporate governance mechanisms that constrain CEOs' power to derail takeover attempts, together with scholars' view that behavioral patterns in the general population do not necessarily apply to top executives (Cullen et al. 2018; Malmendier 2018), potentially mitigate the likelihood that adherence to honor explains receptiveness to being acquired. Evidence that honor cultures breed politeness and hospitality to prevent cycles of retaliation among members further diminishes this likelihood (Cohen and Vendello 2004; Harinck et al. 2013). Moreover, target selection may attenuate any negative association between adherence to honor and receptiveness to M&A, as acquirers might avoid attempting to acquire firms that signal a reluctance to being acquired.

Consistent with our hypothesis, we find targets with CEOs who adhere to honor are more likely to repeatedly engage in withdrawn deals without being acquired, suggesting a lower receptiveness to M&A. This result is robust to controlling for other factors that may influence the deal outcome. Specifically, whether the target's headquarters is in an honor or non-honor state does not incrementally explain receptiveness to being acquired, echoing the theory's emphasis on individuals' responses to honor violations rather than on the collective response.

We conduct additional tests that corroborate our inference that target CEOs' adherence to honor is associated with their receptiveness to being acquired. First, we examine whether this adherence varies depending on whether the CEO grew up in a rural versus urban county. Our investigation is motivated by Nisbett et al. (1995) who use homicide data to show the concern for honor has been preserved more strongly in rural areas, where the historical distinction between herding and farming legacies has been more pronounced. Moreover, CEOs who grow up in rural

areas are more likely to have multi-generational ties to the region and strongly adhere to its norms. Consistent with our prediction, we find that among target CEOs from honor states, those who grew up in rural counties are, on average, less receptive to being acquired than those who grew up in urban counties. We do not find a similar intra-regional pattern among CEOs from non-honor states, whose legacies were shaped by farming. This highlights the ecological foundations of the concern for honor and suggests the observed difference for CEOs from honor states is not attributable to omitted rural or urban effects.

Second, we examine whether omitted firm characteristics drive the association between target CEOs' adherence to honor and their receptiveness to being acquired. To do so, we identify a sample of targets that engaged in one or more withdrawn deals and were acquired in a different deal more than five years later. For many of these targets, we detect a CEO transition, such that the withdrawn and completed deals occurred under different CEOs. If CEOs' adherence to honor does not affect receptiveness to M&A, changes in adherence to honor due to CEO transitions should not explain the likelihood of deal completion. However, consistent with our prediction, we find targets are less likely to be acquired during the tenure of CEOs from honor states, mitigating the concern that omitted firm characteristics drive our primary finding.

Third, we examine whether the lower receptiveness exhibited by target CEOs from honor states is more pronounced for CEOs with more power over their firms' M&A decisions. Consistent with our prediction, we find the association between adherence to honor and receptiveness to being acquired is stronger for targets headed by founders CEOs, who likely have more power than non-founder CEOs. Moreover, our primary finding—a negative association between adherence to honor and receptiveness to M&A—continues to hold when we restrict the sample to founder CEOs. Unlike hired CEOs, founder CEOs are not selected by, or self-select into, existing firms.

Thus, this finding further mitigates the concern that unobserved mechanisms that systematically match CEOs from honor states with firms reluctant to be acquired affect our inferences.

We augment our analysis with a share-price-based measure of the receptiveness to being acquired. Motivated by the literature on merger arbitrage spread, we calculate each deal's implied probability of completion based on the observed changes in the target's share price upon the announcement of a proposed acquisition (Brown and Raymond 1985; Samuelson and Rosenthal 1986; Mitchell and Pulvino 2001; Gerritsen and Weitzel 2017). According to this literature, upon the announcement, the target's share price deviates from the proposed acquisition price by a spread that reflects investors' assessment of the probability the acquisition will not be completed. To the extent investors observe actions and statements made by targets and their CEOs related to the proposed acquisition, they may infer from these actions and statements the receptiveness to being acquired. Thus, this implied probability provides an alternative measure of the receptiveness to being acquired, one that is not based on the realized outcome. Consistent with inferences from our primary finding, we find the implied probability a proposed acquisition will not be completed is higher for CEOs from honor states.

Finally, we examine whether the ethnic origin of target CEOs confounds the association between adherence to honor and the receptiveness to being acquired. Based on the prior literature on the culture of honor, our measure of adherence to honor is regional by design, measuring CEOs' adherence based on the state where they grew up. The measure's regional focus reflects the notion that institutions and distinct socialization patterns have persisted the concern for honor in the South, despite the region's increasing ethnic diversity and economic transition from herding. More broadly, the measure's regional focus echoes scholars' view that peers, teachers and other community members are pivotal in shaping people's makeup and worldviews, and that ancestral

norms decay without reinforcement from the community and regional institutions (Christakis and Fowler 2009; Harris Rich 2009; Carrell et al. 2009; Flynn 2016; Acharya et al. 2018).

Nonetheless, we investigate whether target CEOs' ethnicity confounds our primary finding, by assessing if the ethnic group associated with the CEO's surname has a strong herding legacy—a key driver of honor norms. We find ethnicity does not confound or mediate the association between target CEOs' adherence to honor and their receptiveness to being acquired. This finding suggests regional norms internalized during the formative years, rather than ethnicity, shape target CEOs' adherence to honor, consistent with the theory's regional emphasis. Focusing on the CEO's family, and consistent with insights from Nisbett and Cohen (1996), we also find that having southern parents, and especially a southern mother, incrementally explains adherence to honor among target CEOs who grew up in honor states.

Our study makes three primary contributions. First, it offers a new perspective on how CEOs' norms may shape corporate financial and investment decisions. For example, we contribute to the emerging literature in accounting and finance on the potential effect of sociological factors, such as country of origin, heritage, and social-class background, on financial reporting and investment policies (Malmendier and Tate 2005; Srinivasan et al. 2015; Spector 2024). We also contribute to the accounting literature regarding the effect of CEO characteristics such as narcissism on firms' performance and capital-market outcomes (Ham et al. 2018; Abdel-Meguid et al. 2021; Larcker et al. 2021). In addition, we contribute to the literature that seeks to understand how CEOs influence M&A dynamics and why some takeover attempts are more likely to prevail. Despite evidence that M&A can adversely impact target CEOs, prior research has focused on the effect of CEOs on acquisitiveness. Whether CEOs' makeup explains firms' receptiveness to being acquired remains unexplored. Using anthropological insights, we find this receptiveness is

associated with, and potentially explained by, target CEOs' adherence to honor, a construct conceptually and empirically distinct from other known determinants of M&A.

Second, our study provides new evidence on the effect of regional norms on economic outcomes. Sociologists have long recognized that people internalize the norms of their social environment, especially during the formative years (Bicchieri et al. 2018; Gelfand et al. 2024). Consistent with this notion, prior research shows regional norms shape economic decision-making. For example, Fisman and Miguel (2007) find a positive association between the number of parking violations committed by foreign diplomats stationed in New York City and the corruption level of their home countries. Similarly, Parsons et al. (2018) find corporate financial misconduct clusters in cities afflicted by corruption and poor ethics. Despite the growing awareness of the impact of regional norms on economic decision-making, evidence of their nature remains sparse.

Finally, we contribute to the anthropology and social psychology literatures on the culture of honor. Studies examining the theory have focused on explaining the prevalence of tribal raids, lynching, and homicide in societies that enshrine the protection of honor. Recently, economists have used adherence to honor to explain the distribution of warfare across countries and subnational groups (Cao et al. 2021). To our knowledge, our study is the first to explore the association between adherence to honor and managerial decisions in business contexts. In addition, due to data limitations, prior research on the culture of honor has primarily focused on regional outcomes. A key challenge in this research has been to demonstrate that the results are not driven by regional confounders such as demography. By contrast, the outcome we study—receptiveness to being acquired—is observable at the individual target or CEO level. Because many CEOs from honor states head targets located in non-honor states, our sample allows us to isolate the potential effect of honor norms on decision-making.

2. Related literature and hypotheses development

Our hypothesis that target CEOs' adherence to honor is associated with the receptiveness to being acquired stems from two bodies of research. The first body of research draws from financial economics and establishes that CEO characteristics explain M&A dynamics and that M&A threaten the employment of target CEOs, who are aware of and responsive to this threat. The second body of research draws from anthropology and reveals that regional legacies have created variation within the U.S. in people's reactivity to honor violations.[3] This section summarizes and integrates these literatures and derives our primary hypothesis.

2.1. CEOs and M&A

Prior research has primarily focused on acquirers and their CEOs. Observing that some firms are more acquisitive than others, economists have explored whether certain CEO characteristics are associated with the propensity to engage in M&A (Renneboog and Vansteenkiste 2019). For example, Malmendier and Tate (2008) suggest overconfident CEOs overestimate their ability to identify attractive targets and unlock value from synergies, making them more acquisitive than non-overconfident CEOs. Similarly, Aktas et al. (2016) document a positive association between acquisitiveness and narcissism, a personality dimension linked to overconfidence. Other studies link acquisitiveness to CEOs' compensation. For example, Datta et al. (2001) find a negative association between CEOs' equity-based compensation and deal selectivity, with CEOs who have lower equity-based compensation acquiring less selectively, because they are less incentivized to increase firm value.

[3] Prior research on the culture of honor has focused on men's reactivity to honor violations (Nisbett and Cohen 1996). Recent studies, however, reveal regional differences in behavior also among northern and southern women. For a discussion of women's role in cultures of honor, see Brown (2016). However, nearly all CEOs in our sample are men.

In addition, prior research establishes that M&A can threaten target CEOs' employment. Martin and McConnell (1991) document an increase in target CEOs' turnover after M&A. Similarly, Agrawal and Walkling (1994) find target CEOs are more likely to be dismissed if takeover proposals are accepted than if rejected, and that these CEOs struggle to find comparable jobs once dismissed. Complementing Agrawal and Walkling's (1994) findings, Hartzell et al. (2004) show target CEOs are cognizant of this threat and respond by using their power to block M&A. For example, they often negotiate personal benefits, such as special bonuses, in exchange for supporting the deal. Jenter and Lewellen (2015) find the closer the target CEOs are to the age of 65, the more likely the targets are to accept takeover proposals; they attribute this finding to subdued occupational concerns of CEOs closer to retirement.

2.2. The regional variation in cultural norms enshrining honor

Prior literature shows the U.S. South has been more violent than the North across various dimensions: homicide rates, soldiers' conduct on the battlefield, corporal punishment of children, the prevalence of clan feuds, lynching, and school shootings, and the production of professional football players (Gastil 1971, 1989; McWhiney 1988; Baron and Straus 1988; Fischer 1989; Brown 2016). Recognizing that this regional phenomenon predated the Civil War and institutionalization of slavery, studies have explored potential explanations, such as climate, demography, migration, poverty and income inequality. Yet, these studies find none of these factors can fully explain southerners' penchant for violence (Nisbett and Cohen 1996). Following Cash (1941), who had traced the root cause of the phenomenon to the southern culture, scholars began to ascribe the heightened violence in the South to norms instilled by its early settlers.

Whereas most early settlers in the U.S. North were farmers from England, Germany, and the Netherlands, those in the South were primarily herders from Ireland and Scotland. Constrained

by the frontier's climate, terrain, and lawlessness, the Scotch-Irish adhered to their herding legacy and deepened their loyalties to kinship networks upon arriving in the South. Their early success and the compatibility of the clan ways with frontier conditions led other settlers to adopt the practices of the Scotch-Irish, establishing herding as the backbone of the southern economy (McWhiney 1988; Fischer 1989; Guice 1989; Brown 2016).

Prior anthropological research reveals that pastoral societies are generally more violent than agrarian societies. Edgerton (1971), Black-Michaud (1975), and O'Kelly and Carney (1986) observe that whereas violent raiding is a prevalent and legitimate means to overcome economic shortages and gain prestige among herders, it is not among farmers. Goldschmidt (1965) and Edgerton (1971) find systematic differences in aggressiveness and willingness to compromise between herders and farmers across different tribes. Relatedly, Farb (1968) documents that the introduction of the horse to the Plains Indians by the Spaniards in the 17th century—shifting their economy from farming to herding—escalated their affinity for raiding and warfare.

Anthropologists trace the root cause of herders' penchant for violence to their economic vulnerability due to their reliance on livestock. Historically, pastoral societies formed in arid areas with rough terrain that prevented sedentary farming, forcing herders to constantly move to secure water and pasturage for their animals (O'Kelly and Carney 1986; Nolan and Lenski 2015). Given their nomadic lifestyle, herders accumulate wealth in livestock rather than land. Anthropologists maintain that because livestock is mobile and easy to steal, herders must cultivate a reputation for toughness by retaliating against any act threatening their honor and property. Because herd size indicates the herder's combat skills in pastoral societies, avoiding retaliation signals weakness, exposing herders to raids and threatening their status.

In contrast, prior literature in anthropology finds that feuding and exhibiting aggression in agrarian societies are self-defeating. Edgerton (1971) observes that, unlike herders, farmers cannot relocate when faced with hostilities because land is immobile. Given this constraint, farmers restrain aggression and avoid conflicts with neighbors; when they resort to violence, they do so through more subtle means such as witchcraft and legislation. Relatedly, Farb (1968) and O'Kelly and Carney (1986) find farmers accumulate prestige and influence in their communities by organizing large feasts and engaging in overt gift-giving.

Based on this body of research, Nisbett (1993) and Cohen et al. (1996) ascribe the heightened violence in the South to its herding legacy. In support of this narrative, they find modern southerners are conditionally, but not universally, more violent than northerners. For example, Nisbett (1993) shows the regional difference in homicide rates between the North and South is confined to incidents that involve honor violations, such as insults, disputes, and crimes of passion. Relatedly, Cohen et al. (1996) find that whereas southerners are not more violent than northerners in a steady state, they are more reactive to insults. Further supporting the view that ecology contributed to this pattern, Reaves (1992) and Reaves and Nisbett (1995) find that within the South, counties with a herding legacy have an average homicide rate more than twice as high as that of counties with a farming legacy.

Although herding no longer dominates the South and southern ranchers no longer face the threat of raids, institutions and the socialization of children in the region preserved and still embody the early settlers' concern for honor. For example, Cohen and Nisbett (1994) find southern parents are more likely than northern parents to endorse corporal punishment and expect their boys to retaliate against bullies. Other studies show children in honor cultures are taught to conceal weaknesses, protect their social image, and feel shame when their honor is compromised (Brown

2016; Uskul et al. 2019). Focusing on institutions, Cohen (1996) finds southern state laws are more accepting than northern state laws of people's need to protect their honor. For example, southern state laws are more likely to allow killing an assailant even if there was an opportunity to flee. Relatedly, Cohen and Nisbett (1997) find employers and the media in the South are more forgiving of extreme, violent responses to honor violations than those in the North.

2.3. Primary hypothesis

Motivated by the literature on the regional variation in norms enshrining honor within the U.S., we investigate whether target CEOs' adherence to honor is associated with the receptiveness to being acquired. Based on prior research, we suppose target CEOs perceive takeovers attempts as threats and respond based on the norms they follow. Given the evidence of regional differences in reactivity to honor violations, our primary hypothesis is:

> H1: Target companies with CEOs who adhere to honor norms are less receptive to being acquired than those with CEOs who do not adhere to honor norms.

Although our hypothesis is directional, several factors potentially create an empirical tension. First, whether honor norms affect CEOs, with their unique makeup and life path, is an empirical question. Second, our focus on public targets suggests fiduciary duties and corporate governance may restrain CEOs' power to derail proposed takeovers, especially those benefiting shareholders. Finally, evidence that honor cultures breed politeness and hospitality to prevent retaliation cycles among members can attenuate the effect adherence to honor may have on the receptiveness to being acquired (Cohen and Vendello 2004; Harinck et al. 2013).

3. Sample and Data

3.1. Sample Construction

To investigate the association between CEOs' adherence to honor and their receptiveness to being acquired, we construct a sample of firms that were targets of proposed takeovers between

1980 and 2010.[4] Target CEOs can derail takeover attempts in various ways. For example, they could reject initial inquiries by potential suitors, adversely influence negotiations and due diligence, and influence directors and shareholders to vote down proposals. Because many of these actions are private, and we cannot observe inquiries and negotiations that did not materialize into an announcement of a potential acquisition, we assume the observed outcome of the acquisition attempt (i.e., whether ultimately it was "completed" or "withdrawn") reveals the receptiveness to being acquired. We focus on target CEOs with a track record of *repeatedly* engaging in withdrawn acquisition attempts—without being acquired—to reduce the likelihood the withdrawals are attributable to external factors, such as antitrust probes or lack of funding. We consider such CEOs as having a low receptiveness to being acquired.[5]

Using Thomson Reuters SDC Platinum, we begin the sample construction from an initial pool of 14,957 proposed acquisitions between 1980 and 2010 that involve public targets, which would grant the acquirer an ownership interest of at least 50% and have a deal status of either "withdrawn" or "completed". This pool includes 3,700 withdrawn deals (2,924 targets) and 11,257 completed deals. Figure 1 presents the frequency distribution of the number of deals announced by each target. As expected, whereas most targets appear only once, others appear multiple times. We use this initial pool to construct three subsamples that constitute our final sample.

[4] Because we rely on the 1930, 1940 and 1950 census data to identify early childhood information (e.g., birthplace) for target CEOs, we limit our sample to deals prior to 2010; CEOs of targets from more recent years are less likely to be covered by these census data. Yet, for the purpose of conducting a within-target analysis, we also include a small number of acquisitions that were completed after 2010, pertaining to firms that were the target of an earlier failed acquisition attempt under a different CEO.

[5] Because we cannot observe private inquirers that did not materialize into an announcement of a potential acquisition, it is possible our sample excludes some targets with nonreceptive CEOs. However, because we focus on public targets, suitors often approach the board of directors, limiting CEOs' ability to "privately reject" such inquiries. Moreover, inquiries related to public targets are more likely to be "rumored" and are therefore likely to be captured by the M&A database. Nonetheless, to the extent this effect does exist, it biases against rejecting the null hypothesis.

The first subsample consists of targets with multiple withdrawn and no completed deals during our sample period, 1980 to 2010. We assume that, on average, targets in this subsample are less receptive to being acquired than targets that were acquired during the period. We begin by identifying 1,276 targets with only withdrawn and no completed deals. An untabulated frequency distribution of the number of withdrawals per target reveals that most of these targets (1,071) had one withdrawal. We focus on the remaining 205 targets that repeatedly engaged in withdrawn deals, with the number of withdrawals per target ranging between two and six. After carefully reviewing each case, we identified instances in which the withdrawal was (i) a failed management buyout or (ii) a proposal the target had accepted but the acquirer subsequently terminated due to changing market conditions, lack of funding, or failure to obtain regulatory approval. We do not view such cases as reflecting low receptiveness to being acquired. We also excluded several deals in which the target was in the electric and gas utility industry (SIC code 49) or not covered by Compustat, CRSP, or Moody's. Finally, we excluded targets with CEOs for whom our exhaustive search did not uncover genealogical information. Our selection process resulted in 124 targets that repeatedly engaged in withdrawn deals without being acquired.

For each of the 124 targets, we conducted a search to identify the CEO on each withdrawal date. Because the unit of analysis in our tests is the target CEO, we included each individual CEO in the sample once, even if they engaged in multiple withdrawals during their tenure. In cases in which the target engaged in multiple withdrawn deals under two or more different CEOs, we include all CEOs in the sample. The 124 targets in the subsample pertain to **131 CEOs**.

The second subsample consists of targets with both withdrawn and completed deals during our sample period. This subsample enables a within-target analysis, provided the withdrawn and completed deals occurred under different CEOs. This analysis mitigates the concern that omitted

firm characteristics drive the association between target CEOs' adherence to honor and their receptiveness to being acquired.

To conduct the analysis, we identify 236 targets with at least one withdrawal during the period and that were subsequently acquired in a different deal more than five years later. We required at least five years between the events to increase the likelihood they had occurred under different CEOs. We reviewed each of the 236 cases and detected a CEO transition in 159.[6] Again, we excluded cases in which the withdrawal was a failed management buyout or a proposal terminated by the acquirer; targets in the electric and gas utility industry; targets not covered by Compustat, CRSP or Moody's; or if genealogical information for the CEO was unavailable. This selection process resulted in 105 targets, with (i) **110 CEOs who engaged only in withdrawn deals**, and (ii) **105 CEOs who engaged in completed deals.**

Our tests investigate the association between target CEOs' adherence to honor and the realized deal outcome: withdrawn or completed. Thus, for the third subsample, we draw from the pool of targets that were acquired between 1980 and 2010. From this pool, we select **225 targets with completed deals** by matching "withdrawal" targets on industry (3-digit SIC code) and year. If more than one target met the matching criteria, we randomly selected one. If no exact match was found, we randomly selected a match from an adjacent year or the 2-digit SIC code industry.

Table 1, Panel A summarizes the composition of our final sample, which includes **571 distinct target CEOs** across **452 different targets**. The "withdrawal" sample comprises **241 CEOs**: (i) 131 CEOs of targets that repeatedly engaged in withdrawn deals, and (ii) 110 CEOs who engaged in withdrawn deals at targets subsequently acquired under different CEOs. The

[6] There are many more targets with both a withdrawn and completed deal. Given the nontrivial cost of manually identifying the CEO holding office in each of these events—especially for smaller targets in the earlier years of our sample period—the five-year gap increases the likelihood of detecting a CEO transition. To identify targets engaged in withdrawn and completed deals under different CEOs, we extend the search for completed deals up until 2022.

"completed deal" sample comprises **330 CEOs**: (i) 225 CEOs of targets that were acquired, and (ii) 105 CEOs of targets that were acquired but had previously engaged in withdrawn deals under different CEOs. Table 1, Panels B and C present the industry and year distributions.

3.2. Data on CEOs' origin

We gauge CEOs' adherence to honor based on the state where they grew up. We collect data on home states and counties from the 1930, 1940, and 1950 Federal Censuses. Released 72 years after its collection, the census is the only U.S. government data source with personally identifiable information. Given that adherence to honor develops during the formative years (Cohen and Nisbett 1994; Brown et al. 2009), we prioritize genealogical records from closest to the age of ten, the primary age of socialization (Gelfand et al. 2024). We use four markers to locate CEOs' census records: name, birth year, birthplace, and parents' names. We collect data on these markers from various sources: Marquis Who's Who database, Standard and Poor's Registers, firm filings, newspaper articles, marriage announcements, birth and death records, obituaries, and Intelius, an online platform that maintains people's public records.

Because the census data do not cover CEOs born after April 1950, we use alternative sources—such as birth and death records, marriage announcements, obituaries, newspaper articles, and city directories—to trace the origins of CEOs born after 1950.[7] Following Yonker (2017) and Bernile et al. (2017), if a relevant record cannot be found, we determine the home state based on the state that issued the CEO's Social Security Number.[8] Appendix B outlines the steps we take to identify CEOs and collect genealogical data.

[7] According to FamilySearch and MyHeritage, city directories were created to allow merchants to contact residents of an area. Preceding telephone directories and published annually, the directories include an individual's address, spouse's name, and occupation. City directories became less prevalent in the second half of the 20th century.

[8] According to Yonker (2017), during the 1950s and 1960s, people usually obtained their social security cards when applying for a driver's license at the age of 15 or 16. Bernile et al. (2017) confirm that 75% of the CEOs in their sample received their social security number from their birth state.

4. Research design

We estimate the following model to investigate the association between target CEOs' adherence to honor and their receptiveness to being acquired:

$$Withdraw_i = \alpha + \beta\ Honor_i + \gamma\ Control_i + Industry\ FE + Year\ FE + \epsilon_i. \quad (1)$$

In all models, *i* indexes target CEOs, our unit of analysis. Appendix A defines the variables. *Withdraw* is an indicator variable equal to 1 for CEOs in the "withdrawal" sample, and 0 for CEOs in the "completed deal" sample. Defined by Cohen et al. (1996), *Honor* is an indicator equal to 1 if the CEO grew up in one of the states with a culture of honor: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, South Carolina, Oklahoma, Tennessee, Texas, Virginia, and West Virginia; and 0 otherwise.[9] Our sample includes 27 CEOs who grew up outside the U.S. Based on Peristiany (1965), Nisbett and Cohen (1996), Brown (2016), and Uskul et al. (2019), we classify CEOs from Greece, Scotland, South Africa, and Southern Italy as adhering honor, and classify CEOs from Canada, China, England, France, Germany, the Netherlands, and Sweden as not adhering to honor.[10]

Control is a vector of covariates. We control for firm characteristics that may affect the likelihood of deal completion: firm size, leverage, Tobin's Q, and return on assets (*ROA*) in the fiscal year before the withdrawal or completion. Because target CEOs close to retirement may be more receptive to M&A than younger CEOs, we control for CEO age. To test whether local norms, rather than CEO honor, explain *Withdraw*, we include an indicator for whether the target is headquartered in an honor state (*Firm Honor*). We control for deal characteristics by including

[9] Following Vandello et al. (2008), we classify CEOs from Illinois counties south of Springfield as adhering to honor. According to Cohen et al. (1999) and Vandello et al. (2008), this region was predominantly settled by people from Kentucky, Tennessee, and the Carolinas, and is considered by many scholars to be part of the South. Our findings are robust to excluding the two CEOs affected by this classification or to classifying them as not adhering to honor.
[10] Our findings and inferences are robust to excluding the 27 CEOs who grew up outside the U.S.

indicators for whether the acquirer is a public firm (*Public acquirer*) (Bargeron et al. 2008), whether there was more than one bidder (*Bidders*) (Walkling 1985), and whether the target and acquirer are in the same industry based on 2-digit SIC code (*Same industry*) (Aguilera and Dencker 2011). Finally, to account for M&A waves and the challenges in completing deals across different industries (Mulherin et al. 2017; Renneboog and Vansteenkiste 2019), Eq. (1) includes industry (1-digit SIC code) and year fixed effects. In creating the year fixed effects, we group singleton years together to retain them in our analysis.

The notional experiment in our empirical setting assigns the treatment, adherence to honor, at the CEO level, with each CEO appearing in our panel data once. Thus, based on Abadie et al. (2022), we do not adjust standard errors for clustering unless otherwise noted.[11] Nonetheless, clustering by firm and year does not change our inferences about the association between target CEOs' adherence to honor and their receptiveness to being acquired.

Table 2 reports descriptive statistics for our sample of 571 target CEOs.[12] Thirty percent of these CEOs grew up in an honor state. The average CEO grew up in a county with a population of 712 thousand people and was 56 when the deal was withdrawn or completed. One-third of the CEOs are founders, co-founders, or close relatives of the founder. With a mean (median) of total assets of 1,252 (226) million dollars, the average (median) target is smaller (larger) than the average (median) firm in Compustat. A year before the withdrawal or completion, the average target has a leverage ratio of 0.22, Q ratio of 1, and return on assets of 1%. Thirty-eight percent of the targets are headquartered in honor states. Sixty-nine percent of the deals involve a public

[11] Abadie et al. (2022) recommend clustering standard errors at the level of the treatment assignment. If neither the sampling process nor the assignment mechanism is clustered, one should not adjust the standard errors for clustering, irrespective of whether such an adjustment changes the standard errors.

[12] Our sample includes 452 distinct targets. Some targets engaged in multiple withdrawn deals under different CEOs. In addition, some targets engaged in withdrawn and completed deals under different CEOs. These cases explain the difference between the number of CEOs (571) and targets (452).

acquirer, 10% involve more than one bidder, and 48% involve a target and an acquirer from the same industry.

5. Empirical findings

5.1. Univariate analysis

Table 3, Panel A, reports univariate statistics for the 241 (330) target CEOs in the withdrawal (completed deal) sample. Consistent with our hypothesis that targets with CEOs who adhere to honor are less receptive to being acquired, we find that 49% (17%) of the CEOs in the withdrawal (completed deal) sample grew up in honor states, and the difference is significant at the 5% level. The average CEO in the withdrawal sample grew up in a less populated county and is more likely to be a founder than the average CEO in the completed deal sample. On average, targets in the withdrawal sample have a lower Q and are less likely to be acquired by public firms and firms from the same industry. The differences are significant at the 5% level. Although targets in the withdrawal and completed deal samples are indistinguishable along all other dimensions, we control for these covariates in the regression analyses.

Table 3, Panel B, reports univariate statistics for the 105 targets engaged in withdrawn and completed deals under different CEOs. Consistent with Panel A, the panel suggests that, on average, target CEOs who grew up in honor states are less receptive to being acquired.

5.2. Primary findings

Table 4 presents coefficient estimates from logistic regressions for Eq. (1). Column 1 reports estimates from a specification without fixed effects, and Columns 2 and 3 add industry and year fixed effects and conditions that may affect the likelihood of deal completion. Column 3 includes all the control variables. Overall, echoing the evidence of the regional differences in adherence to honor, we find that targets headed by CEOs who grew up in honor states are less

receptive to being acquired than those headed by CEOs from non-honor states. Specifically, the association between *Withdraw* and *Honor* is positive, significant at the 1% level, and economically significant (e.g., coefficient = 2.173, z-statistic = 7.26, in Column 3), supporting our hypothesis and consistent with the univariate evidence.[13] The inclusion of controls has little effect on the sign and significance of the coefficient on *Honor*.[14]

Our finding is robust to using an alternative honor measure, which ranks U.S. states according to their residents' adherence to honor or the prominence of their honor culture (Brown 2016). In addition, we use Oster's (2019) test to assess the finding's robustness to omitted-variable bias. According to the test, unobserved covariates must be 5.07 times as important as our controls to render the association between *Withdraw* and *Honor* indistinguishable from zero.[15] Oster (2019) proposes 1 as a cutoff for robustness, indicating our finding is robust.

In an untabulated test, we control for the target and acquirer's relative size and for the target's pre-announcement share price run-up.[16] We exclude these controls from Eq. (1) because

[13] Our findings are robust to clustering standard errors by the state where the CEO grew up. For example, in Eq. (1), the coefficient on *Honor* remains significantly positive (z-statistic = 6.60). In an untabulated test, we also estimate Eq. (1) using an OLS linear probability model that includes all controls and industry and year fixed effects, and clustering standard errors by firm and year. The coefficient on *Honor* remains significantly positive (coefficient = 0.391; t-statistic = 10.49), consistent with inferences from the tabulated results. The coefficient from an OLS model excluding the controls and fixed effects indicates the likelihood a potential deal will be withdrawn—rather than completed—is 37% higher for targets with CEOs who adhere to honor.

[14] We believe the firm's headquarters location is not a useful construct for testing our hypothesis. Although *Honor* and *Firm Honor* are positively correlated (correlation = 0.44), CEOs from honor states often run companies in non-honor states, and vice versa. In untabulated tests we document that among targets headquartered in non-honor states, those with CEOs from honor states are more likely than those with CEOs from non-honor states to display lower receptiveness to M&A—consistent with CEOs adhering to honor norms irrespective of the firm's location. We presume a similar disconnect between home state and company location exists also for other top executives and board members. Moreover, rank-and-file employees are less likely to have an effect on the outcome of a proposed acquisition, and we do not expect them to display the same "honor effect" we predict for target CEOs.

[15] The test assumes part of the variance of the outcome is jointly explained by observed and unobserved controls. The test estimates how important the unobservables must be relative to the observables in explaining the outcome to render the treatment effect indistinguishable from zero. Based on Oster's (2019) recommendation, we implemented the test with $\Pi = 1.3$.

[16] Target run-up is the abnormal cumulative return over the period between 20 and three trading days before the acquisition's announcement. Relative size is the natural log of the target's market value divided by the natural log of acquirer's market value. If market values are unavailable, we divide the natural log of the target's total assets by the natural log of the acquirer's total assets.

data limitations would reduce our sample by more than 200 CEOs, mostly because of private acquirers. Despite this constraint, the association between *Withdraw* and *Honor* remains positive and significant at the 1% level, consistent with the results in Table 4. The remaining sections conduct additional tests to further explore the association.

5.3. Rural versus urban region

In this section, we investigate whether the association between target CEOs' adherence to honor and their receptiveness to being acquired varies depending on whether the CEO grew up in a rural versus urban area. Evidence that within honor states people react differently to honor violations according to their region's ecology motivates the analysis. Nisbett et al. (1995) observe that the distinction between farming and herding has been more pronounced historically in rural areas than in urban areas. Relatedly, Brown (2016) suggests that in honor cultures, reputational blows are especially detrimental to one's image in rural areas, where people are more likely to know one another. In support of these views, Nisbett et al. (1995) find the differences in homicide rates between the modern North and South are larger in rural areas than in urban areas.

By the same token, CEOs who grew up in rural (urban) areas in honor states may adhere to honor more (less) strongly. Against this background, we predict target CEOs from rural counties in honor states are less receptive to being acquired. Given its farming legacy, the North did not develop a culture of honor in either rural or urban counties. Thus, we do not expect to find a similar intra-regional difference in receptiveness for target CEOs from non-honor states.

We estimate the following model to investigate whether ecology moderates the association between target CEOs' adherence to honor and their receptiveness to being acquired:

$$Withdraw_i = \alpha + \beta_1\, Honor_i + \beta_2 County_i + \beta_3 Honor \times County_i + \gamma\, Control_i + Industry\ FE + Year\ FE + \epsilon_i. \quad (2)$$

Again, *Withdraw* is our proxy for a low receptiveness to being acquired, and *Honor* measures target CEOs' adherence to honor. *Control* is the same as for Eq. (1). Following Nisbett et al. (1995), we gauge the urbanization level in the CEO's home county by the county's population size. Specifically, *County* is the natural log of the number of residents in the county where the CEO grew up, according to the census. Based on our hypothesis, $\beta_1 > 0$ and $\beta_3 < 0$. We do not predict the sign on β_2, which may reflect other intra-regional differences, unrelated to honor, in the receptiveness to being acquired.

Table 5 estimates logistic regressions for Eq. (2), for the 538 CEOs with available data on home county. The association between *Withdraw* and *Honor* is significantly positive in all specifications (e.g., coefficient = 8.725, z-stat = 3.91; in Column 3), consistent with our primary finding. Moreover, the coefficient on *Honor* × *County* is negative and significant at the 1% level (e.g., coefficient = -0.582, z-stat = -3.16; in Column 3), supporting our prediction that, for target CEOs from honor states, urban ecology attenuates the association between adherence to honor and the receptiveness to being acquired. Interestingly, the coefficients on *County* are indistinguishable from zero, suggesting the difference between rural and urban ecologies within non-honor states does not explain the receptiveness to M&A. Collectively, these results support our inference that targets with CEOs who adhere to honor are less receptive to being acquired.[17]

[17] Our findings are robust to estimating an OLS linear probability model that includes all controls and fixed effects, clustering standard errors by firm and year. Specifically, the coefficient on *Honor* × *County* is significantly negative (coefficient estimate = -0.088; t-statistic = -2.68), consistent with the results in Table 5. Our findings also are robust to controlling for the target's share price run-up and the relative size of the target and acquirer, and to clustering standard errors by the state where the CEO grew up. In addition, in an untabulated test based on Eq. (2), we replace *County* with *Bidders* and find that whether a deal has multiple bidders versus a single bidder does not affect target CEOs from honor states differently than those from non-honor states.

5.4. Within-target analysis using CEO transitions

In this section, we investigate the association between target CEOs' adherence to honor and the receptiveness to being acquired in a within-target analysis, using the subsample of 105 targets that engaged in both withdrawn and completed deals but under different CEOs. The 105 targets pertain to 110 CEOs who engaged in withdrawn deals and 105 CEOs who engaged in completed deals. Our focus on CEO transitions mitigates the concern that omitted firm characteristics drive our primary finding. Specifically, if adherence to honor does not affect the receptiveness to being acquired, changes in *Honor* due to CEO transitions should not explain the likelihood of deal completion. We estimate the following model for the subsample of 105 targets (215 CEOs), focusing the analysis on CEO transitions:

$$Withdraw_i = \alpha + \beta\ Honor_i + \gamma\ Control_i + Firm\ FE + \epsilon_i. \quad (3)$$

Withdraw and *Honor* are the same as in Eq. (1). By including firm fixed effects, the model takes advantage of the variation in *Honor* and *Withdraw* within targets. For all 105 targets in the subsample, the completed deal chronologically follows the withdrawn deal. Thus, to avoid introducing spurious correlation into the model, Eq. (3) excludes year fixed effects. Nonetheless, our inferences are robust to including year fixed effects.

Table 6 estimates logistic regressions for Eq. (3). Column 3 excludes *Firm Size, ROA, Leverage, Tobin's Q,* and *Firm Honor* as these firm characteristics may be more stationary over time. Column 4 includes all firm characteristics. The coefficients on *Honor* are significantly positive in all specifications, consistent with our primary finding. Specifically, the coefficient estimate is 4.960 (z-statistic = 6.81) in Column 3 and 6.321 (z-statistic = 6.20) in Column 4. These findings suggest proposed acquisitions are less (more) likely to be completed during the tenure of

CEOs who grew up in honor (non-honor) states.[18] This result mitigates the concern that omitted firm characteristics drive our primary finding and supports our inference that targets with CEOs who adhere to honor are less receptive to being acquired.

5.5. Founder CEOs

In this section, we distinguish between founder and non-founder CEOs to explore the cross-sectional variation in the association between target CEOs' adherence to honor and their receptiveness to being acquired. Our focus on public targets suggests there may be fiduciary duties and corporate governance mechanisms that restrain CEOs' power to derail proposed takeovers, especially those benefiting shareholders. Thus, we predict that the lower receptiveness of target CEOs from honor states would be more pronounced for founder CEOs, who likely have greater power than non-founder CEOs over their firms' M&A decisions.

To investigate the potential effect of CEO power, we estimate the following model:

$$Withdraw_i = \alpha + \beta_1\, Honor_i + \beta_2 Founder_i + \beta_3 Honor \times Founder_i + \gamma\, Control_i + Industry\ FE + Year\ FE + \epsilon_i. \quad (4)$$

Withdraw, *Honor*, and *Control* are the same as in Eq. (1). *Founder* is an indicator variable equal to 1 if the CEO is the firm's founder, co-founder, or a close relative of the founder; and 0 otherwise. *Founder* equals to 1 for 193 (34%) of the 571 target CEOs in our sample.

Table 7, Panel A presents coefficient estimates from logistic regressions for Eq. (4). The coefficients on *Honor* are significantly positive in all specifications, consistent with our primary finding. Moreover, the coefficients on *Honor* × *Founder* are significantly positive (e.g., coefficient = 1.425, z-statistic = 2.64; in Column 3), supporting our prediction that the association between

[18] Our findings are robust to estimating an OLS linear probability model that includes all controls and firm fixed effects, clustering standard errors by firm and year.

target CEOs' adherence to honor and targets' lower receptiveness to being acquired is more pronounced for founder CEOs. Interestingly, the coefficients on *Founder* are indistinguishable from zero, suggesting the distinction between founders and non-founders for CEOs from non-honor states does not explain targets' receptiveness to being acquired.[19] This result could be attributable to the countervailing effects of a general reluctance of founders to sell their companies and the potentially large payoffs associated with such sales.

Focusing on founder CEOs also addresses the concern that unobservable selection in the labor market drives our findings. An "ideal" experiment for our research question would randomly assign CEOs with different levels of adherence to honor to different targets. In reality, however, the matching between CEOs and firms is not random. For example, Graham et al. (2013) find CEO characteristics such as impatience and firm characteristics such as expected growth affect the matching between CEOs and firms. By the same token, CEOs who adhere to honor may be more likely to be matched with firms reluctant to be acquired. Yet, founder CEOs, unlike hired CEOs, are not selected by, or self-select into, existing firms. Thus, mechanisms that systematically match CEOs adhering to honor with firms reluctant to be acquired are unlikely to explain the association for founder CEOs.

Based on this rationale, we estimate Eq. (1) for the 193 founder CEOs in our sample. Consistent with our finding in the broader sample, Table 7, Panel B reveals that the association between target CEOs' adherence to honor and the receptiveness to being acquired continues to hold for founder CEOs (e.g., coefficient = 4.701, z-statistic = 4.13; in Column 3), suggesting

[19] The receptiveness to being acquired could also be gauged from anti-takeover measures adopted by target firms. Such measure, aimed at thwarting unwanted takeover attempts, can take various forms, such as poison pills, dual-class stock structures, and staggered board. Unfortunately, due to data limitations stemming from lack of database coverage of our sample targets, particularly during our sample period, we identify only 32 targets for which data on anti-takeover measures are available. Such a sample size is too small for meaningful analysis. We note, however, that *Founder* often is positively correlated with anti-takeover measures such as dual-class stock structures, granting disproportionate voting power to founders.

selection in the labor market is unlikely to drive our inference. Collectively, the results of the analysis of founders support our inference that targets with CEOs who adhere to honor are less receptive to being acquired.

5.6. Implied probability of acquisition withdrawal

Our tests so far use the realized outcome of the proposed acquisition (i.e., whether it was "completed" or "withdrawn") as a proxy for the receptiveness to being acquired. In this section, we augment the analysis with an alternative market-based measure. Specifically, we incorporate insights from the literature on merger arbitrage spread to calculate each acquisition's implied probability of not completing. According to this literature, upon the announcement of a pending acquisition, the target's share price deviates from the proposed acquisition price by a spread that reflects investors' assessment of the probability the deal will not be completed: The higher the spread, the lower the implied probability of completion (Brown and Raymond 1986; Samuelson and Rosenthal 1986; Mitchell and Pulvino 2001; Gerritsen and Weitzel 2017). We view the merger spread as a noisier but more nuanced measure of the receptiveness to being acquired than the realized deal outcome. For example, nonreceptive target CEOs may still complete a deal because of factors outside of their control, such as pressure from directors and shareholders. We assume the implied probability captures the influence of all observed factors, allowing investors to form an opinion about the CEO's attitude toward the deal.[20] Also, because the probability is calculated shortly after the acquisition's announcement, it is less affected by unpredictable events, such as regulatory and macroeconomic shocks, that arise between the announcement and final resolution.

[20] Our approach does not require any assumption on whether investors understand, and incorporate into the spread, the notion that CEOs' adherence to honor could lower the receptiveness to being acquired. Rather, we assume investors can observe actions and statements made by targets and their CEOs and use them to infer the level of receptiveness. This assumption is supported by research and anecdotal evidence that the mix of shareholders changes after the announcement of a pending acquisition, as sophisticated investors (such as hedge fund arbitrageurs) provide retail investors an exit at a discounted premium.

We calculate the implied probability a particular deal will *not* be completed, *Prob_Withdraw*, as $\left[1 - \left(\frac{P_{i,t+1} - P_{i,t-1}}{P_{D,i,t} - P_{i,t-1}}\right)\right]$, where $P_{i,t+1}$ ($P_{i,t-1}$) is target *i*'s share price one trading day after (before) the deal's announcement at time *t*. Following Gerritsen and Weitzel (2017) and Brown and Raymond (1986), we use the pre-announcement stock price to represent the value the target's shareholders will receive if the acquirer does not complete the acquisition. $P_{D,i,t}$ is the proposed acquisition price per share, based on information available at time *t* for target *i*. We construct our measure as the probability the deal will not be completed (by subtracting from 1 the probability of completion) to align it with our primary measure, *Withdraw*. Data availability enables us to calculate *Prob_Withdraw* for 348 deals in our sample (127 withdrawn and 221 completed) and for 6,744 of the 14,957 deals in the initial SDC pool (1,486 withdrawn and 5,258 completed).[21]

Table 8, Panel A reports descriptive statistics on *Prob_Withdraw* for the 6,744 deals in the SDC pool; the mean is 0.408, indicating that, upon the announcement of the average acquisition, investors assign a 41% probability the deal will not be completed. Interestingly, mean *Withdraw*—reflecting actual deal withdrawals—is 22% (1,486 of the 6,744 deals), lower than the implied probability. Panel A also compares *Prob_Withdraw* between withdrawn and completed deals in the SDC pool; mean *Prob_Withdraw* is 0.545 (0.369) for the withdrawn (completed) deals, and the difference is significant at the 1% level.

[21] Lack of data on *SDC Platinum* on proposed takeover values prevents us from calculating implied probabilities for many deals, even after searching on SEC filings and other announcements. Even when takeover values are available, it is not always clear if they pertain to equity value, enterprise value, or other valuation metric. Also, converting total deal values into per-share amounts can create measurement errors when merging the data with share price data. Thus, in some cases our calculation results in implied probabilities that are less than 0 or greater than 1. Consistent with Gerritsen and Weiztel (2017), we keep *Prob_Withdraw* with values between 0 and 1, as long as both the numerator and denominator are nonnegative.

Panel B reveals a similar pattern for the 348 deals in our sample, with mean *Prob_Withdraw* of 0.474. Moreover, the mean is 0.587 (0.409) for the withdrawn (completed) deals, and the difference is significant at the 1% level. An untabulated test reveals that the correlation between *Prob_Withdraw* and *Withdraw* is 0.25, significantly greater than zero. Collectively, these findings suggest our sample and the SDC pool behave similarly and help validate *Prob_Withdraw* as a measure of the receptiveness to being acquired.

Using the 348 deals in our sample, Panel C presents coefficient estimates from OLS linear probability model for Eq. (1) with *Prob_Withdraw* as the dependent variable, clustering standard errors by firm and year. The coefficients on *Honor* are significantly positive, suggesting the implied probability a deal will not be completed is higher for targets with CEOs who adhere to honor. This result corroborates our primary finding, which is based on realized deal outcomes.[22]

In an untabulated test, we estimate Eq. (2) with *Prob_Withdraw* as the dependent variable. Consistent with the results in Table 5, the coefficient on *Honor* is positive. Moreover, the coefficient on *Honor* × *County* is negative (coefficient = -0.039; t-stat = -1.78), suggesting that for target CEOs from honor states, the implied probability a deal will not be completed is higher if the CEO grew up in a rural county. We also estimate Eq. (3) with *Prob_Withdraw* as the dependent variable. Consistent with the results in Table 6, Column 3, the coefficient on *Honor* is positive (coefficient = 0.208, t-stat = 1.88), suggesting the implied probability a deal will not be completed

[22] Untabulated estimation results indicate our inferences are robust to including the target's pre-announcement share price run-up and the relative size of the target and acquirer; including these controls, however, substantially reduces our sample size. We also examine the sensitivity of our findings to changing the window for *Prob_Withdraw*. The results are generally stronger if we extend the post-announcement window from P_{t+t} to P_{t+3}. Although the two measures are highly correlated, the two additional trading days potentially provide more time for target share prices to fully reflect deal-related information. The results get somewhat weaker if we extend the pre-announcement window from P_{t-t} to P_{t-20}; the measure becomes noisier, with more missing values.

is higher during the tenure of CEOs who grew up in honor states.[23] This also suggests our finding that the implied probability a deal will not be completed is higher for targets with CEOs from honor states is not attributable to omitted firm characteristics. Collectively, the market-based tests corroborate our inference that targets with CEOs who adhere to honor are less receptive to being acquired.

5.7. Ethnic and familial origins

In this section, we investigate whether the ethnic and familial origins of target CEOs' confounds the association between *Honor*, our measure of adherence to honor, and the receptiveness to being acquired. Based on the prior literature on the culture of honor, *Honor* is regional by design, measuring CEOs' adherence based on the state where they grew up. The measure's regional focus reflects the notion that institutions and socialization patterns have persisted the concern for honor in the South, despite the region's increasing ethnic diversity and transition from herding. More broadly, the measure's regional focus echoes scholars' view that peers, teachers, and other community members are pivotal in shaping people's makeup and worldviews, and that ancestral norms decay without reinforcement from the community and regional institutions (Christakis and Fowler 2009; Harris Rich 2009; Carrell et al. 2009; Flynn 2016; Acharya et al. 2018; Gelfand et al. 2024)[24]

Although prior research recognizes the importance of both environmental influences, such as the community and institutions, and intergenerational socialization within ethnic groups in

[23] In untabulated tests, we find some evidence that deal premiums are higher for completed acquisitions of targets with CEOs who adhere to honor. Specifically, using the 286 completed deals for which we could compute deal premium—measured relative to the share price one month prior to acquisition announcement—and estimating an OLS model with deal premium as the dependent variable, we find the coefficient on *Honor* is significantly positive (coefficient estimate = 0.139, t-statistic = 1.82). We do not find a significant association when including the 155 withdrawn deals (coefficient estimate = 0.039, t-statistics = 0.86).

[24] In particular, see Chapter 2 in Acharya et al. (2018) and Gelfand et al. (2024) for a review of the literature in anthropology, sociology, and political economy on regional differences in cultural attitudes, how the community and regional institutions perpetuate them, and why they may eventually decay.

perpetuating norms, studies vary in their emphasis depending on the setting. Economic evidence of the transmission of various norms from older to younger generations within ethnic groups suggests ethnicity may also influence the adherence to honor.[25] Specifically, CEOs from ethnic groups with a herding legacy—a key driver of honor norms—may adhere to honor more strongly. Against this background, we test whether ethnicity confounds our primary finding by examining the associations among *Honor*, our regional measure of adherence to honor, target CEOs' ethnic origin, and the receptiveness to being acquired.

We identify CEOs' ethnic origin based on their surnames, using the *Dictionary of American Family Names* and *OnoGraph*[26]. We then score each ethnic group's historical reliance on pastoralism based on data in Murdock's (1967) *Ethnographic Atlas*, which characterizes 1,265 different ethnic groups worldwide on various cultural, ecological, and economic dimensions. Offered by Becker (2022), the score measures the group's historical reliance on herding animals. Cao et al. (2021) confirm that the folklore of ethnic groups with higher pastoralism scores is more likely to enshrine honor. We calculate *Ethnicity*, the score, by multiplying two variables we collect from the *Ethnographic Atlas*. The first variable, ranging between 0 and 100%, indicates the group's dependence on animal husbandry (Column 7). The second variable is an indicator based on the animals predominating the group's economy (Column 39); it equals 1 for herding animal (bovines,

[25] For example, Nunn and Wantchekon (2011) find members of ethnic groups targeted by the Atlantic slave trade, which ended in the 19th century, still exhibit heightened mistrust toward their relatives, neighbors, and governments. Alesina et al. (2013) document ethnic groups historically reliant on plough agriculture are now less likely to endorse gender equality than those that used hand tools for farming.

[26] Based on exhaustive onomatological investigations, the *Dictionary of American Family Names* traces the ethnic origin of the most common surnames in the U.S. According to the dictionary, some surnames are attributable to different, typically related ethnic groups. For such surnames, we use *OnoGraph*, an online database predicting name-place relations based on pre-processed census data, to determine the most likely ethnic origin. See Berger et al. (2023) for detailed description of *OnoGraph* and its uses in financial economics research.

horses, deer, camels, or alpacas) and 0 otherwise.[27] Conceptually, *Ethnicity* assigns high scores to ethnic groups with a strong legacy of herding conducive to honor norms.

In untabulated tests, we find evidence consistent with the theory's regional focus. First, univariate statistics reveal that, in our sample, the association between *Ethnicity* and *Withdraw* is indistinguishable from zero. Second, in Eq. (1), the coefficients on *Honor* remain positive and significant at the 1% level after controlling for *Ethnicity*. Finally, we implement the bootstrapping procedure offered by Hicks and Tingley (2011) to examine whether *Ethnicity* mediates the association between *Honor* and *Withdraw*. Based on Imai et al. (2011), Acharya et al. (2016), and Montgomery et al. (2018), we do not control for firm and deal characteristics in this analysis, because they realize after the formation of *Honor*.[28] According to the procedure, at less than 1%, the proportion mediated by *Ethnicity* is negligible. Collectively, these results suggest regional norms internalized during the formative years are more likely than ethnicity to explain target CEOs' adherence to honor and, consequently, their lower receptiveness to M&A.

In untabulated tests we also explore the parental role in shaping CEOs' adherence to honor. Specifically, we examine whether the association between target CEOs' adherence to honor and their receptiveness to being acquired varies depending on whether the CEO's mother is from an honor state. Nisbett and Cohen (1996) motivate our focus on mothers, observing that southern women are more pivotal than men in instilling a concern for honor in their children. We base our test on a model similar to Eq. (2), but substitute *County* with *Mother Honor*, an indicator equals 1

[27] To illustrate the construction of *Ethnicity*, consider a CEO from an ethnic group whose economy is 60% dependent on animal husbandry and dominated by cattle. For this CEO, *Ethnicity* is 0.6 (60% × 1). A CEO from an ethnic group whose economy is 40% dependent on animal husbandry and dominated by poultry, has a score of 0 (40% × 0). Becker (2022) and Cao et al. (2021) describe the extensive use of the *Ethnographic Atlas* in recent economic research.

[28] The exclusion of post-treatment covariates prevents the blockage of potential channels that link the treatment, mediator, and outcome. See Pearl and Mackenzie (2018) and Montgomery et al. (2018) for discussions on the bias caused by controlling for post-treatment covariates.

if the CEO's mother grew up in an honor state and 0 otherwise. We collect data on maternal birthplace from the Federal Census. Our findings suggest having a southern mother incrementally explains adherence to honor among target CEOs from honor states; whereas the coefficient on *Honor* is positive and significant at the 1% level (coefficient = 1.584, z-statistic = 2.87), the coefficient on *Honor* × *Mother Honor* is positive and significant at the 10% level (coefficient = 1.308, z-stat = 1.73). This result echoes Cohen et al.'s (1996) anecdotal finding, that having a southern mother may predict adherence to honor among southern men.[29]

6. Conclusion

Motivated by prior research in anthropology and social psychology, we investigate the association between target CEOs' adherence to cultural norms that enshrine the protection of honor and the receptiveness to being acquired. Gauging CEOs' adherence to honor based on their state of origin, we find targets with CEOs who grew up in honor states are less receptive to being acquired. We also find that among target CEOs from honor states, those who grew up in rural counties are less receptive to M&A. Highlighting the ecological foundations of the concern for honor, we do not find a similar intra-regional difference for CEOs from non-honor states. The positive association between adherence to honor and low receptiveness to being acquired continues to hold in a subsample of founder CEOs and in a subsample of targets that engaged in withdrawn and completed acquisitions under different CEOs. Using a probabilistic measure based on merger spreads, we also find targets' post-announcement share prices reflect a lower implied probability of deal completion if the CEO is from an honor state. Finally, we find CEOs' ethnicity neither mediates nor attenuates the association, suggesting regional influences—rather than

[29] Although prior literature highlights the maternal influence, we also test and find that either parent embodying honor culture shapes their CEO child's adherence to honor. We base our test on a model substituting *Mother Honor* with *Parent Honor*, an indicator equals 1 if either the CEO's mother or father grew up in an honor state. We find the coefficient on *Honor* × *Parent Honor* is positive and significant at the 5% level (coefficient = 2.147, z-statistic = 2.10).

intergenerational socialization within the ethnic group—have perpetuated the concern for honor. Collectively, our findings suggest target CEOs who adhere to honor are less receptive to being acquired, echoing the insights from anthropology and social psychology literatures.

Despite the evidence showing target CEOs affect and are affected by M&A, economists have focused on the impact of CEOs on acquiring firms' acquisitiveness. Complementing the extant literature, we find target CEOs' receptiveness to being acquired is associated with, and potentially explained by, their adherence to honor—an anthropological construct conceptually and empirically distinct from known determinants of M&A. By doing so, we shed light on target CEOs' impact on M&A and, in parallel, demonstrate the benefits of integrating anthropological insights into financial economics research.

Our inferences are subject to a number of caveats. First, because we do not directly observe the outcome variable—receptiveness to being acquired—we rely on the realized outcome of the proposed acquisition as a proxy. By doing so, we implicitly assume that receptiveness, or lack thereof, often manifests after the proposed acquisition is announced or rumored. We address this caveat by corroborating our primary finding with an implied probability measure based on observed changes in share prices and with cross-sectional tests that collectively provide a mosaic of evidence consistent with our inferences.

Second, our reliance on data collected from the 1930, 1940, and 1950 Federal Census to identify CEOs' home states limits the sample to proposed acquisitions between 1980 and 2010. This potentially constrains the generalizability of our findings to recent periods, to the extent that demographic and economic changes quickly erode regional honor norms. According to the extant literature, it is an open question at what rate the culture of honor decays in the U.S. South. Reviewing the body of research on various behavioral patterns across the U.S., Brown (2016)

concludes that a culture of honor still exists in the South. Although Nisbett and Cohen (1996) observe that the effect has lost some of its strength over time, they discuss several factors suggesting southerners' adherence to honor may retain some force indefinitely. Nonetheless, we believe that even if the culture of honor is eroding, our paper still demonstrates how sociological and anthropological factors may be at play in areas of interest to financial economists and accountants, potentially motivating more research on similar constructs.

Finally, whether our findings are generalizable to other business settings is not obvious. Prior literature observes that cultures of honor typically develop in violent environments where the predatory actions of others can inflict damage in the absence of an authority to retaliate on one's behalf. Our findings suggest the potential reputational and employment threats imposed by potential acquisitions to target CEOs parallel the classical honor violations identified by prior research. We leave it to future research to explore other business contexts in which conditions conducive to honor norms may be at play.

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Table 1: Sample Composition

Panel A describes the composition of our sample of 571 target company CEOs with completed or withdrawn acquisitions. The sample draws from an initial pool of attempted acquisitions that involve publicly traded target companies, transactions that would grant the acquirer ownership interest of at least 50%, and deal status marked as "withdrawn" or "completed". Panel B (C) presents year (industry) distributions.

Panel A: CEOs and Target Companies

	# of CEOs	# of Targets
Sample of withdrawn acquisitions:		
Target CEOs repeatedly engaged in withdrawn deals	131	124
CEOs engaged in withdrawn deals in targets that were eventually acquired but under a different CEO	110	105
	241	
Sample of completed acquisitions:		
CEOs in targets with only a completed deal	225	225
CEOs engaged in a completed deal and the target previously engaged in withdrawn deals under different CEOs	105	105
	330	
Total:	**571**	

Panel B: Industry

2-Digit SIC Code	Industry Title	Frequency	Percent
10, 13	Mining	28	4.90
15, 17	Construction	5	0.88
20, 23, 24, 26-39	Manufacturing	215	37.65
40, 42, 44, 45, 48	Transportation, Communications, Electric, Gas, And Sanitary Services	47	8.23
50, 51	Wholesale Trade	8	1.41
53-59	Retail Trade	50	8.77
60, 61, 63-65, 67	Finance, Insurance, And Real Estate	153	26.80
70, 73, 75, 78-80, 87	Services	65	11.39
Total		**571**	**100%**

Panel C: Year

Deal Announcement Years	Frequency	Percent
1980-1984	84	14.72
1985-1989	216	37.83
1990-1994	76	13.32
1995-1999	88	15.42
2000-2004	45	7.89
2005-2009	43	7.54
2010-2014	17	2.99
2015-2019	2	0.36
Total	**571**	**100%**

Table 2: Summary Statistics

This table reports summary statistics for targets and their CEOs. The data pertain to 571 target CEOs with completed or withdrawn acquisitions between 1980 and 2010. Financial variables are winsorized at the 5% and 95% levels. Appendix A defines the variables.

	N	Mean	Std Dev	25%	Med	75%
Experimental Variables:						
Withdraw	571	0.42	0.49	0.00	0.00	1.00
Honor	571	0.30	0.46	0.00	0.00	1.00
County (thousands)	538	712	1,008	46	291	859
Founder	571	0.33	0.47	0.00	0.00	1.00
Control Variables:						
Firm Size (millions)	529	1,252	2,428	58	226	983
Leverage	529	0.22	0.19	0.06	0.19	0.36
ROA	529	0.01	0.08	-0.01	0.02	0.06
Tobin's Q	529	1.00	0.69	0.57	0.85	1.26
Age	571	55.86	8.24	50.00	56.00	61.00
Firm Honor	571	0.38	0.49	0.00	0.00	1.00
Public Acquirer	571	0.69	0.46	0.00	1.00	1.00
Bidders	571	0.10	0.31	0.00	0.00	0.00
Same Industry	571	0.48	0.50	0.00	0.00	1.00

Table 3: Univariate Analysis

Sample of 571 target CEOs between 1980 and 2010. The "withdrawn deal" sample includes 241 CEOs, comprising (i) 131 CEOs repeatedly engaged in withdrawn deals in targets not subsequently acquired, and (ii) 110 CEOs engaged in withdrawn deals in targets subsequently acquired under a different CEO. The "completed deal" sample includes 330 CEOs, comprising (i) 225 CEOs of matched acquired targets with no prior withdrawn deals, and (ii) 105 CEOs of acquired targets with prior withdrawn deals under different CEOs. Panel A compares the 241 and 330 observations in the withdrawn and completed deal samples. Panel B focuses on the 110 CEOs engaged in withdrawn deals in targets subsequently acquired under a different CEO and the 105 CEOs that were in office when these targets were acquired. Column 3 reports two-sample tests for the differences in means. Financial variables are winsorized at the 5% and 95% levels. Appendix A defines the variables.

Panel A: Target companies with withdrawn and completed deals

	Column 1			Column 2			Column 3	
	Withdrawn Deals Sample (N=241)			Completed Deals Sample (N=330)			*Difference in means*	
	Mean	*Med*	*Std*	*Mean*	*Med*	*Std*	*(p-value)*	
Independent Variables:								
Honor	0.49	0.00	0.50	0.17	0.00	0.37	0.32	(0.00)
County (thousands)	567	109	945	819	421	1,041	-253	(0.00)
Founder	0.39	0.00	0.49	0.30	0.00	0.46	0.09	(0.02)
Firm Size (total assets, millions)	1,211	219	2,426	1,281	235	2,434	-70	(0.74)
Leverage	0.21	0.17	0.18	0.23	0.20	0.19	-0.02	(0.26)
ROA	0.00	0.01	0.09	0.01	0.02	0.08	-0.01	(0.18)
Tobin's Q	0.91	0.79	0.63	1.05	0.89	0.72	-0.14	(0.02)
Age	56.62	57.00	8.24	55.3	56.00	8.20	1.32	(0.06)
Firm Honor	0.40	0.00	0.49	0.37	0.00	0.48	0.03	(0.53)
Public Acquirer	0.54	1.00	0.50	0.80	1.00	0.40	-0.26	(0.00)
Bidders	0.10	0.00	0.31	0.10	0.00	0.30	0.00	(0.98)
Same Industry	0.40	0.00	0.49	0.54	1.00	0.50	-0.14	(0.00)

Panel B: CEOs of targets with withdrawn and completed deals under different CEOs

	Column 1 Withdrawn Deals (N=110)			Column 2 Completed Deals (N=105)			Column 3 Difference in means (p-value)	
	Mean	*Med*	*Std*	*Mean*	*Med*	*Std*		
Honor	0.54	1.00	0.50	0.14	0.00	0.35	0.39	(0.00)
County (thousands)	634	122	1,074	900	504	1,038	-265	(0.08)
Founder	0.37	0.00	0.49	0.07	0.00	0.25	0.31	(0.00)
Tobin's Q	0.90	0.84	0.66	0.97	0.83	0.69	-0.07	(0.45)
Public Acquirer	0.55	1.00	0.50	0.73	1.00	0.44	-0.18	(0.01)
Same Industry	0.48	0.00	0.50	0.55	1.00	0.50	-0.07	(0.30)

Table 4: Multivariate Analysis

This table presents logistic regression results from the estimation of Eq. 1. investigating the association between target CEOs' adherence to honor and receptiveness to M&A. The characterization of CEOs as adhering to honor is based on Cohen et al. (1996) and Vandello et al. (2008). The data pertain to 571 target CEOs between 1980 and 2010, comprising 241 (330) observations with withdrawn (completed) deals. Z-statistics are reported in parentheses. (∗), (∗∗), and (∗∗∗) indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Appendix A defines the variables.

Regression of *Withdraw* on *Honor*

	Prediction	(1) *Withdraw*	(2) *Withdraw*	(3) *Withdraw*
Honor	+	1.568***	1.649***	2.173***
		(8.00)	(7.70)	(7.26)
Control Variables:				
Firm Size				0.051
				(0.69)
ROA				-2.158
				(-1.45)
Leverage				-1.275*
				(-1.95)
Tobin's Q				-0.205
				(-1.00)
Age				0.018
				(1.29)
Firm Honor				-0.814***
				(-2.87)
Public Acquirer				-1.681***
				(-6.26)
Bidders				-0.693*
				(-1.77)
Same Industry				-0.313
				(-1.25)
Observations		571	571	529
Pseudo R-squared		0.089	0.161	0.279
Industry F.E.		NO	YES	YES
Year F.E.		NO	YES	YES

Table 5: Rural versus Urban Origins

This table presents logistic regression results from the estimation of Eq. 2, investigating whether the association between target CEOs' adherence to honor and their receptiveness to M&A varies based on whether they grew up in rural or urban regions. The characterization of CEOs as adhering to honor is based on Cohen et al. (1996) and Vandello et al. (2008). The evaluation of rural versus urban origin is based on the number of residents in the CEO's county of origin. The data pertain to 571 target CEOs between 1980 and 2010, comprising 241 (330) observations with withdrawn (completed) deals. Z-statistics are reported in parentheses. (∗), (∗∗), and (∗∗∗) indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Appendix A defines the variables.

Regression of *Withdraw* on *Honor* and *County*

	Prediction	(1) *Withdraw*	(2) *Withdraw*	(3) *Withdraw*
Honor	+	7.314***	8.402***	8.725***
		(4.15)	(4.41)	(3.91)
County		-0.029	-0.001	-0.062
		(-0.46)	(-0.02)	(-0.78)
Honor × County	-	-0.507***	-0.594***	-0.582***
		(-3.44)	(-3.74)	(-3.16)
Control Variables:				
Firm Size				0.085
				(1.10)
ROA				-2.513
				(-1.59)
Leverage				-1.119
				(-1.63)
Tobin's Q				-0.133
				(-0.61)
Age				0.016
				(1.09)
Firm Honor				-0.785***
				(-2.62)
Public Acquirer				-1.721***
				(-6.12)
Bidders				-0.711*
				(-1.74)
Same Industry				-0.338
				(-1.30)
Observations		538	538	497
Pseudo R-squared		0.106	0.184	0.303
Industry F.E.		NO	YES	YES
Year F.E.		NO	YES	YES

Table 6: Within-Target Analysis using CEO Transitions

This table presents logistic regression results from the estimation of Eq. 3 for a subsample of 105 target companies, each having both withdrawn and completed deals but under different CEOs. Specifically, for these 105 targets, 110 CEOs engaged in withdrawn transactions and 105 CEOs engaged in completed transactions. The characterization of CEOs as adhering to honor is based on Cohen et al. (1996) and Vandello et al. (2008). Z-statistics are reported in parentheses. (∗), (∗∗), and (∗∗∗) indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Appendix A defines the variables.

Regression of *Withdraw* on *Honor*

	Prediction	(1) *Withdraw*	(2) *Withdraw*	(3) *Withdraw*	(4) *Withdraw*
Honor	+	1.937***	4.478***	4.960***	6.321***
		(5.73)	(6.74)	(6.81)	(6.20)
Control Variables:					
Age				0.045	0.116***
				(1.344)	(2.72)
Public Acquirer				-1.877***	-2.011***
				(-3.153)	(-2.61)
Bidders				-1.010	-0.870
				(-1.064)	(-0.73)
Same Industry				-0.193	0.486
				(-0.266)	(0.55)
Firm Size					-3.136***
					(-5.14)
ROA					10.89***
					(2.67)
Leverage					6.088***
					(2.77)
Tobin's Q					-1.377*
					(-1.65)
Firm Honor					-2.693
					(-0.50)
Observations		215	215	215	206
Pseudo R-squared		0.130	0.270	0.337	0.524
Firm F.E.		NO	YES	YES	YES

Table 7: Founder CEOs

This table presents logistic regression results from the estimation of Eq. 1, investigating whether the association between target CEOs' adherence to honor and their receptiveness to M&A varies based on whether the CEO is the target's founder (including co-founder or close relative of the founder) or non-founder. The data in Panel A pertains to all 571 target CEOs in our sample, comprising 241 (330) observations with withdrawn (completed) transactions. Panel B focuses on the 193 founder-CEOs in the sample. The characterization of CEOs as adhering to honor is based on Cohen et al. (1996) and Vandello et al. (2008). Z-statistics are reported in parentheses. (∗), (∗∗), and (∗∗∗) indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Appendix A defines the variables.

Panel A: Regression of *Withdraw* on *Honor* and *Founder* (full sample)

	Prediction	(1) *Withdraw*	(2) *Withdraw*	(3) *Withdraw*
Honor	+	1.272***	1.275***	1.700***
		(5.34)	(4.91)	(4.98)
Founder		0.0943	-0.114	-0.319
		(0.41)	(-0.45)	(-1.08)
Honor × Founder	+	0.874**	1.075**	1.425***
		(2.01)	(2.32)	(2.64)
Control Variables:				
Firm Size				0.056
				(0.75)
ROA				-2.179
				(-1.43)
Leverage				-1.164*
				(-1.76)
Tobin's Q				-0.210
				(-1.01)
Age				0.015
				(1.04)
Firm Honor				-0.882***
				(-3.06)
Public Acquirer				-1.741***
				(-6.38)
Bidders				-0.713*
				(-1.81)
Same Industry				-0.303
				(-1.19)
Observations		571	571	529
Pseudo R-squared		0.099	0.170	0.290
Industry F.E.		NO	YES	YES
Year F.E.		NO	YES	YES

Panel B: Regression of *Withdraw* on *Honor* (for Founder CEOs)

	Prediction	(1) *Withdraw*	(2) *Withdraw*	(3) *Withdraw*
Honor	+	2.146***	2.600***	4.702***
		(5.91)	(4.65)	(4.13)
Control Variables:				
Firm Size				-0.194
				(-0.73)
ROA				-1.265
				(-0.31)
Leverage				-0.027
				(-0.01)
Tobin's Q				-0.811
				(-1.36)
Age				-0.017
				(-0.48)
Firm Honor				-2.111**
				(-2.17)
Public Acquirer				-2.616***
				(-3.04)
Bidders				1.265
				(0.90)
Same Industry				-0.565
				(-0.75)
Observations		193	171	154
Pseudo R-squared		0.158	0.398	0.568
Industry F.E.		NO	YES	YES
Year F.E.		NO	YES	YES

Table 8: Implied Probability of Deal Outcome

This table presents tests using *Prob_Withdraw*, a market-based measure of the implied probability a particular transaction is expected to be withdrawn. Panel A presents descriptive statistics and results of two-sample t-tests for *Prob_Withdraw* for an initial SDC pool of attempted acquisitions between 1980 and 2010 of public targets, where these transactions would grant the acquirer ownership interest of at least 50%, and have deal status marked as "withdrawn" or "completed" in SDC. The SDC pool includes 6,744 observations with non-missing *Prob_Withdraw* observations, comprising 1,486 (5,258) withdrawn (completed) deals. Panel B presents descriptive statistics and results of two-sample t-tests for *Prob_Withdraw* for our sample of 348 observations with available *Prob_Withdraw*. Panel C reports coefficient estimates from OLS regressions of a model similar to Eq. (1), but instead with *Prob_Withdraw* as the dependent variable. *Prob_Withdraw* is computed as $1-\left[\frac{P_{i,t+1}-P_{i,t-1}}{P_{D,i,t}-P_{i,t-1}}\right]$, where $P_{i,t+1}$ ($P_{i,t-1}$) is the target's share price one trading day after (before) deal announcement at time t for target firm i. $P_{D,i,t}$ is the offered acquisition price per share. Test t-statistics are reported in parentheses. (∗), (∗∗), and (∗∗∗) indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Appendix A defines the variables.

Panel A: SDC Pool (N=6,744)

	N	Mean	STD	25%	Med	75%
Prob_Withdraw	6,744	0.408	0.294	0.146	0.354	0.625

	N	Mean	STD	[95% confidence interval]
Prob_Withdraw by *Withdraw*:				
Withdraw = 0	5,258	0.369	0.285	0.362 — 0.377
Withdraw = 1	1,486	0.545	0.285	0.530 — 0.559
t-statistic for difference in means		20.97		

Panel B: Sample (N=348)

	N	Mean	STD	25%	Med	75%
Prob_Withdraw	348	0.474	0.292	0.236	0.462	0.704

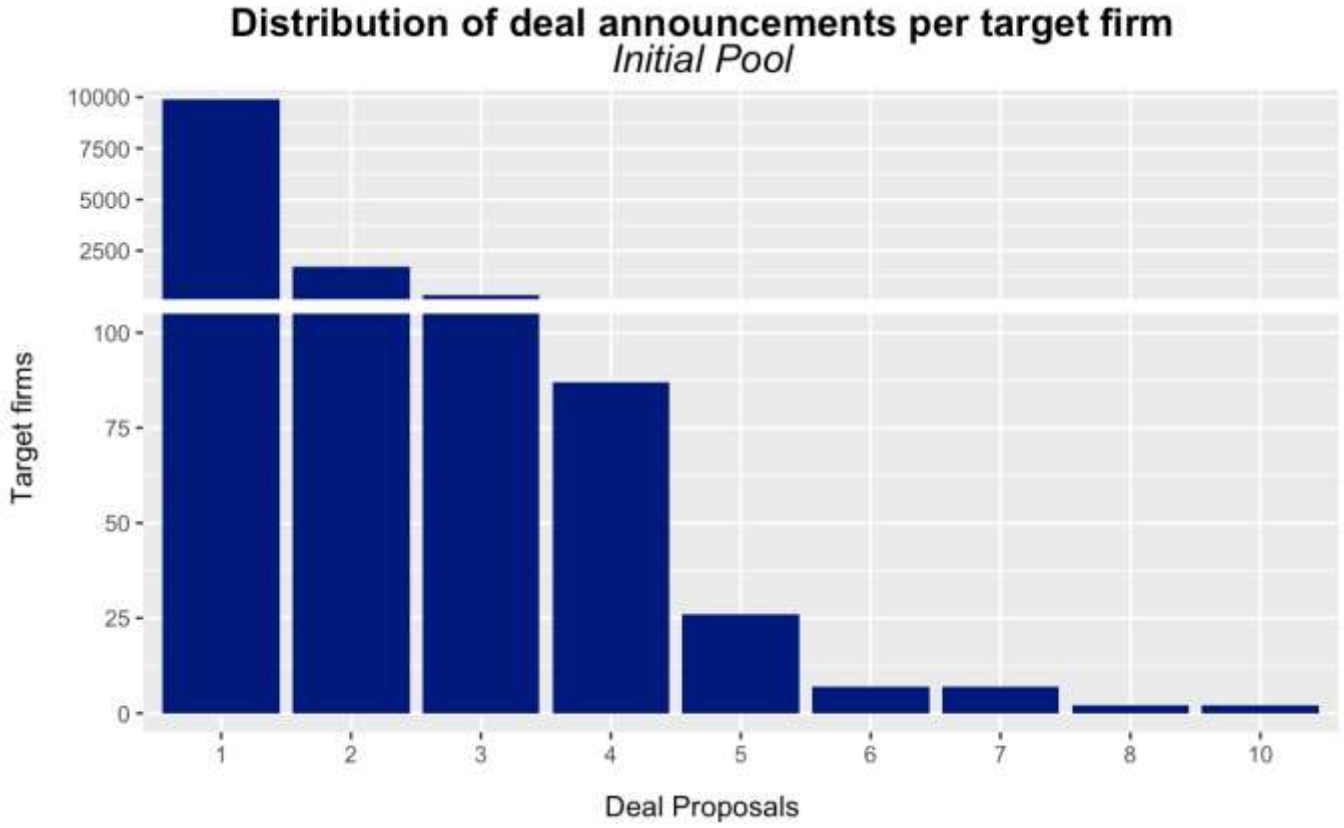
	N	Mean	STD	[95% confidence interval]
Prob_Withdraw by *Withdraw*:				
Withdraw = 0	221	0.409	0.293	0.371 — 0.448
Withdraw = 1	127	0.587	0.256	0.542 — 0.632
t-statistic for difference in means		5.71		

Panel C: OLS Regressions

	Prediction	(1) *Prob_Withdraw*	(2) *Prob_Withdraw*	(3) *Prob_Withdraw*
Honor	+	0.076** (2.39)	0.053* (1.96)	0.060* (1.86)
Control Variables:				
Firm Size				-0.013 (-0.91)
ROA				-0.309 (-1.32)
Leverage				-0.058 (-0.62)
Tobin's Q				-0.033 (-0.87)
Age				0.000 (0.06)
Firm Honor				-0.040 (-0.87)
Public Acquirer				-0.056 (-1.16)
Bidders				0.007 (0.09)
Same Industry				0.025 (0.55)
Observations		348	347	326
R-squared		0.014	0.227	0.254
Industry F.E.		NO	YES	YES
Year F.E.		NO	YES	YES

Figure 1: Distribution of proposed acquisitions per target firm

The figure presents the distribution of the number of proposed acquisitions (either withdrawn or completed) per target company. Using Thomson Reuters SDC Platinum, we identify a pool of 14,957 attempted acquisitions between 1980 and 2010 that involve publicly traded target companies, would grant the acquirer ownership interest of at least 50%, and deal status is marked "withdrawn" or "completed". This pool includes 3,700 withdrawn deals (2,924 target companies) and 11,257 completed deals. Because of the high number of targets with anywhere from one to three deals per target, the figure includes a scale break at 100.



Appendix A: Variable description

Variable	Description	Table	Source
CEO characteristics:			
Honor	A measure of CEOs' adherence to social norms enshrining honor. *Honor* is equal to 1 for CEOs who grew up in one of the following states: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North and South Carolina, Oklahoma, Tennessee, Texas, Virginia, and West Virginia. Based on prior scholarship, *Honor* is also equal to 1 for CEOs who grew up south of Springfield, Illinois; and CEOs who grew up in Greece, Scotland, South Africa, and Southern Italy.	4 – 8	The Federal Census; see section 3.2 for additional data sources on CEOs' states of origin.
County	The natural log of the number of residents in the county where the CEO grew up.	5	The Federal Census
Founder	An indicator variable equal to 1 if the CEO is a firm founder, co-founder, or relative of the founder.	7	Firm filings; national and local newspapers
Age	CEO's age (in years) as of the withdrawal or closing year.	4 – 8	Firm filings; national and local newspapers
Target company characteristics:			
Withdraw	An indicator variable equal to 1 if the target repeatedly engaged in withdrawn deals without being acquired during the CEO's tenure.	4 – 8	Thomson Reuters SDC Platinum
Firm size	The natural log of total assets (Compustat AT) in the withdrawal or closing year.	4 – 8	Compustat
ROA	Net income (Compustat NI) divided by total assets (Compustat AT) in the fiscal year before the withdrawal or closing.	4 – 8	Compustat

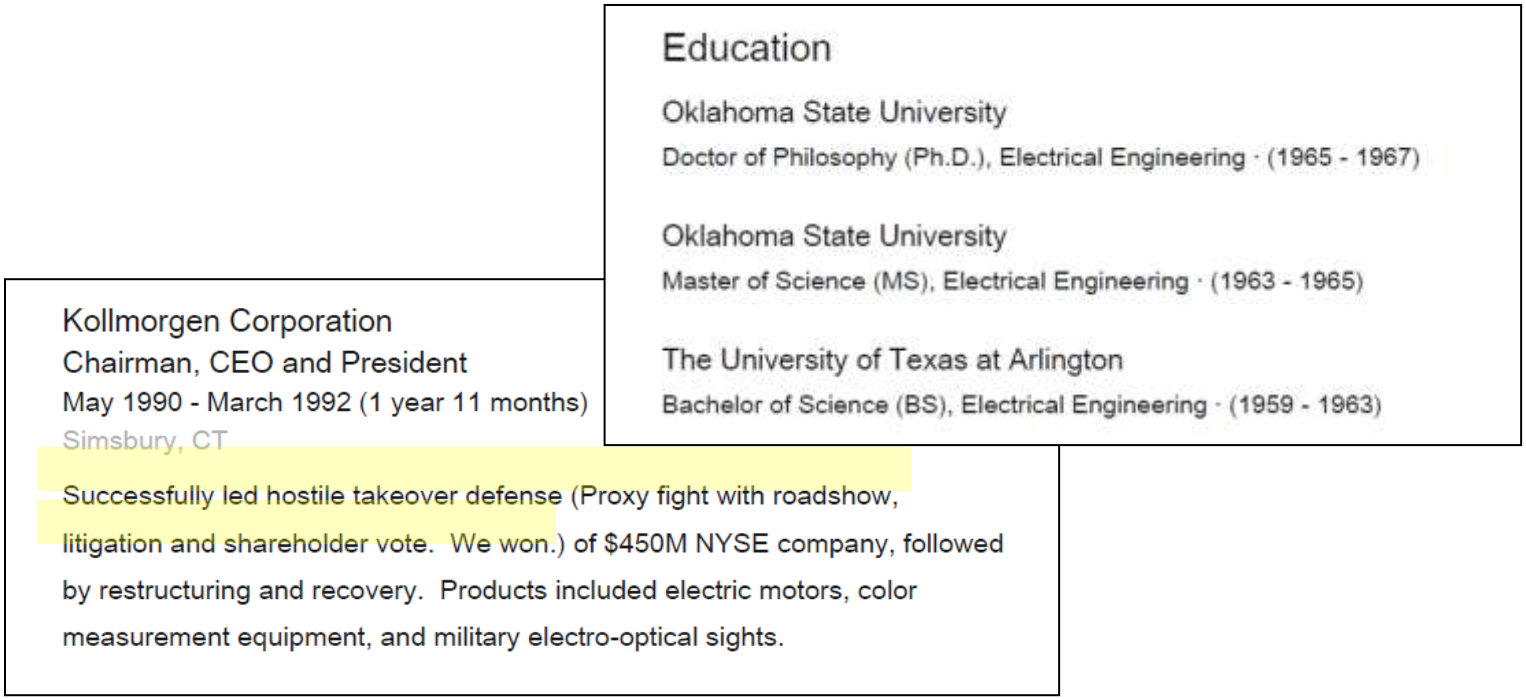
Leverage	Total debt (Compustat DLC plus DLTT) to total assets (Compustat AT) at the end of the fiscal year before the withdrawal or closing.	4 – 8	Compustat
Tobin's Q	Market value of equity plus total debt (Compustat DLC plus DLTT) divided by total assets (Compustat AT) at the end of the fiscal year before the withdrawal or closing. Market value of equity is given by common shares outstanding (Compustat CSHO) multiplied by the share price at the end of the fiscal year (Compustat PRCC_F).	4 – 8	Compustat
Firm Honor	An indicator variable equal to 1 if the firms' headquarters are in an honor state. See *Honor* for the list of honor states.	4 – 8	Thomson Reuters SDC Platinum; Firm filings; Moody's Manuals

Deal characteristics:

Prob_Withdraw	Computed as $1 - [\frac{P_{i,t+1} - P_{i,t-1}}{P_{D,i,t} - P_{i,t-1}}]$, where $P_{i,t+1}$ ($P_{i,t-1}$) is the target's share price one trading day after (before) deal announcement at time t for target firm i. $P_{D,i,t}$ is the proposed acquisition price per share, based on information available at time t for firm i.	8	Thomson Reuters SDC Platinum; CRSP
Public Acquirer	An indicator variable equal to 1 if the acquirer is a public firm.	4 – 8	Thomson Reuters SDC Platinum
Bidders	An indicator variable equal to 1 if there is more than one bidder for the deal.	4 – 8	Thomson Reuters SDC Platinum
Same Industry	An indicator variable equal to 1 if the acquirer and target are both in the same industry (according to their two-digit SIC codes).	4 – 8	Thomson Reuters SDC Platinum

Appendix B: Data collection

This appendix uses John L. Youngblood to illustrate the data-collection methods used in this study. Firm filings and Moody's 1990 Manual confirm Youngblood served as the CEO and chairman of Kollmorgen Corporation of Stamford, Connecticut. Kollmorgen rejected a takeover proposal by Vernitron Corp in 1990 and was not acquired during Youngblood's Tenure. Presented below, an excerpt from Youngblood's **LinkedIn** account confirms he led Kollmorge's resistance to Vernitron's takeover attempt. The excerpt also reveals he attended The University of Texas at Arlington (formerly Arlington State College) and Oklahoma State University.



Youngblood's **birth record** and **marriage announcement** are presented below. The record reveals he was born in 1941 in Texas, consistent with the information in Standard & Poor's Register of Corporations, Directors, and Executives. The birth record and marriage announcement also state his parents' names (J. Douglas and Hessie B. Youngblood). Using these biographical markers, we located the Youngblood family's record in the 1950 Federal Census.

YOUNGBLOOD, JESSE ORIAN	243	FEB 07	M	BARTLETT, MAY BELLE	YOUNGBLOOD, JAMES ORIAN	
YOUNGBLOOD, JIMMIE RAY	157	SEP 12	M	SHARP, MAGGIE ELISABETH	YOUNGBLOOD, J. R.	
YOUNGBLOOD, JOHN L.	001	MAR 14	M	CAFFY, HESSIE B.	YOUNGBLOOD, J. D.	

Miss Larri Doyle Becomes Bride of John Youngblood

Miss Larri Sharon Doyle, daughter of Mr. and Mrs. William C. Doyle, 2429 Alloway Dr., and John L. Youngblood, son of Mr. and Mrs. J. Douglas Youngblood, 2149 Ridgeview, were married in Hillside Christian Church at 8 p. m. Saturday.

Rev. Ben F. Hearn of First Christian Church, Jacksboro, read the ceremony. Miss Sandra G. Tawater and Miss Kay Martin of Corsicana were bridesmaids with Marsha Doyle as junior bridesmaid.

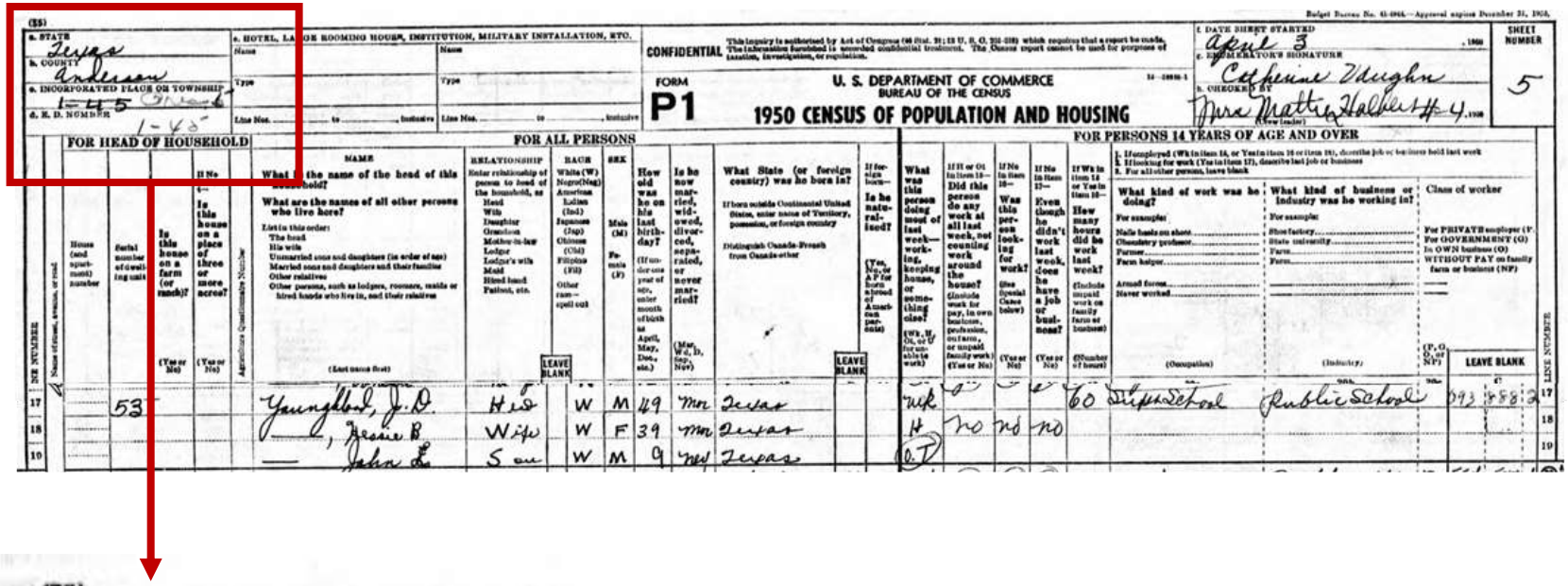
The bridegroom's father was best man. Robert J. Sager, Tom Holder, James H. Hopson Jr. and Wesley T. Beard were groomsmen and ushers.

The bride chose a sheath gown of French silk faille and pearl - embroidered lace with a cutaway overskirt falling to a chapel train. She carried stephanotis and English ivy with a white Cattleya orchid.

Assisting at a reception in the church parlor were Mrs. Hopson, Mrs. Gerald Fren, Mrs. Philip M. Vandever and Misses Barbara Budans, Sandra Coomer and Paula Doyle.

After a trip to Galveston the couple will live in Stillwater, Okla., where the bridegroom will work toward his doctorate at Oklahoma State University on a three-year National Defense Graduate Fellowship. He received his B. S. degree at Arlington State College, where he was an honor graduate and president of Epsilon Gamma Nu, engineering honor society.

Youngblood's **1950 census record** is presented below. According to the record, Youngblood grew up in **Anderson County, Texas**—a county with a population of 31,875 people.



(35)

a. STATE Texas

b. COUNTY Anderson

c. INCORPORATED PLACE OR TOWNSHIP 1-45 Grand

d. E. D. NUMBER 1-45

FOR HEAD OF HOUSEHOLD