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Stakeholder Orientation and Acquisition Performance

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Research summary: *In this article, we study how a firm's stakeholder orientation affects the performance of its corporate acquisitions. We depart from prior literature and suggest that orientations toward employees, customers, suppliers, and local communities will affect long-term acquisition performance both directly and through its interactions with process characteristics, such as preacquisition relatedness and postacquisition integration. Analyses of data on a sample of 1884 acquisitions show overall a positive association between acquirers' stakeholder orientation and acquisition performance. In addition, we find support for a positive moderation of business relatedness on the performance impacts of stakeholder orientation. Structural integration has a similarly positive moderation effect only for some of the stakeholder categories.*

Managerial summary: *Does collaboration with stakeholders during an acquisition pay off in terms of performance? The results of this research show that it is worth engaging stakeholders during the M&A process, but that the efficacy of involvement practices may depend on the type of stakeholders and the characteristics of the acquisition. While acquiring firms that take account of suppliers and local communities consistently overperform in their acquisitions, the inclusion of employees might be not beneficial (and even harmful) when the target firm operates in a dissimilar business or when managers do not plan to maintain it as a separate entity.*

Strategic management scholars have studied mergers and acquisitions since the inception of the field. To date, merger and acquisition (M&A) literature has implicitly adopted a theory of the firm that assigns primacy to the interests of shareholders over those of other stakeholders (e.g., Jensen & Ruback, 1983; Seth, 1990; Singh & Montgomery, 1987). This may be problematic for understanding the drivers of acquisition performance because there is a significant amount of heterogeneity in how different firms consider nonshareholding stakeholders' relationships when pursuing firm objectives, and because this heterogeneity might be an important factor in explaining the variance in M&A performance.

We refer to this phenomenon as *heterogeneity in stakeholder orientation*, defined as the degree to which a firm's management decides to focus its attention on stakeholders and integrate their interests and knowledge in its decision making (Harrison, Bosse, & Phillips, 2010; Tantalo & Priem, 2014). Heterogeneity in stakeholder orientation can derive from a number of factors, such as governance structures (Wang & Dewhirst, 1992), institutional contexts (Kacperczyk, 2009), or managerial motivations (Berman, Wicks, Kotha, & Jones, 1999).

Keywords: stakeholder orientation; M&A process; acquisition performance; stakeholder relations; relational capital
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In this article, we adopt a stakeholder-based view of the firm (Blair & Stout, 1999; Freeman, Harrison, Wicks, Parmar, & de Colle, 2010) to study the process and performance of mergers and acquisitions. To do so, we relax the M&A literature's implicit assumption regarding the homogeneity in the extent to which the knowledge and interests of nonshareholding stakeholders are taken into account in decision-making processes.

One of the article's central claims is that the heterogeneity in stakeholder orientation is likely to be reflected in how firms manage their acquisition processes. In particular, there might be considerable variation among acquirers in the attention they give to their relationships with different stakeholder categories and the extent to which their capabilities and relationships are leveraged during the acquisition processes (Haspeslagh & Jemison, 1991; Pablo, Sitkin, & Jemison, 1996). To date, the M&A literature has not focused on the effects of this particular dimension of firm heterogeneity to explain variance in acquisition performance. The main goal of the present study is therefore to develop and test a theory about the influence of an acquiring firm's orientations toward stakeholders on its M&A performance.

It is worth noting that this article does not start from the assumption that the acquirer's stakeholder orientations will only have positive consequences for its M&A performance. For instance, the positive implications of integrating the interests and knowledge of a specific category of stakeholders (e.g., employees) may be outweighed by the costs associated with the allocation of managerial attention and resources to the relationships with that category. In developing our theoretical contribution, we emphasize both the costs and benefits of acquirers' orientations toward different stakeholder categories.

We test our hypotheses using a unique sample of 1,884 acquisitions undertaken by large US-based listed firms across industries between 2002 and 2010. Our data shows that orientations toward stakeholders have an overall positive impact on acquisition performance and that business relatedness positively influences the strength of this relationship. Beyond the general effect of stakeholder orientation, the results also show that orientations toward specific categories of stakeholders yield heterogeneous effects on acquisition performance depending on the degree of structural integration.

The rest of the article is structured as follows: in the next section, we build on the stakeholder-based view (SBV) to define the concept of stakeholder orientation and to identify how orientations manifest in firm behaviors. The third section presents the methods and the data used to test the hypotheses, while the fourth presents the results of our statistical analyses. The article concludes with a discussion of our results and some suggestions for future research.

Theoretical Development

Stakeholder Orientation

The stakeholder-based view of the firm holds that an organization can be seen as a set of interdependent relationships between its stakeholders (Blair & Stout, 1999; Freeman et al., 2010), who are jointly committed to its success, and who contribute specific forms of capital, including financial, human, and social capital (Kochan & Rubinstein, 2000) to that end. Several definitions of stakeholders have been used in the literature. In this study, we adopt Post, Preston, and Sachs's (2002: 8) definition, which describes a firm's stakeholders as those "individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth creating capacity and activities." In line with this definition, we focus on those stakeholder groups that "the firm needs in order to exist" (Dunham, Freeman, & Liedtka, 2006: 25): employees, customers, suppliers, and local communities.[1]

Received literature suggests that these stakeholders can be more or less involved in scanning the environment, making decisions about prioritizing issues the firm needs to attend to, generating and selecting alternative responses to these issues, and determining how such responses are executed. From a practical standpoint, a higher level of orientation toward a stakeholder category translates into a set of routinized behaviors aimed at assessing the quality of the relationship with these stakeholders (Reynolds, Schultz, & Hekman, 2006), exchanging information with them, and incorporating their interests and knowledge into the firm's decisions

[1] Logically, shareholders would be encompassed in this definition, however, we consider this category of stakeholder as residual and focus instead on nonshareholding stakeholders. This does not mean that we neglect this stakeholder category altogether, but, for the purposes of this article, we see limited value in analyzing the heterogeneity of firms' shareholder orientations. Several previous finance-related studies have already focused on the extent to which orientations toward shareholders may impact acquisition performance (e.g., Bigelli & Mengoli, 2004).

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(Bridoux & Stoelhorst, 2014; Harrison et al., 2010; Rousseau & Wade-Benzoni, 1994; Tantalo & Priem, 2014). For example, the literature has generally linked employee orientation with the notion of quality workforce relationships (Rousseau & Wade-Benzoni, 1994). Customer orientation has often been associated with higher attention to client preferences (Narver & Slater, 1990) or with the increased use of customer-sourced knowledge (Day, 1994). Supplier orientation has frequently been exemplified using the Japanese *keiretsus* system in which key suppliers are involved in decision and execution processes related to product development (Dyer, 1996). Local community orientation has been associated with managers devoting greater attention to the institutional environment in which their firm is embedded as well as the use of communication and philanthropic initiatives (Marquis, Glynn, & Davis, 2007).

In terms of outcomes, an orientation toward stakeholders has been seen to foster the development, selection, and deployment of internal change initiatives (Sharma & Henriques, 2005), the emergence of dynamic capabilities related to organizational innovation (Aragón-Correa & Sharma, 2003), or the increase in legitimacy perceptions and reputation (King, 2008).

Does this then mean that all firms need to be oriented toward their stakeholders in order to be successful? Recent developments in instrumental stakeholder theory suggest that orientation toward stakeholders is not a panacea for all problems (Bridoux & Stoelhorst, 2014) and comes with associated increases in costs. These can include the direct allocation of economic resources (e.g., increases in the costs associated with lower aggressiveness in bargaining with some stakeholders; Coff, 1999) as well as the managerial time required to interact, understand, and prioritize stakeholders (Reynolds et al., 2006). They may also represent a form of value overallocation that may, in turn, hamper the performance of a firm's activities (Harrison et al., 2010).

Having introduced the notion of stakeholder orientation, we now move on to examine the impact of an acquiring firm's orientation toward stakeholders on the acquisition process.

Stakeholder Orientation and the Acquisition Process

Do firms that display higher levels of stakeholder orientation behave differently during acquisition processes? If so, what type of benefits and drawbacks are associated with these different behaviors? To answer these questions, we start our theoretical explanation by distinguishing between two phases in the acquisition process: pre- and postacquisition (Haspeslagh & Jemison, 1991; Pablo et al., 1996). Table 1 provides an overview of these behaviors, benefits, and drawbacks, which we delineate below.

Advantages in the preacquisition phase. One issue related to the preacquisition phase that has received increased attention in the extant literature concerns the complexities associated with selecting, valuing, and understanding a target firm's resources (Capron & Shen, 2007). We claim that, all else being equal, stakeholder-oriented firms are predisposed to assess the quality of a target firm's resources better than their less stakeholder-oriented competitors for a number of reasons. First, the capacity to engage stakeholders might become essential in assessing the quality of the target firm's relationships with its own stakeholders. In a way, the degree of orientation toward stakeholders preadapts (Cattani, 2005) the acquiring firm in the target selection process through competences that have been developed for completely different reasons (i.e., the management of the relationships of its own stakeholders). Second, its depth of experience in handling stakeholder relationships might make a stakeholder-oriented acquiring firm better capable of anticipating postacquisition frictions during the target selection phase.

Part of the difficulties associated with the preacquisition phase typically regards the assessment of the economic value of the target firm's relational resources. Capron and Hulland (1999), for example, suggest that the accuracy of the economic valuation of the target may be biased by difficulties in reconstructing the causal mechanisms that may have led it to develop a loyal customer base. Since *customer orientation* might be reflected in increased attention to assessing the target's relationships with its customers, a customer-oriented acquirer would deploy its preexisting set of routines to support this analysis. This implies that customer orientation may enhance the capacity of the acquiring firm to analyze the target's customer base and reduce errors in pricing decisions (Capron & Shen, 2007).

Similar considerations may apply in the case of supplier relationships. Acquiring firms characterized by higher levels of *supplier orientation* might, in fact, be less likely to erroneously select target firms that have poor quality supplier relationships,

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Table 1
Orientation Towards Stakeholders and Expected Behavior, Benefits and Drawbacks in the Acquisition Process

Stakeholder category	Pre acquisition phase	Post acquisition phase
Employee orientation	**Expected behavior:** – Ex-ante analysis of the potential personnel attrition risk **Benefits**: Increased use of informal information gathering mechanisms and reduction of ex-ante leaving **Drawbacks**: Increased costs associated with due diligence and selection (Schweiger & Denisi, 1991; Siegel & Simmons, 2010)	**Expected behavior:** – Collaborative planning of resource redeployment and routines redesign **Benefits**: Better contextualization of decisions to the situation at hand. Lower levels of unexpected loss of target's high-quality employees **Drawbacks**: Increase in coordination costs associated with the increased informational complexity (Cording, Harrison, Hoskisson, & Jonsen, 2013; Ranft & Lord, 2002)
Customer orientation	**Expected behavior:** – Redeployment of existing customer assessment routines and increased focus on target existing customer relationships **Benefits**: Increased quality in the understanding and evaluation of target's customer relationships; more precise assessment of target's value **Drawbacks**: Time expenditure in analyzing target's customer relationships (Capron & Shen, 2007)	**Expected behavior:** – Exploitation of existing customer relationships to select products and brands to be preserved or discarded **Benefits**: Higher levels of customer retention, cross-selling of products across customer bases, new customer acquisitions **Drawbacks**: Increased cost of marketing communication and interaction actions (Jaju, Joiner, & Reddy, 2006; Payne & Frow, 2005)
Supplier orientation	**Expected behavior:** – In-depth evaluation of relational links of the supplier/dealers network **Benefit**: more precise assessment of cost efficiency potential from rationalization of supply chain and renegotiation of existing agreements **Drawbacks**: Increased costs associated with the preservation of sensitive information (Dyer & Singh, 1998)	**Expected behavior:** – Collaborative planning for integrating the supplier base Increasing levels of suppliers' involvement in acquirer's integration decisions **Benefits**: Better contextualization during routines modification **Drawbacks**: Lower efficiency and impact of negotiations on contracts (Aktas, de Bodt, Declerck, & Van Oppens, 2007)
Local community orientation	**Expected behavior:** Assessment of relational quality with the target's key communities **Benefits**: Identification of potential local criticalities and institutional pressures **Drawbacks**: Increased complexity of the due diligence process (Eesley & Lenox, 2006; Marquis & Lounsbury, 2007)	**Expected behavior:** – Community relationship programs, communication campaigns, philanthropic investments **Benefits**: Reduction of legitimacy/reputation associated wars **Drawbacks**: Increased cost of symbolic communication and interaction activities (e.g., philanthropy) (King, 2008; Marquis & Lounsbury, 2007)

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and more likely to be able to preserve a target's valuable existing supplier relationships. Such acquiring firms will be in a position to redeploy their analytical tools from their own relationships to those of potential target firms.

Acquisition literature has repeatedly pointed out how acquirers tend to underestimate—both before and during the deal-making process—the potential problems that can originate from differences between the cultures, attitudes, and knowledge bases of the acquirer's and target's workforce (e.g., Greenwood, Hinings, & Brown, 1994; Schweiger & Denisi, 1991). Whereas some firms may tend to underestimate such sources of complexity, firms that have developed routines and tools to evaluate their own workforce's characteristics, needs, and preferences (i.e., are characterized by higher levels of *employee orientation*) might be more likely to anticipate these issues and to manage them appropriately (King & Soule, 2007).

Similarly, as target firms (especially smaller ones) will have generally developed strong ties with the local communities in which they operate, attempts to take over these firms can generate fierce resistance from the community (see Marquis & Lounsbury, 2007) or protests and boycotts from local stakeholder activists (Eesley, Decelles, & Lenox, 2015). Even if, in most cases, these reactive actions cannot hamper the acquisition process, the acquiring firm can risk incurring significant losses of legitimacy, especially if it underestimates the dynamics of the target's relationships with its local community (Vasi & King, 2012). We argue that enhanced attention to the institutional context (i.e., a higher level of *local community orientation*) may stimulate the acquiring firm to devote more time to understanding the target's system of relationships with local communities. This, in turn, may positively influence acquisition performance, by enabling an acquirer to anticipate emerging concerns and reduce the urgency (and therefore the saliency) of stakeholder reactions (Eesley & Lenox, 2006).

Advantages in the postacquisition phase. While in the preacquisition phase the advantages of stakeholder orientation lie in the enhanced capability to evaluate firms' relational resources and predict potential conflicts, in the postacquisition phase we might expect the capacity to include different stakeholders' viewpoints to play an important role in generating informational richness for the acquiring firm's managers who are involved in redesigning (at least partially) the activities of the two entities (Harrison et al., 2010).

For example, during the reorganization of activities that follows the closing of the deal, the acquirer's managers can choose either to rely solely on their own knowledge, or to sense and include the knowledge of employees and/or suppliers in managerial decisions (Ellis, Reus, & Lamont, 2009). In the first case, managers will tend to rely on coarse cognitive simplifications of reality (Hitt & Tyler, 1991), built on their basic understandings of the processes involved. Such narrow searches allow for economizing on information-processing efforts, but increase the probability of suboptimal decisions about postacquisition management (Cording et al., 2013). We could expect firms that are more oriented toward their *employees* or *suppliers* to be more likely to reflect the second case. Since they have both the managerial attitudes (i.e., the cognitive frames) and the behavioral elements (i.e., the routines) to sense and integrate information from employees and suppliers, they will be in a position to include stakeholder knowledge in the redesign of the routines. We suggest that this may benefit the acquirer's management team by creating a bridge between its beliefs and the actual organizational practices of the two firms, thus reducing the causal ambiguity of the reorganization process (Heimeriks, Schijven, & Gates, 2012).

In a similar fashion, *customer orientation* intensifies the involvement of customers in decisions related to products and brands (Jaju et al., 2006). Following the closing of the deal, it would involve bilateral communication processes aimed at including the perceptions and preferences of these stakeholders in the selection of the target firm's brands that are to be retained. This may mitigate any tendency by the acquiring firm's managers to leverage its own brands at the expense of the target's visibility (Seth, 1990), resulting in increased customer retention after the deal (Payne & Frow, 2005).

Finally, the capability to manage relationships with *local communities* may reduce the likelihood of protests from citizens and local stakeholder activists that often emerge when target firms are taken over or restructured (Gramm, 2003). Even more importantly, it may reduce the likelihood of negative spillovers from local communities to other types of stakeholders. In most cases, for example, disagreements and conflicts between acquiring firms and local communities about postacquisition

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decisions may have negative impacts on local customers (leading to customer retention problems or boycotts) or suppliers (resulting in suppliers switching their business to local competitors), which may, in turn, lead to decreased stock price returns (King & Soule, 2007) following the acquisition.

Disadvantages to stakeholder orientation. Stakeholder orientation may provide some advantages to the acquiring firm, but it also come with costs related to leveraging stakeholder relationships during the acquisition process, costs that could offset the benefits described above. For example, devoting greater time to analyzing the target's workforce (increased level of *employee* orientation) may reduce the pace of the deal-making phase, resulting in increased due diligence and selection costs (both monetary and in terms of managerial time). Similarly, the inclusion of employee perspectives may result in increased coordination costs and complexity in consensus building during postacquisition reorganization.

Likewise, the decision to extensively analyze preexisting *customer* relations during the selection and due-diligence processes, coupled with the considerable use of communication mechanisms associated with the inclusion of different customer perspectives during the postacquisition phase, may affect the performance of the acquisition by increasing marketing costs and might require the investment of a great deal of managerial time (Capron & Shen, 2007).

Drawbacks of *supplier* orientations may include preserving sensitive information (Aktas et al., 2007) and slower decision-making processes as a result of the need to achieve consensus along the supply chain. Moreover, higher supplier orientation might imply a willingness to resist the temptation to renegotiate prior contractual agreements with suppliers, to the possible detriment of cost efficiency. In a similar vein, developing consensus among a *local community* is likely to entail greater analysis, communication, and philanthropic costs (Marquis et al., 2007)—potentially reducing the returns to capital invested in the acquisition.

Given these drawbacks, the real question becomes whether and how the advantages of stakeholder orientation overtake the disadvantages. We submit that, in general terms, the positive effects might overcome the negative ones, for two main reasons. First, the role of information asymmetries between the acquiring and the acquired organization is considered to be paramount, especially during the negotiation phase (Officer, Poulsen, & Stegemoller, 2009). Therefore, the value from information advantages resulting from stakeholder orientation should be larger than that of the managerial time and effort invested in the consensus-building processes. Second, the acquisition costs, in particular the premium, are generally justified by the presence of synergies (i.e., the extra value of the combined firm vis-à-vis the sum of the values of the acquiring and acquired firms independently) that are measurable and therefore available for both the acquirer and the acquired firms' negotiation positions (Sirower, 1997). A stakeholder-oriented acquirer might be able, however, to identify revenue opportunities that are not immediately apparent and that are more likely to be appropriable by the acquirer (Fubini, Price, & Zollo, 2006). Consequently, we submit the following hypothesis to empirical analysis:

> *Hypothesis 1: The greater the acquiring firm's orientation toward stakeholders (comprised of employees, customers, suppliers, and local communities) the higher the long-term performance of the acquisition is expected to be.*

Having hypothesized the direct effect of stakeholder orientation on acquisition performance, we now move on to study the contingencies that might amplify or reduce these direct effects. Our focus here lies on two characteristics of acquisitions: the business relatedness between the two firms and the extent to which the target firm is integrated into the acquirer's operations following the acquisition.

Business Relatedness and Stakeholder Orientation

Business relatedness, defined as the similarity in products and processes between the acquirer and the acquired firm, has been seen as an important antecedent to acquisition performance since the inception of the strategic management field, even though the empirical evidence in support of a positive link has been mixed (Seth, 1990; Singh & Montgomery, 1987). Extant theory, however, has not considered the role of relatedness as a boundary condition for the impact of stakeholder orientation on performance.

We suggest that business relatedness will have positive moderating effects on the relationships between the acquiring firm's stakeholder orientation and its acquisition performance and base this

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suggestion on three main arguments. The first argument in favor of a positive moderation of business relatedness concerns the analytical capacities of the acquiring firm. One might expect that the capabilities for sensing and analyzing stakeholder relationships that an acquiring firm has developed with its own network of stakeholders will be more likely to be applicable to the process of target assessment when the two firms' spheres of activities overlap. In other words, the more the business of the acquiring and target firms are related, the easier it will be for the acquiring firm to exploit its capabilities to analyze the network of relationships of the target firm.

Second, relatedness will facilitate the redeployment of existing stakeholder management routines from the acquiring to the target firm's relationships (Szulanski, 1996; Zander & Kogut, 1995). Relatedness in skills, communication mechanisms, and cognitive structures can ease communication with a target firm's stakeholders, which in turn facilitates the analysis of existing relationships and the exchange of information. In other words, firms endowed with higher levels of stakeholder orientation, as an organizational (quasi-genetic, Cohen et al., 1996) trait, may be able to leverage and transfer this trait to the acquired firm's relationships if the two focal firms share similar knowledge on products, markets, and processes. In the postacquisition process context in particular, the more the two firms operate in related businesses, the more the acquiring firm will be able to transfer its collaborative routines with stakeholders.

Third, relatedness in the domains of the two firms enhances the applicability of knowledge sourced from relationships with existing stakeholders to the context of the new firm (and to the acquisition process). When the acquiring firm operates in a similar business context to that of the acquired firm, its stakeholders will likely hold information and knowledge that can be more directly applied to the latter. Conversely, when the two firms operate in dissimilar businesses, managers may erroneously generalize frameworks and routines from one context (where they have been successful) to another where they might be detrimental (Haspeslagh & Jemison, 1991; Zollo & Reuer, 2010).

Thus, we hypothesize that business relatedness positively moderates the relationship between the acquirer's orientation toward stakeholders and acquisition performance:

Hypothesis 2: Business relatedness will positively moderate the influence of the acquiring firm's orientation toward stakeholders on acquisition performance.

Structural Integration and Stakeholder Orientation

We identify structural integration as the situation where, following the closing of the deal, the acquired firm does not remain as a separate entity, but its resources and activities are retained and recombined with those of the acquiring firm (Karim, 2006). Structural integration has been seen to produce organizational conditions that will allow the coordinated exchange of resources and knowledge (Puranam, Singh, & Zollo, 2006). However, while the decision to integrate the acquired firm may ease the exploitation of potential synergies, it may also severely complicate the postacquisition process. We submit that the degree of structural integration will positively influence the impact of stakeholder orientation on acquisition performance for two main reasons.

First, the higher the complexity of the postacquisition process, the more useful the capability to exchange knowledge with stakeholders might become. The reason for this is that managers often lack an appropriate perception of the consequences of integration decisions, whereas stakeholders (both internal and external) are more conscious of the positive and negative implications of the integration process, since they are often directly affected (Ranft & Lord, 2002). Thus, the more the managers of the acquiring firm reconfigure operational routines that are embedded in the structure of the target (as a consequence of the decision to integrate it), the more they will benefit from stakeholder feedback and knowledge (Karim, 2012). Conversely, when managers of the acquiring firm opt to keep the acquired firm as a separate entity, the need for routine redesign is minimized, together with the complexities that it carries. In this case, extensive knowledge exchanges with stakeholders may become costly to the acquirer, especially in terms of managerial time and attention (Ocasio, 1997).

Second, since increased levels of integration can cause greater disruption to both firms' existing routines and procedures, it may foster negative reactions from affected stakeholders (both

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internal and external) (Puranam et al., 2006). For example, postacquisition integration has been seen to foster employee opposition and lead to unexpected resignations because of the uncertainty it brings to career paths and the resistance to radical change in systems and procedures (Hambrick & Cannella, 1993; Schweiger & Denisi, 1991). Similarly, greater structural integration is generally associated with an increase in brand substitutions and unification of postpurchase services, which can, in turn, degrade customer relationships (Homburg & Bucerius, 2005). It also often triggers negative reactions from the community in which the target operates, as it may entail plant closures and job losses (Schweiger & Denisi, 1991). As previously suggested, greater orientation toward stakeholders should facilitate communication with them. Since communication and participation raise perceptions of procedural and informational justice (Ellis et al., 2009), they have been associated with greater consensus and lower resistance to change from the actors involved (Fiol, 1994).

Indeed, stakeholder orientation, which can manifest itself in enhanced capacity to sense the consequences of integration (through stakeholder relationships) and reduce resistance from stakeholders, may be even more significant when the complexities and potential disruptions of integration are stronger. We therefore hypothesize as follows:

Hypothesis 3: Structural integration will positively moderate the influence of the acquiring firm's orientation toward stakeholders on acquisition performance.

Figure 1 summarizes the relationships we discussed and the hypotheses we advance.

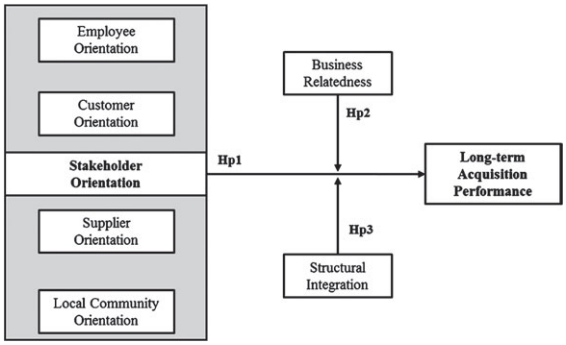

Figure 1. Hypothesized relationships.

Methods

Sample

We tested our hypotheses using a sample of acquisitions undertaken by listed US firms between 2002 and 2010. The first step in our sampling strategy was to identify those firms whose stakeholder orientation dimensions had been mapped by the Thomson Reuter Asset4 database (see below). This initial search resulted in 1,205 firms. Second, we used the Zephyr BvD database to collect data on acquisitions completed by these firms. Out of the initial sample, only 725 firms had completed acquisitions between 2002 and 2010. We excluded all acquisitions of minority stakes (less than 60%), business units, assets, or factories from the search to avoid problems of comparability between sample units, and obtained a total of 4,068 acquisitions. Third, we used the CRSP and Compustat databases to calculate stock returns and some of the controls. Missing data in Compustat and CRSP and some incomplete data in the Asset4 database reduced the sample to 2,123 acquisitions. Fourth, we identified and excluded all acquisitions made for purely financial reasons (as motivated by different rationales), thus eliminating a further 129 acquisitions by banks or funds in nonrelated sectors. We used the *Businessweek* and Lexis-Nexis databases to cross-validate the deals: 100 acquisitions were described as a group reorganization or the acquisition of a partially owned joint venture. These were also removed from the sample as they were not aligned with the sampling strategy. Finally, we verified the impact of outliers on our estimations using both residual-based tests and visual inspection (McWilliams & Siegel, 1997) and discarded a further 10 extreme outliers in market returns (due to CRSP errors), leading ultimately to a final sample of 1,884 acquisitions.

Variables

Dependent variable. To measure the *long-term performance of the acquisition*, we focused on the acquiring firm's Cumulative Abnormal Returns (CAR) over the 36 months following the acquisition (e.g., Cording, Christmann, & King, 2008; Zollo & Reuer, 2010). The measurement process follows standard practices in corporate finance and strategic literatures, details of which are provided in the Appendix S1.

We selected this approach over the other possible alternatives for a number of reasons. First,

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we preferred a long-term to a short-term window to ensure that information on the postacquisition phase would be included in the dependent variable measurement (Oler, Harrison, & Allen, 2007). In addition, Zollo and Meier (2008) show that event studies focusing on short-term windows (around acquisition announcements) do not correlate with any other performance measures, especially long-term financial performance. Second, we discarded accounting-based measures, which are often seen as being at risk of suffering from manipulation of accounting returns (Chakravarthy, 1986) or differences in accounting policies. Of more concern is the fact that their relevance may vary between sectors: since ours is a cross-industry sample, this limitation of accounting measures in terms of their ability to assess standard long-term financial performance could be particularly problematic. Third, according to Zollo and Meier, long-term financial performance correlates significantly with the degree of synergy realization, assessed through survey methodology, providing additional justification for our chosen approach.

Explanatory variables. The first set of explanatory variables represents the acquiring firm's orientation(s) toward its stakeholders. The source most commonly used to assess stakeholder orientations in the literature has been the Kinder, Lynderburg and Domini (KLD) database (e.g., Hillman & Keim, 2001; Waddock & Graves, 1997). However, the indicators it provides are very coarse-grained and include items that are only partly linked to stakeholder orientations. We chose to use the Thomson Reuters Asset4 database instead, because of its finer-grained assessments of firms' stakeholder orientations (and to hold the KLD database back for use in our robustness checks). Asset4 has collected data on environmental and social dimensions for nearly 3,500 worldwide public firms since 2002. The main advantage of its approach lies in the depth of its assessments (Eccles, Ioannou, & Serafeim, 2014): it includes more than 900 raw items per firm, obtained from a range of different sources, such as annual reports and sustainability reports, websites of nongovernmental organizations, and firm surveys. Moreover, the selection methodology of the Asset4 database differs from those of other ESG (Environmental, Social and Governance) databases, as it is based on market capitalization instead of sustainability performances. This partially sorts out potential self-selection concerns, which may lead to biased coefficient estimation (Shahzad & Sharfman, 2015).

We measured stakeholder orientation by aggregating the measures of orientation toward four categories of primary nonshareholding stakeholders, namely: employee, customers, suppliers, and local communities. We assessed *employee orientation* by focusing on those items included in the Asset4 database associated with the inclusion of employees' interests in firm activities. Specifically, we measured it as the sum of four dummy items included in the "Employment quality" macro-category, which monitor if a firm ensures good employee relations or has a policy for maintaining long-term employment stability, if it describes the implementation of an employment quality policy, if it monitors employment interests, and if it sets specific employment development objectives. The measure is constructed as the sum of the four single constructs, so ranges from zero (low) to four (high).[2]

Supplier orientation is assessed in a similar way. We constructed our indicator by selecting those Asset4 database items that assess the firm's attitude (and behaviors) toward its suppliers. Specifically, we built a measure based on four Asset4 dummy items that assess a firm's commitment to treating suppliers as key business partners (presence of a policy; adoption of a code of conduct) and the existence of managerial practices to interact with suppliers (processes and communication tools to improve partnerships with suppliers), leading to a construct ranging from zero (low) to four (high).

We assessed *customer orientation* using Asset4's "*Customer loyalty*" macro-item, which reflects a firm's capacity to maintain a loyal client base through communication, interaction, and satisfaction programs, together with its initiatives to enhance transparency in its dealings with customers. Constructed by Asset4 analysts from 46 raw items, this item ranges from 0 to 100.[3]

Local community orientation is measured using Asset4's "*Local communities*" macro-variable, which assesses the extent to which a firm implements practices aimed at maintaining good relationships with the communities in which it

[2] We obtained similar results using the Asset4 database's more conservative macro-item "Employment quality."

[3] We obtained similar results using less conservative measures constructed by focusing only on six items included in the Asset4's "Customer loyalty" macro-category.

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operates and uses communication tools to interact with them. It is constructed by Asset4 analysts by aggregating 126 raw items and ranges from 0 to 100. This set of explanatory variables is calculated for the year before the acquisition took place.

To calculate the aggregate *stakeholder orientation* variable, we first normalized each of the four stakeholder category scores on a 0 to 1 scale then took the average of the normalized scores.

To assess *business relatedness,* we adapted the operationalization developed by Finkelstein and Haleblian (2002) using both primary and secondary four-digit SIC codes. We used the following weighting system: if any of the secondary SIC codes for the acquirer's business matched any of those of the target firm, we assigned one point if the match was at the two-digit level, two if they matched at the three-digit level, and three if they matched at the four-digit level. The same weighting scheme was applied to primary SIC codes, but with the points assigned being doubled (i.e., two, four, and six). The result of the sum of scores obtained by matching the primary and secondary SIC codes was therefore a business relatedness score between zero and nine. Zero identified a dyad of firms that shared neither secondary nor primary SIC codes (even at the two-digit level), and nine refers to a dyad that shared primary SIC codes at the four-digit level and at least one secondary SIC code.

To assess the extent to which the target firm was integrated into the acquirer's operations (*structural integration*), we adapted the operationalization used by Paruchuri, Nerkar, and Hambrick (2006), and hand coded company snapshots provided by *Businessweek*'s public and private firms' database (now incorporated into the Bloomberg research website). This database provides snapshots of active and inactive firms worldwide along with a brief outline of their history. If the company snapshot reported the target firm as "operating as a subsidiary," we interpreted this to mean that integration had not been carried out (structural integration = 0) and that the firm had remained a separate entity following the acquisition. Conversely, if the snapshot reported the target firm as being "acquired," and no further information about the firm was available, we assumed that the firm no longer existed as a separate entity after the acquisition and integration had occurred (structural integration = 1). In order to assess the validity of this measure, we randomly selected 200 acquisitions and checked the status of the target firm after the acquisition using the Lexis Nexis database (Puranam et al., 2006). When the target firm was reported as an active subsidiary of the acquiring firm, we interpreted it as still existing as a separate entity (= not integrated). Conversely, when we found no mention of the target firm in the Lexis Nexis database following the acquisition, we interpreted it to have been absorbed into the acquiring firm's activities (= integrated). We found 90% agreement between the two sources. For cross validation, we conducted analyses of press releases from other sources (e.g., industry newspapers).

Control variables. Taking into account the complexities involved in acquisitions and the factors that can influence their subsequent performance, we included several control variables. We controlled for the acquiring firm's *acquisition experience,* operationalizing the construct as the number of the majority acquisitions over the 5 years prior to the focal event (Capron & Guillén, 2009). We reasoned that firms with greater experience are likely to have higher capabilities in integrating acquired firms (Zollo & Singh, 2004).

We used the *acquiring firm's previous performance*—measured as its return on assets (ROA) in the year preceding the acquisition—to help disentangle the acquisition's performance from the acquiring firm's overall performance.

Furthermore, since the *concentration of the market* in which the acquiring firm operates can influence the evolution of the acquiring firm's performance, we controlled for it using the Four-Firm Concentration Ratio (Demsetz, 1973) in the year of the acquisition.

We also tried to control for the effect of motivation on acquisition performance, including the *acquiring firm's growth* before the acquisition, since a higher growth rate might be connected with differentiation-led rather than efficiency-led acquisitions. Here, we used the average of the yearly sales growth in the 3 years preceding the deal (McNichols, 2000).

In order to evaluate the rationale that motivated the acquisition, we manually coded the acquiring firms' press releases (Ahuja & Katila, 2001) at the acquisition announcement (sourced via the BvD Zephyr database), identifying three different acquisition rationales:

Revenue growth. If the press release reported the possibility to cross-sell products between the two firms, to complement the product portfolio, or to expand into new markets (e.g., "We believe the FUZE brands will be a strong complement to our

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beverage portfolio and an excellent addition to the Coca-Cola System"[4]), we interpreted the rationale to be revenue increase (Salter & Weinhold, 1979).

Cost efficiency. If the press release revealed the exploitation of cost synergies, the reduction of redundant costs, or increased market control (e.g., "Pfizer's acquisition of Wyeth would provide economies in back-office operations, research and development, sales and manufacturing"[5]), we interpreted it as an indication that the acquisition rationale was the decrease of costs through the rationalization of redundancies between the two firms (Anand & Singh, 1997).

Technological innovation. If the press release mentioned access to new technologies or technological capabilities through the acquisition (e.g., "This acquisition allows us to incorporate Solid Dynamics' technology and engineering team"[6]), we considered the acquisition to have been motivated by a willingness to gain access to proprietary technology and know-how (Ahuja & Katila, 2001).

As previous equity-based relationships between the target and acquirer could impact the availability of information to the acquiring firm, we controlled for the existence of *minority share* participations between the firms before the focal deal.

Since cross-border acquisition may entail higher complexity levels, our model includes a dummy variable that takes the value 0 for domestic acquisitions and 1 for cross-border deals.

We controlled for *acquirer resource slack*, measured as the ratio between its current assets and current liabilities. While strategic literature has suggested that resource slack has a positive effect on acquisition performances, financial literature suggests the opposite, claiming that acquirers with greater resource slack are likely to make less profitable acquisitions because of the lower controls on their cash availability (Lang, Stulz, & Walkling, 1989).

As difficulties in the integration process may be intensified when the acquired firm is larger than the acquirer, with negative effects on acquisition performance (Cording et al., 2008), we included a proxy for the ratio of the acquirer and target sizes (*size difference*). Because of the lack of available relevant data, we used the ratio between the target's total sales and the acquirer's total assets here.

[4] Coca Cola acquisition of FUZE press release, March 26, 2007.
[5] Pfizer's acquisition of Wyeth press release, January 26, 2009.
[6] Autodesk acquisition of Solid Dynamics press release, August 22, 2005.

Model Specification and Econometric Issues

We used ordinary least square (OLS) regression models with robust standard errors with year and sector fixed effects to test our hypotheses. We addressed potential multicollinearity problems due to interaction terms by standardizing continuous explanatory variables (Aiken & West, 1991). The standardization followed the common procedure of subtracting the sample mean (expected value) and dividing by the standard deviation of the sample. Thus, each coefficient in the model represents the expected difference in the outcome variable, comparing observations that differ by one standar d deviation of the explanatory variable with the other variable fixed at its average value (Edwards, 2009).

In estimating the interaction between stakeholder orientation and structural integration, we faced challenges associated with the potential endogeneity of the decision to integrate the target firm. To resolve this issue, we adopted a two-step selection model (Heckman, 1979). This methodology involves first estimating the probability of the target being integrated by the acquirer and then accounting for this probability by an inverse Mills ratio into the second regression step. The probability of the target being integrated is calculated by regressing the variable *structural integration* on a group of firm and deal characteristics that may influence the probability of such integration: acquirer's experience, business relatedness, cross-border, acquisition rationale, size ratio, and stakeholder orientation. As an instrument, we used the *target firm's age* (logarithm of the years from foundation). This choice seems appropriate given that the age of the target can reduce the likelihood of integration due to the depth and relative inflexibility of an older firm's organizational routines and culture, but is unlikely to influence acquisition performance calculated in terms of CAR over 36 months.

Results

Table 2 shows the descriptive statistics and correlations. Some bivariate correlations among the explanatory and control variables might indicate multicollinearity, but correlation values below 0.70 are considered acceptable in cases of large numbers of observations ($N > 1000$) (Hair, Anderson, Tatham, & Black, 1995). The only bivariate correlations above this threshold are those between the aggregate stakeholder measure

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Table 2
Means, Standard Deviations, and Correlations

Variables		Mean	*SD*	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(1)	CAR - 36	−0.167	0.768								
(2)	Agg. stakeholder orientation (a)	0	1	0.144 (.00)							
(3)	Employee orientation. (b,a)	0	1	0.062 (.00)	0.739 (.00)						
(4)	Customer orientation (a)	0	1	0.112 (.00)	0.733 (.00)	0.377 (.00)					
(5)	Supplier orientation (b,a)	0	1	0.148 (.00)	0.625 (.00)	0.316 (.00)	0.235 (.00)				
(6)	Community orientation (a)	0	1	0.120 (.00)	0.820 (.00)	0.493 (.00)	0.520 (.00)	0.345 (.00)			
(7)	Business relatedness (a)	0	1	−0.028 (.21)	0.024 (.27)	0.003 (.89)	0.020 (.37)	0.018 (.41)	0.030 (.18)		
(8)	Acquiring firm's growth	0.159	0.200	−0.331 (.00)	−0.127 (.00)	−0.050 (.02)	−0.066 (.00)	−0.103 (.00)	−0.141 (.00)	0.027 (.22)	
(9)	Structural integration	0.472	0.499	−0.032 (.15)	0.089 (.00)	0.052 (.02)	0.072 (.00)	0.045 (.04)	0.088 (.00)	0.153 (.00)	0.001 (.96)
(10)	Concentration of the market	0.302	0.153	0.006 (.77)	−0.037 (.09)	−0.004 (.84)	−0.048 (.03)	−0.017 (.44)	−0.025 (.25)	0.321 (.00)	−0.039 (.08)
(11)	Acquirer's experience	1.414	1.501	0.054 (.01)	0.028 (.21)	0.009 (.68)	0.046 (.03)	0.044 (.04)	−0.022 (.32)	0.133 (.00)	−0.003 (.90)
(12)	Minority share	0.044	0.204	−0.019 (.39)	0.044 (.04)	0.065 (.00)	0.014 (.53)	0.007 (.75)	0.035 (.11)	−0.021 (.34)	−0.026 (.23)
(13)	Cross-border	0.282	0.450	0.036 (.10)	0.036 (.10)	0.046 (.04)	0.039 (.07)	−0.020 (.35)	0.029 (.19)	−0.074 (.00)	−0.031 (.15)
(14)	Motivation - revenue growth	0.519	0.431	0.076 (.00)	0.012 (.57)	−0.003 (.91)	0.006 (.78)	0.006 (.77)	0.028 (.20)	0.014 (.54)	−0.032 (.14)
(15)	Motivation - tech. innovation	0.213	0.406	0.066 (.00)	0.102 (.00)	0.078 (.00)	0.074 (.00)	0.061 (.01)	0.086 (.00)	0.044 (.05)	0.013 (.56)
(16)	Motivation - cost efficiency	0.280	0.449	−0.024 (.28)	−0.083 (.00)	−0.054 (.01)	−0.093 (.00)	−0.011 (.63)	−0.084 (.00)	0.003 (.90)	−0.055 (.01)
(17)	Acquirer's prev. performance	0.075	0.083	−0.121 (.00)	0.125 (.00)	0.063 (.00)	0.186 (.00)	0.013 (.57)	0.108 (.00)	0.027 (.21)	0.040 (.07)
(18)	Size difference	20.227	135.311	−0.069 (.00)	−0.060 (.01)	−0.048 (.03)	−0.046 (.04)	−0.041 (.06)	−0.042 (.06)	0.079 (.00)	0.016 (.48)
(19)	Acquirer's resource slack	2.067	2.231	−0.142 (.00)	−0.087 (.00)	−0.046 (.04)	−0.062 (.01)	−0.078 (.00)	−0.069 (.00)	0.021 (.35)	0.306 (.00)

	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
(10)	0.100 (.00)									
(11)	0.175 (.00)	0.041 (.06)								
(12)	−0.078 (.00)	−0.048 (.03)	−0.088 (.00)							
(13)	−0.093 (.00)	−0.034 (.12)	−0.081 (.00)	0.127 (.00)						
(14)	−0.020 (.38)	0.039 (.08)	0.002 (.93)	−0.065 (.00)	0.022 (.31)					
(15)	0.021 (.36)	0.014 (.53)	−0.003 (.88)	−0.031 (.16)	−0.082 (.00)	−0.257 (.00)				
(16)	−0.037 (.10)	−0.012 (.57)	0.011 (.63)	0.018 (.41)	−0.064 (.00)	−0.306 (.00)	−0.312 (.00)			
(17)	0.027 (.23)	−0.016 (.48)	0.137 (.00)	−0.015 (.51)	0.014 (.52)	−0.014 (.52)	0.024 (.28)	−0.090 (.00)		
(18)	−0.018 (.41)	0.024 (.28)	−0.078 (.00)	−0.010 (.65)	−0.048 (.03)	0.009 (.67)	−0.010 (.64)	0.084 (.00)	−0.070 (.00)	
(19)	0.032 (.17)	−0.085 (.00)	−0.060 (.01)	−0.018 (.43)	0.007 (.74)	−0.059 (.01)	0.079 (.00)	−0.079 (.00)	−0.003 (.90)	0.074 (.00)

Note. $n = 1{,}884$; p-values in parentheses; CAR = Cumulative Abnormal Returns. (a) Standardized and (b) Logarithm.

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and the orientation toward some of the individual categories. As a test, we calculated the Variance Inflation Factor and the Condition Index. The results do not exceed critical values, suggesting there are no severe multicollinearity problems in our models (Hair et al., 1995).

Table 3 presents the OLS robust regression models used to test our hypotheses. Model 0 represents the baseline model, which includes only the control variables.

Moving to the hypothesis testing, our first prediction is a positive influence of stakeholder orientation on the performance of the acquisition. Model 1 shows a positive coefficient for the stakeholder orientation variable with a strictly positive confidence interval (95% CI = [0.017 0.084]; $p = .003$), providing support for Hypothesis 1. In particular, an increase in stakeholder orientation by one standard deviation is associated with a 5.1% increase in acquisition performance (CAR-36).[7]

Model 2 is used to test Hypothesis 2, which proposes that business relatedness positively moderates the association between stakeholder orientation and acquisition performance. The coefficient and significance level support our prediction. Specifically, the interaction between the aggregate stakeholder orientation variable and business relatedness is positive and, in association with the strictly positive confidence interval (95% CI = [0.024 0.088]; $p = .001$), provides support for Hypothesis 2. The results of average marginal effects (AME) analyses (see Appendix S1) show that, given a stakeholder orientation score of 1 (= 1 *SD* above the mean), an increase in business relatedness from 0 (= mean) to 1 (= 1 *SD* above the mean) will be associated with an approximate 5% increase in acquisition performance.[8]

In order to obtain additional understanding of the relationship hypothesized, we conducted split sample analyses (Venkatraman, 1989). We split the acquisition sample along the business relatedness variable (HIGH vs. LOW), using the median as the cutoff point. The results (Models 4 and 5) confirm the full-sample results, showing a higher coefficient for the stakeholder orientation variable in the HIGH relatedness sub-sample (+0.091, $p = .001$) than in the LOW relatedness one (+0.012, $p = .573$).

Our final hypothesis (Hypothesis 3) suggests that an acquirer's orientation toward stakeholders becomes particularly important when the target firm's operations are integrated into those of the acquiring firm. As discussed above, the nonrandomness of the integration decision requires a two-step approach, in which the estimation of the probability of integrating the acquired firm is followed by the estimation of the effect of the interaction term on acquisition performance. The results of the first-step estimation (reported in Table 4) show that structural integration is positively predicted by the business relatedness, experience, and stakeholder orientation of the acquiring firm. In contrast, the age of the target (instrument) and cross-border acquisitions are negatively associated with the probability of integration.

Model 3 (Table 3) presents the results of the second-step regression. The data does not provide confirmation of the hypothesized moderation (Hypothesis 3). The estimated coefficient of the interaction between the aggregate stakeholder variable and structural integration does not, in fact, reach adequate levels of significance (95% CI = [−0.016 0.110]; $p = .146$). Sub-group analyses discerning between acquisitions where targets have been integrated and nonintegrated targets are reported in Models 6 and 7. The results show that the aggregate stakeholder orientation coefficient is positive and significant only in the integration sub-sample (+0.058, $p = .020$) vs. (+0.032, $p = .184$). Graphical representations of the estimated interactions are also provided in the Appendix S1.

Additional Analyses on the Different Stakeholder Categories

So far, we have analyzed firm heterogeneity in stakeholder orientation, implicitly arguing that firms will either be oriented toward all their nonshareholding stakeholders (i.e., be highly stakeholder-oriented), or will mostly ignore their interests and focus primarily on those of their shareholders. In the following additional analyses, we propose that acquiring firms may also differ in the relative attention they pay across the different categories of stakeholders. Accordingly, we delved

[7] Since the explanatory variables have been standardized, and the dependent variable represents a cumulate percentage, the coefficients of the explanatory variables reported in the regression tables coincide with the estimates of the effect sizes at one standard deviation above the mean.

[8] In other words, the average marginal effect of stakeholder orientation would be 5% stronger in those acquisitions where business relatedness is one standard deviation above the mean compared to an average level of business relatedness.

Table 3
Aggregate Stakeholder Orientation - OLS Regression Models

Variables	Model 0	Model 1	Model 2	Model 3	LOW related. Model 4	HIGH related. Model 5	NO integr. Model 6	Integr. Model 7
Constant	0.333	0.330	0.334	0.354	0.381	0.222	0.226	0.449
	(.000)	(.000)	(.000)	(.006)	(.000)	(.086)	(.018)	(.000)
Acquiring firm's growth	−1.321	−1.295	−1.295	−1.289	−1.277	−1.294	−1.245	−1.272
	(.000)	(.000)	(.000)	(.000)	(.000)	(.000)	(.000)	(.000)
Concentration of the market	0.265	0.265	0.233	0.235	0.066	0.616	0.143	0.386
	(.137)	(.132)	(.183)	(.182)	(.778)	(.026)	(.540)	(.175)
Acquirer's experience	0.003	0.003	0.003	0.002	0.001	0.004	0.002	0.003
	(.010)	(.010)	(.009)	(.082)	(.354)	(.008)	(.292)	(.044)
Minority share	−0.072	−0.081	−0.080	−0.077	0.046	−0.329	−0.008	−0.176
	(.412)	(.355)	(.355)	(.381)	(.663)	(.036)	(.935)	(.262)
Cross-border	0.028	0.029	0.030	0.032	−0.034	0.128	0.023	0.032
	(.414)	(.400)	(.391)	(.396)	(.417)	(.050)	(.640)	(.541)
Motivation – tech. innovation	0.071	0.065	0.065	0.064	0.027	0.114	0.024	0.081
	(.087)	(.117)	(.119)	(.125)	(.623)	(.095)	(.721)	(.147)
Motivation - cost efficiency	−0.081	−0.075	−0.067	−0.069	−0.088	−0.045	−0.068	−0.081
	(.031)	(.045)	(.071)	(.073)	(.048)	(.517)	(.168)	(.178)
Acquirer's prev. performance	−1.304	−1.384	−1.382	−1.383	−1.404	−1.316	−1.330	−1.409
	(.000)	(.000)	(.000)	(.000)	(.000)	(.001)	(.000)	(.000)
Size difference	−0.000	−0.000	−0.000	−0.000	−0.000	−0.000	−0.000	−0.000
	(.020)	(.023)	(.035)	(.023)	(.067)	(.040)	(.529)	(.048)
Acquirer's resource slack	−0.010	−0.009	−0.010	−0.010	−0.013	0.003	−0.006	−0.025
	(.425)	(.498)	(.429)	(.444)	(.493)	(.903)	(.725)	(.145)
Business relatedness (a)	0.007	0.004	0.001	0.001			−0.000	−0.002
	(.707)	(.833)	(.941)	(.949)			(.985)	(.941)
Structural integration	0.002	−0.012	−0.015	−0.012	−0.026	−0.017		
	(.946)	(.729)	(.653)	(.721)	(.532)	(.767)		
Agg. stakeholder orientation (a)		0.051	0.049	0.026	0.012	0.091	0.032	0.058
		(.003)	(.004)	(.294)	(.573)	(.001)	(.184)	(.020)
Agg. stakeholder orient. × relatedness			0.056					
			(.001)					
Agg. stakeholder orient. × integration				0.047				
				(.146)				
Inverse Mills ratio (integration)				−0.020				
				(.842)				
Observations	1884	1884	1884	1884	1112	772	994	890
R-squared	0.228	0.252	0.257	0.253	0.247	0.294	0.202	0.331
Year fixed effects	YES	YES	YES	YES	YES	YES	YES	YES
Industry fixed effects	YES	YES	YES	YES	YES	YES	YES	YES

Note. *p*-Values in parentheses. (a) Standardized. Motivation - Revenue-growth used as a baseline in the models. The first stage regression model to calculate the Inverse Mills ratio is reported in Table 4.

deeper into the stakeholder orientation construct by studying each category separately. To do so, we ran separate regression models where the aggregate variable is replaced by the single stakeholder category variables. Due to the significant skewed distribution of the variables employee orientation and supplier orientation, we opted for a logarithmic transformation of the two measures.[9] The results are reported in Table 5.

In Model 9, we observe that the *p*-value ($p = .464$) of the coefficient of the acquiring firm's employee orientation does not mirror the results of the aggregate stakeholder variable. Models 10, 11, and 12, in turn, show positive coefficients for customer (+0.040; $p = .034$), supplier (+0.067; $p = .000$), and community orientation (+0.041; $p = .014$). In Model 13 we checked for possible inconsistencies deriving from the use of a full model in place of four separate models. Given the correlation between the four measurements, we opted to reduce potential multicollinearity issues and orthogonalized the variables before including them in the full model (McCallum, 1970). A Wald test was used to check the significance of the difference between the separate stakeholder coefficients. The results show an overall F-statistic of 5.75, which is significant at the 1% level. However, when

[9] Specifically, we took the natural log of the variables plus a constant of one to retain those observations with a value of zero.

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Table 4
First Stage Selection Model

Variables	Model 8
Constant	0.465
	(.000)
Business relatedness	0.054
	(.000)
Cross-border	−0.199
	(.003)
Size difference	−0.275
	(.017)
Acquirer's experience	0.014
	(.000)
Aggregate stakeholder orientation (a)	0.114
	(.000)
Motivation - cost efficiency	−0.061
	(.391)
Motivation – tech. innovation	−0.054
	(.480)
Target firm's age (b)	−0.268
	(.000)
Observations	1884
Pseudo *R*-squared	0.072
Year fixed effects	YES
Industry fixed effects	YES

Note. *p*-Values in parentheses. (a) Standardized and (b) Logarithm. Motivation - Revenue-growth used as a baseline in the model.

pairs of coefficients were compared separately, Wald tests led to mixed results. In particular, the results for impact of supplier orientation are significantly larger than those for employees ($p = .000$) and customers ($p = .051$), and the results for influence of community orientation significantly larger than those for employee orientation ($p = .007$). Other differences do not reach adequate levels of significance to draw further conclusions.

In order to delve further into the results for Hypothesis 2, we conducted separate regression analyses on the interaction between single stakeholder category variables and business relatedness. The coefficients indicate strong positive interactions between the moderator and employee orientation (0.033; $p = .046$; Model 14) as well as customer orientation (0.058; $p = .000$; Model 15). These results are mirrored when assessing the interaction coefficients of business relatedness with supplier orientation (0.033; $p = .034$; Model 16) and local community orientation (0.051; $p = .001$; Model 17).

When we move on to the analyses of the interaction between structural integration and the orientation toward the single stakeholder categories, the results become interestingly variegated. Specifically, the data shows (Model 18) that the interaction between structural integration and employee orientation is strictly positive (0.071, $p = .031$). Analyses of the average marginal effect of employee orientation also suggest that employee orientation may represent an advantage for the acquiring firm when the target is integrated (AME = 0.043), while the costs of maintaining a higher level of orientation toward employees may overcome its positive effects when the target is not integrated (AME = −0.028). Similarly, the results of Models 20 and 21 moderately support the prediction of a positive moderation of structural integration on the relationships between supplier orientation and acquisition performance (0.053; $p = .073$) and between community orientation and acquisition performance (0.059; $p = .065$). Finally, we did not find evidence for moderation in the customer orientation case.[10]

Robustness checks

All the results reported above withstand multiple robustness checks. First, they are not sensitive to the event window used to calculate the dependent variable (i.e., CAR over 36 months). Using a smaller event window (i.e., 24 months) for both the estimation and the calculation period leaves the results qualitatively unchanged. At the same time, using different benchmarks to calculate the CAR (equal weighted or S&P market returns) provides similar results.

We also considered whether identifying acquisition performance using stock returns might be biased if more than one acquisition was conducted within the same event window (estimating that the effects of one cannot be disentangled from the effects of the other). In order to partially account for this issue, we checked for the robustness of the results by controlling for the number of acquisitions that the acquirer undertook in the 3 years following the focal deal (i.e., the number of parallel acquisitions). No significant differences emerged in the results.

We checked for robustness of the solution that we had adopted to account for the nonrandomness of the integration decision using the procedure proposed by Hirano and Imbens (2001). Here, the

[10] Graphical representations of estimated interaction effects and average marginal effects for separate stakeholder categories are provided in the Appendix S1.

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Table 5
Separate Stakeholder Categories Analyses - OLS Regression Models

	Direct					Interaction with business relatedness				Interaction with structural integration			
Variables	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18	Model 19	Model 20	Model 21
Constant	0.336	0.323	0.325	0.332	0.109	0.335	0.328	0.329	0.332	0.461	0.399	0.361	0.399
	(.000)	(.000)	(.000)	(.000)	(.037)	(.000)	(.000)	(.000)	(.000)	(.000)	(.001)	(.004)	(.002)
Inverse Mills ratio (integration)										−0.128	−0.072	−0.034	−0.069
										(.196)	(.447)	(.722)	(.482)
Business relatedness (a)	0.006	0.005	0.003	0.005	0.002	0.005	0.000	0.005	0.004	−0.006	−0.001	−0.001	−0.002
	(.722)	(.772)	(.865)	(.781)	(.901)	(.791)	(.992)	(.803)	(.837)	(.755)	(.961)	(.973)	(.922)
Structural integration	−0.001	−0.003	−0.009	−0.008	−0.010	−0.002	−0.005	−0.013	−0.010	−0.007	−0.003	−0.009	−0.011
	(.979)	(.931)	(.781)	(.814)	(.751)	(.961)	(.880)	(.699)	(.767)	(.834)	(.928)	(.784)	(.753)
Employee orientation (b, a)	0.013				0.029	0.013				−0.029			
	(.464)				(.101)	(.478)				(.239)			
Customer orientation (a)		0.040			0.049		0.040				0.047		
		(.034)			(.013)		(.030)				(.060)		
Supplier orientation (b, a)			0.067		0.081			0.068				0.040	
			(.000)		(.000)			(.000)				(.075)	
Community orientation (a)				0.041	0.043				0.041				0.008
				(.014)	(.004)				(.012)				(.743)
Employee orient. × relatedness						0.033							
						(.046)							
Customer orient. × relatedness							0.058						
							(.000)						
Supplier orient. × relatedness								0.033					
								(.034)					
Community orient. × relatedness									0.051				
									(.001)				
Employee orient. × integration										0.071			
										(.031)			
Customer orient. × integration											−0.025		
											(.451)		
Supplier orient. × integration												0.053	
												(.073)	
Community orient. × integration													0.059
													(.065)
Observations	1884	1884	1884	1884	1884	1884	1884	1884	1884	1884	1884	1884	1884
R-squared	0.248	0.251	0.255	0.251	0.266	0.250	0.256	0.257	0.255	0.251	0.251	0.256	0.252
Year fixed effects	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Industry fixed effects	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES

Note. *p*-Values in parentheses. (a) Standardized and (b) Logarithm. Controls have been omitted due to space constraints. Full models are available upon request from the authors. In Model 15, we orthogonalized the variables of the different stakeholder categories to reduce potential multicollinearity issues. The first stage regression model to calculate the Inverse Mills ratio is reported in Table 4.

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use of a regression adjustment parameter in the estimation model is combined with the use of a weighting scheme. Specifically, to make treated (structural integration = 1) and control (structural integration = 0) observations representative of the population, they are weighted by the reciprocal of the probability of receiving the treatment (Caliendo & Kopeinig, 2008). The use of this procedure led to similar results.

To check the robustness of our explanatory variables, we replicated our analyses using data sourced from the KLD database (rather than from the Asset4 database) to measure our stakeholder orientation constructs. Again, the outputs show similar results to those reported.

We also wanted to check for potential problems related to sample selection bias in our data, which can lead to endogeneity concerns at two different stages. First, since social rating agencies do not select listed firms to be analyzed at random, they may be biased toward selecting only top performers in sustainability (see Shahzad & Sharfman, 2015). If this is true, it could lead to biased results that are not generalizable to all listed firms. Even if the Asset4 database, unlike KLD, claims to select firms on the basis of market capitalization instead of sustainability performance, we decided to control for this potential bias using a Heckman's two-stage model (Heckman, 1979). The results (reported in the Appendix S1) do not change significantly from the ones reported above.

The second source of bias might result from the omission of the endogenous decision of the firm to engage in stakeholder orientation practices. In other terms, a firm's choice to be more or less oriented toward stakeholders is not randomly assigned and may be correlated with some of that firm's characteristics. These characteristics, in turn, may be correlated with the performance of its acquisitions and yield biased estimates and incorrect conclusions regarding the relationship between explanatory and dependent variables. We partially accounted for this problem using (again) a Heckman's two-stage model. The results (reported in the Appendix S1) show modest differences due to the use of the dichotomized variable instead of the continuous one.

Finally, we replicated our analyses using a different aggregation of the four stakeholder categories. Specifically, where an acquiring firm's orientation toward a specific category of stakeholders is below the median, we assigned a zero, otherwise a one. We then took the sum of the four dummy values resulting from the comparison in each stakeholder category as our aggregate measure of stakeholder orientation. This also led to results mostly in line with the ones presented above.

Discussion and Conclusions

In this study, we have built on the stakeholder theory of the firm to shed light on one possible explanation of heterogeneity in acquisition performance: the acquiring firm's orientation toward its stakeholders. The basic assumption here is that the approaches a firm adopts in managing its relationships with nonshareholding stakeholders affect its likelihood of success in acquisitions. More specifically, we have explored how an acquiring firm's stakeholder orientation might influence the way it conducts its M&A processes and identified the benefits and the drawbacks that such variations may have for the acquisition's performance. The recognition that stakeholder orientations may have both positive and negative implications is a distinguishing feature of this study, as it provides a more nuanced theoretical development than the extant literature on stakeholder management.

In general, we found evidence that an acquiring firm's orientations toward its stakeholders do matter for a descriptive model of its acquisition performance. The data examined shows an overall positive impact of stakeholder orientation on M&A performance. A more specific set of analyses distinguishing the various categories of stakeholders, however, provides a more variegated pattern of results, showing that the magnitude and sign could vary across the categories of stakeholders.

The study of two specific contingencies based on M&A characteristics allowed us to refine our analysis of these effects. First, we looked at business relatedness between the acquiring and target firms. Our data suggests that the more related the two firms are, the more positive the impact of the acquiring firm's stakeholder orientations on acquisition performance. This result also holds when we consider the specific categories of stakeholders. The strength of the moderating effect of business relatedness can be interpreted as a consequence of the importance of knowledge transfer, not only between the two companies involved in the acquisitions, but also between the two networks of stakeholders.

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A second moderating effect considered is the extent to which the acquired firm is integrated into the acquiring firm. The general effect of structural integration on the performance impact of the aggregated stakeholder orientation construct is not significant. However, when the effects of specific stakeholder categories are analyzed, the results show important differences across stakeholder categories. The acquirer's orientation toward some of them (employees in particular) is positively influenced in its association with acquisition performance by the degree of structural integration. At the same time, the degree of integration does not influence the relationship between customer orientation and acquisition performance. The pattern of results might be interpreted to show that those classes of stakeholders that are most intimately affected by the integration process (e.g., employees) are also those for which the relational capabilities of the acquiring firm are particularly salient.

One implication of these results is that the performance effect of postacquisition integration should be studied in conjunction with the willingness and capacity of the acquiring firm to integrate the interests and knowledge of its stakeholders in its decision-making process. Another implication for business practice is that managers responsible for postacquisition integration planning need to invest in the assessment of the relational quality tying their firm to the different classes of stakeholders.

In terms of limitations, our study was only able to partly disentangle the effects of the acquirer's orientation toward stakeholders in the different phases of the acquisition process. One promising direction for future research might be the empirical exploration of this heterogeneity with regard, for instance, to target selection, negotiation, postacquisition planning, and implementation.

Our study also assumed that acquiring firms have homogenous orientations with respect to specific stakeholder categories. There may, however, be variations here even within the same stakeholder group. For example, a firm may decide to address the interests of specific types of employees, such as knowledge-based employees, while neglecting the interests of others, for example, laborers. We suggest that future research efforts could be directed toward exploring this type of heterogeneity and the effects it might have on firm performance in the M&A context and in other strategic tasks.

Another limitation of our study is the absence of the acquired firm's stakeholder orientation both in our theoretical development and empirical validation. This was due to the paucity of data related to target firms, which are typically nonlisted and thus not covered by ESG databases. Future scholars might be able to identify alternative sources of data or different methodologies to address this limitation.

Moreover, the measure of structural integration adopted in this article is relatively coarse, despite being in line with prior literature. A more nuanced assessment of the degree of structural integration, perhaps through survey methodologies, might afford a better empirical validation of the theoretical development provided both in this article and in future work.

Despite its limitations, this article contributes to the development of a number of strands in the literature. First, it links M&A literature with the growing body of work on the stakeholder-based view of the firm and extends the scope of the analysis of firm development activities by studying the influence of acquiring firms' relational contracts and capabilities with their stakeholders (Dyer & Singh, 1998; Gibbons & Henderson, 2012). In this respect, well-established concepts such as business relatedness and structural integration assume a novel role when examined through the SBV lens. We hope that M&A scholars might consider building on these insights in their future work and operationalize relatedness and integration in terms of the networks of stakeholders of the acquiring and the acquired firms.

Second, it contributes to the development of the stakeholder-based view by providing empirical support from a more fine-grained analysis of each stakeholder category. Although the literature has considered orientation toward the whole set of stakeholders as an overall firm characteristic, we contend that the study of orientation using separate stakeholder categories is relevant for our understanding of the sources of competitive advantage, because specific distributions of attention to stakeholder categories might be adaptive depending on the competitive context (Tantalo & Priem, 2014). Moreover, distinguishing between the different stakeholder categories might be important for the advancement of M&A theory and practice, since different types of stakeholders might play more or less virtuous roles depending on the characteristics of the task.

Although this article represents a first attempt to link stakeholder theory with M&A literature, we

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hope we have shown a potentially fertile ground for future applications of the stakeholder-based view of the firm to the study of other corporate strategy decisions and processes, such as alliances, reorganizations, and market entry, to name but a few strategically relevant contexts.

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Supporting Information

Additional supporting information may be found in the online version of this article:

Appendix S1. Additional material.