

THE ASSOCIATION BETWEEN BUSY DIRECTORS AND ACQUISITION PERFORMANCE

Abstract: This paper addresses the question of whether independent directors of the bidding firm are effective monitors *during acquisitions* and whether this effectiveness is impaired when the independent directors serve on multiple boards. The choice of the acquisition setting, where the board of directors is known to be engaged in active decision-making, facilitates a direct test of the role of independent directors as effective, external monitors of the board's activities. We employ three indicators of the bidding board's performance in making optimal acquisition decisions: the acquisition premium (benchmarked against subsequent performance), a new indicator comprising the conflicts of interest associated with the acquisitions (conflicted acquisitions), and the post-acquisition stock performance. The results suggest that more independent boards and busy *independent* directors on the bidding firm's board are associated with more effective acquisition decisions by the board. However, busy independent directors are associated with less effective acquisition decisions when the bidding firm has higher free cash flows consistent with Jensen (1986). We also find that busy *executive* directors on the bidding firm's board have no implications for the effectiveness of acquisition decisions unless the director is a busy *chairperson* or busy *CEO* both of whom are associated with less effective acquisition decisions. This paper contributes direct evidence on the effectiveness of bidding firm independent directors in their role as monitors and decision-makers.

Keywords: board composition; busy directors; acquisitions performance.

1.0 Introduction

This paper addresses the question of whether independent directors of the bidding firm are effective monitors during *acquisitions* and whether this effectiveness is impaired when independent directors serve on multiple boards. Specifically, this study examines the association between the independence and busyness of directors and three indicators of their board's performance in making acquisition decisions: (1) post acquisition stock price relative to the acquisition premium; (2) a new measure of the acquisitions involving a conflict of interest (as defined in Section 2.2.2); and (3) post acquisition share price performance. The paper also examines whether acquisition decisions by the board are adversely affected when the board comprises busy executive directors, busy chairpersons, or busy CEOs.

The assumption underlying the push to more independent boards is that boards which are not independent, or have busy *independent* directors *servng on multiple boards*, allow the insiders to take control of the board.¹ Boards dominated by insiders are less likely to discipline managers (Jensen 1986). Busy directors are assumed to apply less effort to their board duties as their number of directorships increases. The resulting weak board, along with the information advantage of the inside directors (see Ravina and Sapienza, 2009), negatively impacts the performance of the board. That is, rather than making decisions in the interests of the company as a whole, powerful insiders presiding over a weak board, make decisions for other reasons such as empire building (Jensen, 1986) and wealth transfers away from shareholders (Jensen and Meckling, 1976). However, competing theory suggests that a less independent board and more insider power are not routinely dysfunctional and may in fact reflect an optimal solution to the firm's *overall* governance needs (Adams, Hermalin and Weisbach, 2008).

¹ The Australian Shareholders' Association (ASA) argues that the board workload is linked to the incidence of corporate conflict and distress. For example, the ASA cites the high workload of four non-executive directors on the board of the packaging company, Amcor Ltd (Galacho 2004). Amcor Ltd. was investigated for cartel activities by the Australian Competition and Consumer Commission (ACCC). The ASA argued that the four non-executive directors, from the Amcor board totalling seven directors in all, sat on too many boards culminating in an unmanageable workload, and impaired performance as board members (Moullakis, 2004). The Council of Institutional Investors in the United States and the Financial Reporting Council in the United Kingdom (UK) make similar claims and arguments for limits on the number of directorships held by directors.

To distinguish among these theories, this study extends the prior literature by focusing the analysis on acquisition decisions over which effective independent directors exert their influence. This design provides a direct test of the link between board independence and busyness and board performance for two reasons: (1) acquisitions are material investment decisions that affect the welfare of the company as a whole; and (2) managers make acquisition proposals that are subject to board approval and the board is ultimately responsible for the outcome of the acquisition decisions. The negative decision outcomes from non-independent boards with directors that are too busy to attend to the board's activities may include: the overpayment of acquisition premiums relative to the performance capacity of the target operating with the bidder in the future, poor post-acquisition performance, and engagement in more conflicted acquisitions.

We find for a sample of 218 Australian companies making acquisitions that *more* independent boards and *busier* independent directors on the bidding firm's board are associated with acquisitions that have a lower acquisition premium relative to future performance and overall higher three year ahead stock performance. However, for firms with higher free cash flows, the *less busy* independent directors are associated with better acquisition outcomes (lower acquisition premium relative to future performance and higher overall future stock performance). Further tests decomposing the board suggest that the outcomes of the board's acquisition decisions depend on *who* is busy. Specifically, busy *executive* directors on the bidding firm's board have no implications for the effectiveness of acquisition decisions unless the director is a busy Chairperson or busy CEO both of whom are associated with less effective acquisition decisions by the board.

This study contributes in several ways to the literature on the performance implications of board composition and busyness. First, there are controversies surrounding the composition of an effective board of directors. To facilitate optimal decision making by the board of directors, there is evidence for and against the importance of a balance of executive and

independent non-executive directors on the board.² This study contributes new evidence on the optimality of a balance of executive and independent directors by focusing on settings where boards are actively making acquisition decisions.

Second, there is a perception among shareholder advocates, some policy-makers, and researchers that busy directors, sitting on multiple boards, are not effective board members (e.g., Core et al. 1999; Fich and Shivdasani 2006). The concern is that these busy directors have insufficient time to devote to the board's business and are exposed to multiple conflicts of interest. Consistent with this concern, Fich and Shivadasnasi (2006) find that firms with a majority of directors sitting on three or more boards have relatively lower market to book equity and also a lower sensitivity between the firm's financial performance and the turnover of the CEO. However, an alternative argument is that the networks and experience gained from multiple directorships increases a director's ability to contribute to the board decision-making processes (e.g., Ferris et al. 2003; Harris and Shimizu 2004). Byrd and Hickman (1992) and Perry and Peyer (2005) provide evidence that busy directors are more effective as monitors but only up to a threshold beyond which effectiveness declines with the addition of more directorships. Our tests provide new evidence from the acquisition setting in which busy independent directors are actively engaged in their board duties. We find that being a busy independent director is not associated with impaired effort to the board duties unless the firm has a free cash flows problem (Jensen 1986). However, being a busy executive who is the Chairman is associated with lower performance outcomes after acquisitions.

Third, most of the prior literature is based on the US setting. Given the increasing globalization of financing, business, and GAAP accounting regulation, the generalizability of the existing literature on busy directors to other settings with different institutional features but increasingly integrated flows of business services is of interest to national and international

² For example, Weisbach (1988); Mayers and Shivdasani (1997); Scherrer (2003); Balatbat et. al., (2004); Desai et. al., (2005); and Lim et. al., (2007).

financial market participants. The empirical evidence in this paper suggests that the independence of directors, and whether directors sit on multiple boards, has implications for the effectiveness of directors in their role as monitors and decision-makers.

The remainder of the paper is set out as follows. Section 2 presents the theory and hypothesis development. Section 3 outlines the sample and experimental design. Section 4 reports the primary results; while the additional tests' results are contained in Section 5. Finally, Section 6 provides a discussion of the limitations and suggestions for future research.

2.0 Theory and Hypothesis Development

The agency relationship between managers and shareholders provides opportunities for managers to act in their own interests rather than in the interests of shareholders and the firm as a whole (Jensen and Meckling 1976). This agency problem arises as a consequence of the separation of ownership and control of the firm and moral hazard. Complete contracting for future contingencies is not possible because the complete set of future states and their probabilities cannot be foreseen. Instead, professional managers are hired, under incentive compensation contracts, to sit on the governing board of directors, and this body is charged with the business management responsibility under common law, legislation, and the firm's constitution.³

2.1 Acquisition Decisions by the Board of Directors

Acquisition decisions by the board of directors are among the most significant and observable investment decisions of the board. These investment decisions provide a setting to study the implications of corporate governance mechanisms for mitigating agency conflicts between managers and shareholders.

³ Compensation contracts are imperfect, and with the delegated (from shareholders) management rights at their disposal, managers have opportunities to transfer wealth (Jensen and Meckling 1976). Opportunistic wealth transfers may be pecuniary in the form of salary or managerial perquisites (e.g., luxury cars and travel perks); or non-pecuniary relating to decisions and actions that enhance the managers' status, prestige or power but are not in the interest of the firm as a whole. For example, managers can expropriate investors' funds by entrenching themselves in their position even if they are no longer competent or qualified to run the firm (Shleifer and Vishny 1989).

The evidence from studies of the acquisition decisions by the bidding firms suggests that bidders fail to realize positive returns on average (e.g., Healy, Palepu and Ruback, 1992). Existing studies investigate economic and governance factors underlying the poor bidder outcomes from acquisitions. Gompers, Ishii and Metrick (2003) examine the implications of anti-takeover provisions. They construct an anti-takeover “G-index” from the 24 items in the IRRC publications and find weak shareholder rights is associated with underperformance of the bidder.⁴ Ensuing studies study the acquisition implications of sub-sets of this index (Bebchuk, Cohen and Ferrell, 2004; Sokolyk, 2006), and the index combined with additional corporate governance factors including board composition, CEO equity stock and option incentives, and institutional ownership (Masulis, Wang and Xie, 2007). These latter studies suggest the G-index is not related to better acquisition decisions by the board. The evidence suggests that better acquisition decisions are associated with some individual items in the index as well as some governance factors.⁵ What the evidence also suggests is that the index approach to explaining acquisition decisions by boards is flawed because the index items individually relate differently to the acquisitions in terms of the theoretical links, the signs of the relations, and the significance of each factor (Sokolyk, 2006).

In this paper, we focus on the implications for the board’s acquisitions decisions of the board independence, and director busyness which have yet to be addressed in the literature, and controlling for other factors. We follow the prior literature by measuring the board’s performance in relation to acquisition decisions using two indicators: the bidder’s post-acquisition stock relative to the bidder’s pre acquisition stock price, and this latter measure

⁴ The Responsibility Research Center, Inc (IRRC) is a commercial source for data on corporate governance, proxy voting, and corporate responsibility.

⁵ For example, Sokolyk (2006) finds that staggered boards, fair price provisions, and limitations on directors’ liability and indemnification deter takeovers; while golden parachutes, compensation plans, and limitations to act by written consent and to call a special meeting are associated with a higher probability of takeovers. Masulis et al (2007) find that acquirers with more anti-takeover provisions experience lower abnormal stock returns to their takeover announcements. Masulis et al interpret this result as the investors’ negative response to the anti-takeover shield which increases the probability that managers are destroying value by engaging in empire building.

relative to the level of the acquisition premium.⁶ Relatively higher post-acquisition stock price performance of the bidder is an indicator of good decision making by the board in relation to acquisitions.

A board may decide to pay a high premium for an acquisition if it believes that the investment can provide a good return in the long run. A high premium accompanied by relatively high post-acquisition stock performance is indicative of a successful board decision. A high acquisition premium coupled with relatively low post-acquisition performance suggests that the premium is more likely to include an over-payment portion and therefore reflects a less successful board decision.

2.2 Conflicted Acquisitions

We also consider the implications of board independence and busy directors for the frequency of conflicted acquisitions—thereby, providing a direct test of the agency conflict implications of board independence and director busyness.

A conflicted acquisition is an acquisition involving actual or perceived conflicts of interest between two or more key stakeholders. Conflicts of interest can arise between the board of directors and the shareholders within the bidder and/or the target firm. Examples of this type of perceived conflict include the following: acquisitions where the chairperson sits on both the bidder and target firms' boards. For example, during the acquisition of Taipan Resources NL by St Barbara Mines Ltd, Stephen Miller is an executive chairperson for both the bidder and the target firm (Klinger 2000). Another example is acquisitions where directors are incentivised to focus predominately on their firm's short-term performance. For example, Southcorp Holdings promised to advance Cuppa Cup Vineyard's chief executive to a senior management role if it was successful in its \$42 million friendly takeover bid (Salmons 1999). This is a type of conflict where the director personally stands to benefit from the acquisition.

⁶ For example, Asquith, Bruner and Mullins (1983) employ post-acquisition stock returns to measure the gains to bidding firms from mergers.

The problem arising in relation to conflicted acquisitions is that an acquisition might be undertaken even though the deal is not in the best interests of the company as a whole.

Conflicts of interest in relation to acquisitions can also arise where institutional investors own stock in both the bidder and the target firms. Institutional investors are less likely to lose if they hold stocks in both firms because a poor deal for one side of the Bidder/Target transaction is offset by the gains to the other side of the deal. Consistent with this scenario, Matvos and Ostrovsky (2008) find that institutional shareholders of acquiring companies on average do not lose money because the institutional investors hold substantial stakes in the targets and make up for the losses from the acquirers with the gains from the targets. Pursuant to the institutional investor incentives, they find in mergers with *negative* acquirer announcement returns, that these institutional cross-owners are significantly more likely to vote for the merger. Thus, a conflict of interest exists where institutional investors hold both Bidder and Target shares (cross-owners) because these investors do not have incentives to vote down acquisitions that destroy value.

2.3 Monitoring Role of Independent Directors

The board is the ultimate legal authority with respect to decision-making in the firm. Common law and statute relating to the business management rule confers wide powers on the board of directors to make and implement strategy including the oversight of investment, operating, and financial decisions, and monitoring of the executive management.

Security market regulators assume that boards dominated by independent outside directors provide effective monitoring. However, researchers have not been able to document a systematic relation between board independence and firm performance (Hermalin and Weisbach 2003).⁷ Adams, Hermalin and Weisbach (2008) argue that the key underlying

⁷ Some studies provide evidence consistent with this assumption (Weisbach 1988; Mayers and Shivdasani 1997; Scherrer 2003; Balatbat et al. 2004; Desai et al. 2005; Lim et al. 2007). For example, Mayers and Shivdasani (1997) find evidence suggesting independent boards are associated with relatively better long-term stock performance and the channel for this outcome is oversight over cost structure and investment decisions. Weisbach (1988) finds that boards dominated by independent directors are more likely to remove poorly performing CEOs.

determinant of board structure is the power of management relative to the board and to outside stakeholders.⁸ According to this view, we would expect to observe independent boards and more effective monitoring of (the executive) management when the firm has a constitution and corporate governance structure which approaches the firm's optimal design.

A direct test of monitoring effectiveness is to focus on observable decisions of the board relating to acquisitions and relate the acquisition decision outcomes to board independence. Some studies suggest an independent board can reduce the probability of a firm engaging in value destroying acquisitions (e.g., Byrd and Hickman 1992).⁹ Other studies find no role for board independence in the US setting: for example, Subrahmanyam, Rangan and Rosenstein (1997) in the banking industry and Masulis, Wang and Xie (2008) for acquirers included in the IRRC database.¹⁰

In this study we re-examine the monitoring effectiveness of board independence in the context of the acquiring board's acquisition decision and the extent of conflicts of interest associated with the acquisition which has not previously been studied. We make the following prediction based on the theory that suggests independent boards discipline the board's decision making processes to achieve superior outcomes.

H1: Independent boards are associated with superior acquisition decision outcomes and fewer acquisitions involving conflicts of interest.

2.4 Busy Independent Directors

⁸ For example, Shivdasani and Yemack (1999) find that boards with CEOs controlling the nominating process for directors have fewer independent directors, and tend to have the appointed independent directors often have financial links to the CEO or to the firm.

⁹ Consistent with this evidence, other studies find that firms with staggered boards, which are arguably not independent, make acquisition decisions with poorer outcomes (e.g., Bebchuk and Cohen, 2005). Staggered boards do not have annual elections for directors. Instead, directors are elected for multiple years with only a proportion of the directors up for election in a given year. Staggered boards are thought to entrench management and decrease firm value. Consistent with this view, Guo, Kruse and Nohel (2008) find a positive investor response when activist shareholders lobby for destaggering of the board.

¹⁰ They expect to observe a positive association between board independence and 5 day (-2, +2) cumulative abnormal returns around the acquirer's acquisition announcement, reflecting investors response to good news, but find no relation.

Whilst independent directors play a role in monitoring the board, the effectiveness of their role can be impaired when serving on multiple boards. A reduction in oversight may increase inter and intra-board conflicts and induce sub-optimal board decisions (Core et. al., 1999; Shivdasani and Yermack 1999; Loderer and Peyer 2002; Fich and Shivdasani 2006).

In support of the busyness hypothesis, a number of studies suggest that directors sitting on multiple boards do not function well as monitors (see Fich and Shivdasani 2006). Further, additional directorships increase the level of conflicts between insider and outsider directors. For instance, Core et. al., (1999) find that CEO compensation is higher and firm value is lower when outside directors are older and serve on more than three other boards. Shivdasani and Yermack (1999) find a negative stock price reaction when appointees are busy directors.

However busy directors may also reflect the demand for individuals with superior skills, experience, and networks (Fama and Jensen, 1983; Booth and Deli, 1996). A number of studies from different settings suggest that busy directors can add value as monitors, although some of these results have been challenged on methodological grounds. For example, Fich and Shivadasni (2003) revisit the busy director link to performance and report that busy directors may not always be effective in relation to the endgame of superior performance.¹¹

We study the implications of busy directors directly by focusing on the board's acquisition decisions. Initially, we focus on busy *independent* directors and later expand our tests to consider executive directors due to the endogenous nature of the firm's governance structure. Taking into account the doubt expressed by some researchers about the extent that independent directors really are independent (e.g., see Brown, 2007), and given the widespread incidence of staggered boards and other devices for nominating directors, and the difficulties for busy directors to attend board meetings and otherwise fulfil their obligations, we predict

¹¹ For example, Kaplan and Reishus (1990), Gilson (1990), Shivdasani (1993), Brickley, Linck, and Coles (1999), and Ferris, Jagannathan and Pritchard (2003).

that busy directors are associated with inferior board decisions relating to acquisitions. This paper therefore hypothesizes the following:

H2: Busy independent directors (sitting on multiple boards) are associated with inferior acquisition decision outcomes and more acquisitions involving conflicts of interest.

We also predict that the impact of busy directors is magnified when firms have high free cash flows (FCFs). FCFs are cash flows in excess of what is required to fund all projects that have positive net present values. Jensen argues that directors are more likely to squander resources on negative net present value projects when a firm has substantial FCFs and poor investment opportunities. Lang et. al., (1991) suggest that bidder returns are the lowest among firms with low Tobin's Qs and high FCF. Morck et. al., (1990) find that bidder returns tend to be the lowest when bidders diversify or when bidders buy rapidly growing firms. A possible consequence of monitoring inefficiencies when directors are too busy is the depletion of the FCFs on value destroying acquisitions (Jensen 1986).

We therefore predict that high free cash flows magnifies the dysfunctional monitoring of busy directors leading to sub-optimal acquisition and agency cost outcomes.

H3: Busy independent directors (sitting on multiple boards) are associated with inferior acquisition decision outcomes and more acquisitions involving conflicts of interest for firms with higher free cash flows.

3.0 Empirical Analysis

The sample includes all successful acquisitions during the period 1997 to 2007, where both bidder's and target's firms are listed on the Australian Stock Exchange (ASX). The original sample comprises 253 observations. Investment trusts, managed funds, and banks are removed from the sample due to differences in governance and reporting requirements. Further

deletions are made for firms with missing data and those reporting in foreign currencies. The final sample comprises 218 firm-year observations. Table 1 shows the sample selection process.

< INSERT TABLE 1 ABOUT HERE >

The corporate governance data is derived from the *UTS Accenture Who Governs Australia* database. This latter database contains detailed information on each firm's executive structure, board of directors, compensation practices, executive and director shareholdings, external auditor details, and shareholder details on the top 500 companies and 800 randomly selected smaller companies for the period 2001 to 2007. The corporate governance data from 1997 to 2000 is hand collected from the firms' annual financial statement on Connect 4. The individual firm-level stock prices and year-end financial statement data is obtained from the *Aspect Huntley* database.

3.1 Empirical Models

3.1.1 Tests of Hypothesis 1

Hypothesis 1 predicts that the proportion of independent directors to total directors on the board is related to superior acquisition decisions by the board of directors and fewer conflicts of interest relating to acquisitions. We estimate equation (1) to test Hypothesis 1 using different estimators for the three dependent variables according to the distribution of the data as elaborated below.

$$\text{BoardPerf}_{it} = a_{0it} + a_1 \text{IndBoard}_{it} + a_2 \text{Controls}_{it} + \varepsilon_{it} \quad (1)$$

Non-executive status is used to proxy for the independence of the directors (IndBoard). Independent board is calculated as the number of independent directors over the total number of directors on board using data from the Who Governs Australia database, as follows.

$$IndBoard_{it} = \frac{IndependentDirectors_{it}}{TotalDirectors_{it}}$$

Three dependent variables are employed to measure the board performance in relation to the acquisition decision (BoardPerf_{it}).

1. *Post-acquisition stock price performance* (PostPerf_{it+1,t+2,t+3}) is computed as the bidding firm's post acquisition share price 1, 2 or 3 years after the acquisition divided by the bidding firm's stock price one month prior to the acquisition ((1y, 2y, 3y ahead stock price of the bidder)/one month prior stock price of the Bidder).

$$PostPerf_{it+1,t+2,t+3} = \frac{BidderPrice_{i,t+1,t+2,t+3}}{Price_{i,t-30days}}$$

Equation (1) for the *Post-acquisition stock price performance* continuous variable is estimated using ordinary least squared estimators.

2. *Acquisition Performance Relative to the Acquisition Premium* (PostPerf_{it+1,t+2,t+3}/Premium_{it}): the post-acquisition stock price performance (PostPerf_{it+1,t+2,t+3}) of the Bidder is measured as above in point one. The acquisition premium (Premium_{it}) is measured as the acquisition purchase price paid by the Bidder divided by the stock price of the target firm 20 days before the acquisition. These data items are obtained from *Aspect Huntley*.

$$\frac{PostPerf_{it+1,t+2,t+3}}{Premium_{it}} = \frac{BidderPrice_{i,t+1,t+2,t+3}}{Price_{i,t-30days}} \bigg/ \frac{AcqPrice_{it}}{Price_{i,t-20days}}$$

Equation (1) for the *Acquisition Performance Relative to the Acquisition Premium* continuous variable is estimated using ordinary least squared estimators.

3. *Conflicts of Interest Associated with the Acquisition* (Conflicted_{it}): is a count of the acquisitions undertaken by the bidding firm that involve perceived conflicts of interest.

Three types of conflicts of interest are considered in constructing the *Conflicted* variable including institutional conflicts, director conflicts and major stakeholder conflicts.

In relation to the *institutional conflicts*, investors are less likely to lose if they hold stocks in both the Bidder and the Target firms. More specifically, institutional investors holding both bidder and target shares are cross-owners who are more likely to vote for a merger even if there are negative announcement returns to the bidding firm (Ostrovsky and Matvos, 2006). Consequently, for each acquisition, we count the number of institutional cross-owners that own both bidder and target shares as a measure of *institutional conflict*.

To compute *directors conflicts* and *major stakeholder conflict* variables, keywords relating to the types of conflicts discussed in Section 2.2.2 are used to search the financial media including *The Australian Financial Review* and Factiva.com, for the period 3-months prior to and 3-months after the acquisition date. The keywords used for the search include: “conflicts”; “conflicts of interest”; “low ball offer”; “financial incentives”; “breached directors’ duties”; and “continuous disclosure”. For each acquisition, a variable is coded one for the existence of a report on a perceived or actual conflict and zero otherwise. Equation (1) for the *Conflicts of Interest Associated with the Acquisition* count variable is estimated using a Poisson estimator. The conflicted acquisition measure of board effectiveness is a new measure that has not been employed before to examine board effectiveness in relation to acquisitions.

3.1.2 Tests of Hypothesis 2

Hypothesis 2 predicts that busy independent directors are associated with inferior board decision-making performance relating to acquisitions and more acquisitions involving conflicts of interest. Equation (2) is estimated to test Hypothesis 2.

$$\text{BoardPerf}_{it} = \beta_{0it} + \beta_1 \text{IndBoard}_{it} + \beta_2 \text{BusyInd}_{it} + \beta_3 \text{Controls}_{it} + \mu_{it} \quad (2)$$

Using the *UTS Accenture Who Governs Australia* database, the proportion of busy independent directors on the board is measured as the number of the independent directors on the board of directors holding more than three directorships divided by the total directors on the board and multiplied by the total number of directorships held by these independent directors.

$$BusyInd_{it} = \frac{BusyIndDirectors_{it}}{TotalDirectors_{it}} \times Total\ Seats\ held\ by\ BusyIndDirectors_{it}$$

3.1.3 Tests of Hypothesis 3

Hypothesis 3 predicts that higher free cash flows magnify the monitoring inefficiencies associated with busy independent directors. Equation (3) is estimated to test Hypothesis 3.

$$BoardPerf_{it} = \gamma_{0it} + \gamma_1 IndBoard_{it} + \gamma_2 BusyInd_{it} + \gamma_3 FCF_{it} + \gamma_4 (BusyInd_{it} * FCF_{it}) + \gamma_5 Controls_{it} + \eta_{it} \quad (3)$$

Free cash flow measures the free cash flows of the bidding firm prior to the acquisition scaled by the implied market value of the acquisition (data from *Aspect Huntley*).

Free Cash Flow is equal to Net income + Amortisation and depreciation – Change in working capital – Capital expenditures

3.2 Control Variables

The following variables, using data from the *Aspect Huntley* database, control for alternative plausible explanations for board performance and conflicted acquisitions.

OfferCash _{it}	The OfferCash variables is coded one for a cash funded acquisition and zero otherwise
OfferScrip _{it}	Firms can issue shares to fund the acquisitions. However this may lower the existing shareholder value due to the dilution of the existing shareholder wealth (Myers and Majluf, 1984). <i>OfferScrip</i> is a binary variable represent by one if the acquisition is scrip funded and zero otherwise
DealVol _{it}	Consistent with Harris and Shimizu (2004) and Haleblian and Finkelstein (1999), deal volume proxies for the business conditions surrounding the acquisition. The deal volume is measured as the total acquisition activity.
DealSize _{it}	Consistent with Harris and Shimizu (2004), deal size proxies for size related factors that are associated with the board decisions (e.g., economic impact, antitrust concerns, level of market scrutiny, tax implications, number of employees to be integrated in the acquisition). Deal size is measured as the log transformation of the total dollar value of the acquisition.
RelSize _{it}	Asquith et. al., (1983) find that bidder returns tend to distribute according to the relative size between the bidder and target firms. That is, targets that are relatively smaller in size are associated with smaller abnormal returns to the acquiring firm. <i>Relsize</i> is the natural log of the target total assets divided by the bidder total assets in the year immediately preceding the acquisition announcement.
BidderDebt _{it}	Bruner (1988) suggests that the bidding firm's capital structure influences the choice of target firms, the market value of the acquisition, and the returns accruing to the bidder. Consistent with Harris and Shimizu (2004) the bidder's leverage is measured as the bidder's debt-to-equity ratio immediately before the acquisition announcement.
PriorBidder-Perf _{it}	Morck et al. (1989) find that firms with relatively superior financial performance tend to be successful acquirers. Prior bidder performance is measured as the acquirer's average return on assets for the 3-years prior to the acquisition announcement.
BidderSize _{it}	Castaldi and Wortman (1984) suggest that small companies tend to "under-utilize" their boards for decision-making and strategic direction. We therefore control for the variance in board performance attributable to differences in firm size using the natural log transformation of the acquirer's total revenue for the year immediately prior to the acquisition announcement.
Top20_Instit _{it}	Institutional ownership can influence board independence. Consistent with prior studies (Bethel and Liebeskind 1993; Daily 1996; Harris and Shimizu 2004), the proportion of equity owned by institutional investors proxies for the level of institutional ownership in the bidding firm. Institutional ownership data is obtained from the financial report prior to the acquisition announcement date.

3.3 Summary Statistics

Table 2 reports the descriptive statistics for the pooled sample. Table 2 suggests that the sample consists of a wide range of acquisitions in terms of the post share price performance, and board composition. For instance, the premium ranges from – 24.7 to 81.1 percent while

firm post-acquisition performance (3 years) ranges from -97.2 to 182.8 percent. Panel B of Table 2 shows that 17.9 percent of the sample has a busy CEO on the board, while 57.3 percent have a busy chairperson on the board. Only 2.3 percent of the sample firms have both a busy CEO and a busy chairperson on the board.

< INSERT TABLE 2 HERE >

Table 3 reports the sample composition for the pooled sample. The top five industries in the sample are materials, consumer services, real estate, diversified financials, and food beverage & tobacco.¹² Together these five industries make up 41.74% of the sample. On average, each industry represents 4.76% of the sample.

< INSERT TABLE 3 HERE >

Table 4 reports the correlations among the variables. The Pearson correlations are shown above the diagonal, and the Spearman's rhos are shown below the diagonal. Nearly all the variables are significantly correlated with each of the remaining variables. In particular, the post-acquisition performance measures are positively correlated with each other. As expected, FCF is positively correlated with both bidder size and independent busy directors. Accordingly, it is important to control for firm size effects in the regressions.

< INSERT TABLE 4 HERE >

The data is screened for outliers using graphical methods and regression diagnostics and outliers greater than two standard deviations from the mean are deleted.

3.4 Primary Results - Hypothesis 1

Hypothesis 1 predicts that the proportion of independent directors (*IndBoard*) is positively associated with the success of the board's decision-making performance in relation to acquisitions. Table 5 (equation 1) reports the regression results for Hypothesis 1.

¹² Industries (other) are not included because we cannot specify the specific industry.

< INSERT TABLE 5 HERE >

Panel A of Table 5 indicates that the coefficient for *IndBoard* is positive and significantly associated with the 3-years post-acquisition performance relative to the acquisition premium ($\text{PostPerf}_{it+1,t+2,t+3}/\text{Premium}_{it}$). The coefficients of *IndBoard* are positive but not significant for 1 and 2 years post-acquisition performance relative to the premium ($\text{PostPerf}_{it+1,t+2,t+3}/\text{Premium}_{it}$). Panel B shows that *IndBoard* is not significantly associated with conflicted acquisitions. Panel C indicates that the coefficient for *IndBoard* is positive and significantly associated with the post-acquisition relative share price performance ((1y, 2y, 3y ahead stock price of the bidder)/one month prior stock price of the Bidder). Overall, these primary results provide support for Hypothesis 1 suggesting that the proportion of independent directors to total directors on the board is positively related to the board's decision-making performance in relation to acquisitions, especially for the post-acquisition relative share price performance.

3.5 Primary Results - Hypothesis 2

Hypothesis 2 predicts a negative association between the busyness of independent directors (*BusyInd*) and the success of the board's decision-making performance in relation to the acquisition. Table 5 (equation 2) reports the regression results for Hypothesis 2.

The coefficients of *IndBoard* are not significant for the post-acquisition performance relative to the premium and the conflicted acquisitions dependent variables. However, the coefficients of *IndBoard* are significant and positively associated with the post-acquisition relative share price performance ((1y, 2y, 3y ahead stock price of the bidder)/one month prior stock price of the Bidder). Overall, these results for *IndBoard* are consistent with the equation 1 results.

Panel A and C of Table 5 show that the coefficient for *BusyInd* is *positively* associated with both the post-acquisition performance relative to premium and the post-acquisition relative share price performance. In contrast, Panel B shows that the coefficient for *BusyInd* is negative but is not significantly associated with conflicted acquisitions. Overall, these results contradict Hypothesis 2. These results provide support for the null of Hypothesis 2, the effective monitoring hypothesis, suggesting that the busyness of independent directors (sitting on multiple boards) is *positively* related to the success of the board's decision-making performance in relation to acquisitions.

3.6 Primary Results - Hypothesis 3

Hypothesis 3 predicts that the negative association between the busyness of independent directors (sitting on multiple boards) and success of the board's decision-making performance in relation to acquisitions is worse for firms with higher free cash flows. Table 5 (equation 3) reports the regression results for Hypothesis 3.

Table 5 shows that the results for *IndBoard* are consistent with the results reported for equations 1 and 2, namely the coefficients for *IndBoard* are not significant for post-acquisition performance relative to the premium and the conflicted acquisition dependent variables. However, the coefficients for *IndBoard* are significant and positively associated with the post-acquisition relative share price performance ((1y, 2y, 3y ahead stock price of the bidder)/one month prior stock price of the Bidder). The results for *BusyInd* are also consistent with equation 2, namely the coefficients of *BusyInd* are positive and significantly associated with the post-acquisition performance relative to the premium and the post-acquisition relative share price performance.

Panel A and C of Table 5 show that the FCF coefficients are positive and significantly associated with the post-acquisition performance relative to the premium and the post-

acquisition share price performance (3-years post-acquisition); while Panel B indicates FCF is not significantly associated with conflicted acquisitions.

Table 5 shows that the incremental effect of the interaction variable (*BusyInd*FCF*) is a *negative* and significant association with both the post-acquisition performance relative to the premium and the post-acquisition relative share price performance. These findings are consistent with Hypothesis 3 suggesting that the busyness of independent directors on the board is negatively related to the board's decision-making performance for firms with higher free cash flows. Hence, as predicted in Hypothesis 3, the busyness of the independent directors matters most when firms have higher free cash flows and are at risk of empire building by executive management.

In summary, the results of the hypothesis tests are as follows. The evidence is consistent with Hypothesis 1. After controlling for a large range of other factors, the tests confirm the predicted positive relation between the board's performance in relation to acquisition decisions and the independence of the board. This evidence complements the prior literature providing a direct test of the monitoring effectiveness of the board by focusing on an observable acquisition decision and its outcome. The results are not consistent with Hypothesis 2 which predicts a negative relation between the busyness of directors and the success of the board's decision making. Instead the results suggest that busy directors are associated with *more* successful board performance in relation to acquisition decisions. The results are consistent with Hypothesis 3 for which we predict and find that as the bidding firm's free cash flows increase, less busy directors are associated with more successful board performance in relation to acquisition decisions.

3.7 Additional Tests

We evaluate the robustness of the hypothesis test results to alternative explanations as follows.

3.7.1 Decomposition of the Board of Directors

One limitation of the primary tests is that the director classification into independent or non-independent does not differentiate between busy CEO, Chairperson, and Non-independent (executive) directors. There are differences in the role and level of commitment of the different types of directors. The CEO and non-independent directors are full-time inside directors whereas chairpersons and independent directors are usually part-time external directors. To obtain further insights, the board of directors are decomposed into different categories: *BusyCEO*, *Chairperson*, *Non-independent*, and *Independent* directors. Table 6 reports the regression results for hypothesis tests conducted for the decomposed board of directors.

< INSERT TABLE 6 HERE >

Panel C of Table 6 shows that *BusyInd* is positive and significantly associated with the firm's post-acquisition share price performance. Both the coefficient and t-statistic are larger for the 3-years post-acquisition performance compared to the 1 and 2 years post-acquisition performance. These results imply that firms with a *higher* proportion of busy independent directors will experience better post-acquisition relative performance compared to firms with a *lower* proportion of busy independent directors. Consistent with the primary results, these results support the effective monitoring hypothesis (the null hypothesis to Hypothesis 2) suggesting that busy independent directors can be better decisions makers compared to non-busy independent directors.

Panel B of Table 6 shows the coefficient for *BusyChair* is positive and significantly associated with the conflicted acquisitions dependent variable. Further, Panel C shows the coefficient for *BusyChair* is consistently negative and significantly associated with the firm's post-acquisition relative share price performance. These results imply that firms with busy chairpersons are likely to experience more conflicted acquisitions and have a lower post-acquisition performance compared to firms without busy chairpersons. Thus, these results for

the busy Chairperson are *consistent with the Hypothesis 2* prediction that busy directors are ineffective but in the context when the director is the Chairperson of the board of directors.

Results for the FCF variable and the free cash flow interaction term (*BusyInd*FCF*) are consistent with the primary results. The interaction variable (*BusyInd*FCF*) is negative and significantly associated with both the post-acquisition performance relative to the acquisition premium and the firm's post-acquisition relative share price performance. These results are *consistent with the Hypothesis 3* prediction that the busyness of independent directors is negatively related to the board's decision-making performance for firms with higher free cash flows.

Overall, the results for *BusyInd* provide support for the effective monitoring hypothesis, which is the null for Hypothesis 2, suggesting that busy independent directors can be better decisions makers compared to non-busy independent directors. The results for *BusyChair* are consistent with Hypothesis 2 suggesting that the busyness of independent directors is negatively related to the board's decision-making performance in relation to acquisitions. The results suggest that the relevant issue is not "*Whether or not directors are busy?*" but "*Who is busy?*"

3.7.2 Weighting the Outside Directorships

The primary and the decomposition models assume that directors with more than three outside directorships are busy. A limitation of this assumption is that it does not take into account the differences in the types of outside directorships held by the directors. For instance, directors who hold three full-time directorships require more time compared to directors who hold three part-time directorships. We therefore rerun the tests weighting the outside directorships depending on the types of directorships held. Consistent with the prior literature (Harris and Shimizu 2004; Kiel and Nicholson 2006), we weight the CEO/Executive directorships by four; the Chairpersons' directorships by two; and the miscellaneous roles as

one-half of the independent directorships. Table 7 reports the regression results for the weighted tests.

< INSERT TABLE 7 HERE >

Panel A and C of Table 7 show that the coefficient for *BusyInd* is consistently positive and significantly associated with the firm's post-acquisition performance relative to the premium and the firm's post-acquisition relative share price performance, consistent with the decomposition model results above. Once again, these results are in contrast to the *Hypothesis 2* prediction, and instead suggest that busy independent directors can be better decisions makers compared to non-busy independent directors. In addition, Panel B shows that the coefficient for *BusyChair* is positive and significantly associated with conflicted acquisitions, and negatively associated with the firm's post-acquisition share price performance. Thus, these results are consistent with *Hypothesis 2* suggesting that busy chairpersons are associated with less effective acquisition decisions compared to non-busy chairpersons.

Panel A and C of Table 7 show that the coefficient for *BusyNonInd* (busy non-independent directors) is positive and significantly associated with both the post-acquisition performance relative to acquisition premium and post-acquisition relative share performance for 2 years post-acquisition. However, the coefficient for *BusyNonInd* is negative and insignificant for the 3 years post-acquisition. These results suggest that firms with a higher proportion of *BusyNonInd* are more likely to perform well in the short-term post acquisition.

Results for FCF and the interaction variable (*BusyInd*FCF*) are consistent with both the primary and decomposition models. Namely, the interaction variable is negative and significantly associated with both the post-acquisition performance relative to premium and post-acquisition share price performance, consistent with *Hypothesis 3*, suggesting that the busyness of independent directors is negatively related to the board's decision-making performance for firms with higher free cash flows.

Overall, the results from the weighted models are consistent with both the primary and the decomposition models. These additional results show that firms with higher *BusyInd* are likely to perform better post acquisition and firms with a *BusyChair* are more likely to experience conflicted acquisitions and have lower post-acquisition performance. Consequently, the question of interest is not only “*Who is busy?*” but also “*What are they busy doing?*”

3.7.3 Cumulative Abnormal Returns (CAR) Performance

The above tests measure post-acquisition share price performance as the normal returns on the share price. This simple model is an actual total returns rather than an unexpected returns measure which is unadjusted for the market return. We test the sensitivity of the results using cumulative abnormal returns (CARs) as the dependent variable. Table 13 reports the results for the CARs regressions.

<INSERT TABLE 8 HERE>

Panel A of Table 8 tabulates the results for the short-term CARs (2 day and 3 day windows) and Panel B provides the results for the long-term CARs (1, 2 and 3 year windows). Panel A shows no significant association between any of the variables of interest with the short-term CARs. However in Panel B, the long window, one-year ahead CAR results suggest a positive and significant estimated coefficient for *INDBOARD*, and incremental negative and significant coefficients for both the *BusyChair* and the *BusyNonInd* variables. Generally, these results are consistent with Hypothesis 2 and the previous reported results, with the additional result that fewer busy executive directors on the board is associated with relatively higher cumulative returns. Overall, these additional results suggest that bidding firms with less independent boards, and with busy chairpersons and busy executive directors, experience lower cumulative return performance for the first year after the acquisition.

3.7.4 Additional Robustness Tests

In unreported tests, we also evaluate the sensitivity of the results to additional effects including amortization of acquired goodwill, earnings and earnings changes, auditor quality, the price to book ratio, and including conflicted acquisitions as a control variable in the board performance tests. Two prior studies suggest that the bidder's goodwill amortisation can be a factor that drives the post-acquisition share price (Shad 1973; Norris and Ayres 2000). However, we find the results unchanged. We also find the results unchanged when we include earnings and changes in earnings in the equations (see Donnelly and Walker 1995; Kasznik and McNichols 2002). In relation to auditor quality, the auditor is also a mechanism to constrain the effectiveness of dysfunctional behaviours of management. Smith and Watts (1992) find that the cost of monitoring managers is positively related to firm growth opportunities which we proxy using price to book. We find the primary results are robust to these additional control variables and to the inclusion of the conflicted acquisition variable as an additional control for performance.

We also evaluate the sensitivity of the findings for Hypothesis 3 by interacting busy non-independent directors and FCF ($BusyNonInd*FCF$) instead of busy independent directors and FCF ($BusyInd*FCF$). Unreported results show $BusyNonInd*FCF$ is positive but not significantly associated with post-acquisition performance relative to the premium and post-acquisition share performance, further $BusyNonInd*FCF$ is negative but not significantly associated with conflict acquisitions. These additional results might reflect a lack of power or alternately that Hypothesis 3 is descriptive only for busy independent directors on bidding firm boards that have higher free cash flows, and does not extend to busy executive directors.

We evaluate the sensitivity of the findings with respect to various alternative scaling variables such as total assets. Unreported table shows that the results are generally consistent with the primary results. In addition, board composition variables can collectively drive the

result. To control for this effect we estimate reduced form regressions that test the board composition variables separately. These results are consistent with the primary findings. We also estimate univariate Mann-Whitney Equality of Mean Tests to compare firm performance separately for the groups – busy and non-busy directors. Again, the overall results are consistent with the primary and additional results reported in the prior sections.

4.0 Discussion and Conclusions

This paper addresses the question of whether independent directors are effective monitors during acquisitions and whether this effectiveness is impaired when the independent directors serve on multiple boards. This study has expanded on current knowledge by providing preliminary evidence on the relation between busy directors and three indicators of the board's performance in making optimal acquisition decisions: the acquisition premium benchmarked against post-acquisition performance, perceived conflicts of interest associated with the acquisition (conflicted acquisitions), and the post-acquisition stock performance. The paper also decomposes the board of directors into its constituent parts and examines whether less effective board decisions are observed for CEOs, Chairpersons and Executive directors.

The motivation for this research is threefold: First, organisations such as the ASA, the Council of Institutional Investor in the US, and the Financial Reporting Council in the UK call for limits on the number of directorships held by individual directors. They argue that there is a link between companies with difficulties and the workloads of their boards. Despite the strong view of shareholder advocates and policy-makers that multiple directorships impair the effectiveness of directors, there is limited empirical evidence that exists to support this assumption. The second motivation relates to the focus in the prior literature on the association between the busyness of directors and firm performance. The present paper extends the prior literature by examining the implications of busy directors in an acquisition context. The third motivation relates to the focus of prior literature, which is mainly in the US setting. Given the

increasing globalization of financing, business, and GAAP accounting regulation, the generalizability of the existing literature on busy directors to other settings with different institutional features but increasingly integrated flows of business services is of interest to national and international financial market participants.

The results based on an Australian sample of 218 firm observations suggest that busy independent directors on the bidding firm's board are associated with more effective acquisition decisions by the board but not when the bidding firm has higher free cash flows, a finding which is consistent with Jensen's (1986) empire building theory. The results also suggest that busy executive (non-independent) directors on the bidding firm's board have no negative implications for the effectiveness of acquisition decisions unless the director is a busy chairperson or busy CEO both of whom are associated with less effective acquisition decisions.

There is an opportunity for further work to obtain more precise measures and a greater understanding of when independent directors are truly independent. It would also be beneficial to investigate whether the level of remuneration influences the impairment of busy directors, especially for the chairperson. Finally, it would be constructive to investigate whether the level of experience and education impacts the above association.

In conclusion, this study provides a plausible explanation for why both negative and positive relations exist between busy directors and the board's decision performance. The results suggest that the relevant question is not "*Whether or not directors are busy?*", but more relevant is the question "*Who is busy?*" and "*What are they busy doing?*"

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TABLE 1
Sample Selection

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Total Premium	Total Post 1y	Total Post 2y	Total Post 3y
Original Sample	8	10	19	36	32	33	21	15	29	27	23	253	253	253	253
Reason for deletion:															
Investment trusts and managed funds	-	-	6	7	3	2	1	2	-	1	-	22	22	22	22
Banks	-	-	-	2	-	1	-	-	-	-	1	4	4	4	4
Missing data - Premium	-	-	1	-	1	-	-	-	-	-	-	2	-	-	-
Missing data - Post 1y	-	-	2	1	1	1	1	-	-	1	1	-	8	-	-
Missing data - Post 2y	-	1	1	4	5	3	-	1	5	2	4	-	-	26	-
Missing data - Post 3y	1	1	6	6	11	8	4	5	9	8	8	-	-	-	67
Outliers	-	-	-	-	-	-	-	-	-	-	-	7	1	8	3
Final sample	7	8	3	16	11	18	15	7	15	15	9	218	218	193	157

TABLE 2
Descriptive Statistics

Panel A: Sample Statistics

	<u>Mean</u>	<u>Median</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Std. Dev.</u>	<u>Skewness</u>
POST_1Y_PREMIUM	0.8658	0.8313	1.8061	0.0852	0.3564	0.3790
POST_2Y_PREMIUM	0.8070	0.8000	1.8534	0.0181	0.4067	0.0608
POST_3Y_PREMIUM	0.9388	0.9034	2.5354	0.0236	0.5105	0.4974
POST_1YR	1.0465	1.0212	2.1888	0.0958	0.4160	0.1253
POST_2YR	0.9633	0.9855	2.0591	0.0245	0.4747	-0.1129
POST_3YR	1.1091	1.0524	2.8279	0.0276	0.5930	0.4159
INDBOARD	0.6541	0.6833	1.0000	0.0000	0.2127	-1.0287
BUSYIND	7.2259	4.4375	53.1667	0.0000	8.4235	1.7939
FCF_MV	0.0981	0.0639	11.4306	-13.6013	2.7677	-0.8373
DEALVOL	26.2661	24.0000	40.0000	10.0000	8.5459	0.0908
DEALSIZE	8.0196	7.9352	9.9639	5.9908	0.7737	0.2549
RELSIZE	-0.6085	-0.5354	1.3475	-2.9135	0.7478	-0.5042
BIDDERDEBT	0.4659	0.3553	2.4657	0.0000	0.4635	1.5374
PRIORBIDDERPERF	0.0459	0.0596	0.5014	-0.6717	0.0963	-2.5731
BIDDERSIZE	8.3759	8.4548	10.5265	5.3546	1.0494	-0.4653

Panel B: Sample Frequency for Busy Directors of the Pooled Sample

	<u>BusyCEO</u>		<u>BusyChair</u>		<u>BusyCEO&BusyChair</u>	
	<u>Count</u>	<u>%</u>	<u>Count</u>	<u>%</u>	<u>Count</u>	<u>%</u>
No	179	82.1	93	42.7	213	97.7
Yes	39	17.9	125	57.3	5	2.3

Panel C: Sample Frequency for Offer Types of the Pooled Sample

	<u>OfferCash</u>		<u>OfferScrip</u>		<u>Cash&Scrip offer</u>	
	<u>Count</u>	<u>%</u>	<u>Count</u>	<u>%</u>	<u>Count</u>	<u>%</u>
No	81	37.2	86	39.4	182	83.5
Yes	137	62.8	132	60.6	36	16.5

Panel C: Sample Frequency for Big 5 Auditors of the Pooled Sample

	<u>Big5</u>	
	<u>Count</u>	<u>%</u>
No	45	20.6
Yes	173	79.4

Where: POST/PREMIUM: post acquisition scaled by premium, where premium = price / price 20 days prior; POST_XY: bidder's post acquisition share prices (1yr, 2yrs, 3yrs) / price 1 month prior; INDBOARD: calculated by the number of independent director over total number of directors on board; BUSYIND: (no. of ind directors/total directors)* total no. of board ind directors' seats; FCF_IMV: bidder's free cash flow scaled by implied market value of the deal; OFFERCASH: dummy variable for acquisitions that are funded with cash; OFFERSCRIP: dummy variable for acquisitions that are funded by share issues; DEALSIZE: log transformation of total dollar value of the acquisition transaction ("Implied market value" – Connect4); RELSIZE: the natural log of the quotient of target and bidder size (total assets in the year immediately preceding the year of the acquisition announcement); BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; BIDDERSIZE: natural log transformation of the acquirer's total revenue for the year immediately prior to the ac

TABLE 3
Sample Composition

Industries (GICS)	# Firms	% of Obs.
Capital Goods	13	5.96%
Commercial & Professional Services	10	4.59%
Consumer Services	18	8.26%
Diversified Financials	15	6.88%
Energy	12	5.50%
Food & Staples Retailing	5	2.29%
Food Beverage & Tobacco	14	6.42%
Health Care Equipment & Services	8	3.67%
Insurance	2	0.92%
Materials	27	12.39%
Media	12	5.50%
Metals & Mining	12	5.50%
Paper & Forest Products	2	0.92%
Pharmaceuticals, Biotechnology & Life Sciences	6	2.75%
Real Estate	17	7.80%
Retailing	3	1.38%
Software & Services	7	3.21%
Technology Hardware & Equipment	3	1.38%
Telecommunication Services	5	2.29%
Transportation	8	3.67%
Other	19	8.72%
Total	218	100.00%
Mean	10.3810	4.76%

TABLE 4
Summary Statistics for the Pooled Sample for the 1990-2000 Period

Correlation Matrix

	Pearson Correlations												
	POST_1Y_ PREMIUM	POST_2Y_ PREMIUM	POST_3Y_ PREMIUM	POST_1YR	POST_2YR	POST_3YR	INDBOARD	BUSYIND	FCF_MV	DEALVOL	DEALSIZE	RELSIZE	BIDDERDEBT
POST_1Y_ PREMIUM		0.8061 ***	0.6354 ***	0.9308 ***	0.7635 ***	0.5759 ***	0.0686	0.2566 ***	0.1065	0.0519	0.3026 ***	-0.0636	-0.0003
POST_2Y_ PREMIUM	0.7775 ***		0.8211 ***	0.7359 ***	0.9569 ***	0.7594 ***	0.1581	0.2795 ***	0.1001	-0.0528	0.3584 ***	-0.0541	-0.0783
POST_3Y_ PREMIUM	0.5954 ***	0.8028 ***		0.5674 ***	0.7778 ***	0.9606 ***	0.1961	0.3691 ***	0.1344	-0.0338	0.3607 ***	-0.1149	-0.1083
POST_1YR	0.9235 ***	0.6878 ***	0.5125 ***		0.7966 ***	0.6031 ***	0.1336	0.2821 ***	0.1677	0.0725	0.2662 ***	-0.1243	-0.0134
POST_2YR	0.7544 ***	0.9544 ***	0.7610 ***	0.7675 ***		0.7954 ***	0.2058	0.3023 ***	0.1462	-0.0455	0.3257 ***	-0.0991	-0.0844
POST_3YR	0.5563 ***	0.7511 ***	0.9683 ***	0.5575 ***	0.7776 ***		0.2408 ***	0.3947 ***	0.1758	-0.0212	0.3281 ***	-0.1654	-0.1058
INDBOARD	0.1180	0.2046	0.2588 ***	0.1800	0.2608 ***	0.3140 ***		0.4822 ***	-0.0313	0.0217	0.1363	-0.1331	0.0606
BUSYIND	0.2766 ***	0.3479 ***	0.4356 ***	0.2892 ***	0.3612 ***	0.4587 ***	0.5355 ***		0.3078 ***	0.2655 ***	0.3965 ***	-0.3115 ***	0.1192
FCF_MV	0.2338 ***	0.2796 ***	0.2852 ***	0.2801 ***	0.3188 ***	0.3155 ***	0.0806	0.3681 ***		0.1640	0.1181	-0.0005	-0.0905
DEALVOL	-0.0041	-0.0902	-0.0541	0.0312	-0.0649	-0.0277	0.0275	0.2972 ***	0.1504		0.2281	-0.1150	0.0812
DEALSIZE	0.3202 ***	0.3352 ***	0.3798 ***	0.2705 ***	0.3144 ***	0.3691 ***	0.1595	0.4727 ***	0.1742	0.2035		0.0258	0.1646
RELSIZE	-0.1211	-0.1008	-0.1649	-0.1565	-0.1322	-0.2001	-0.1176	-0.2835 ***	-0.3093 ***	-0.1179	0.0272		-0.2835 ***
BIDDERDEBT	0.0284	-0.0067	-0.0046	0.0504	0.0174	0.0203	0.0637	0.2314	0.0395	0.0998	0.2512 ***	-0.3335 ***	
PRIORBIDDERPERF	0.0664	0.0405	-0.0410	0.1130	0.0727	-0.0159	0.0923	0.0900	0.1322	-0.0084	0.3042 ***	0.0085	0.0435
BIDDERSIZE	0.2772 ***	0.2524 ***	0.2793 ***	0.2896 ***	0.2711 ***	0.3001 ***	0.2393 ***	0.5349 ***	0.4030 ***	0.2477 ***	0.6326 ***	-0.4491 ***	0.5047 ***
TOP20_INSTIT	-0.0344	-0.0226	0.0700	-0.0703	-0.0556	0.0579	0.0850	0.0913	0.0675	-0.0992	0.1015	0.0022	0.1536

Spearman's rho

*** Coefficient is significant at the 0.01 level; ** Coefficient is significant at the 0.05 level; * Coefficient is significant at the 0.10 level; The Person Correlations are above the diagonal and the Spearman's rho

Where: POST/PREMIUM: post acquisition scaled by premium, where premium = price / price 20 days prior; POST_XY: bidder's post acquisition share prices (1yr, 2yrs, 3yrs) / price 1 month prior; IN independent director over total number of directors on board; BUSYIND: (no. of ind directors/total directors)* total no. of board ind directors' seats; FCF_IMV: bidder's free cash flow scaled by implied market value; DEALVOL: natural log transformation of total dollar value of the acquisition transaction ("Implied market value" - Connect4); RELSIZE: the natural log of the quotient of target and bidder size (total assets in the year immediately prior to the acquisition announcement); BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; TOP20_INSTIT: the proportion of equity owned by institutional investors that own

TABLE 5
Primary Hypothesis Tests

PANEL A: POST ACQUISITION / PREMIUM - OLS REGRESSIONS

		POST ACQUISITION 1YR / PREMIUM			POST ACQUISITION 2YRS / PREMIUM			POST ACQUISITION 3YRS / PREMIUM		
INTERCEPT	(-/+)	0.6144	0.8062	0.7351	-0.1856	0.0422	-0.1077	-0.1654	0.2494	0.7948
		1.1653	1.5414	1.4606	-0.4851	0.1136	-0.2988	-0.2894	0.4215	1.1303
INDBOARD	(+)	0.1092	0.0162	-0.0124	0.1561	0.0462	0.0445	0.4453	0.2148	0.1917
		0.7818	0.1063	-0.0778	1.0546	0.3053	0.2740	2.3538 **	1.0932	0.9181
BUSYIND	(-)		0.0061	0.0068		0.0070	0.0078		0.0131	0.0201
			1.8197 **	1.9683 **		1.5349 *	1.6793 **		1.9518 **	3.4709 ***
FCF_IMV	(+)			-0.0001			0.0102			0.0429
				-0.0147			0.8543			3.1181 ***
BUSYIND*FCF_IMV	(-)			0.0000			-0.0009			-0.0022
				0.0486			-1.7170 **			-3.8653 ***
OFFERCASH	(-/+)	-0.1291	-0.1260	-0.1158	-0.2405	-0.2359	-0.2359	-0.1910	-0.1712	-0.1641
		-1.9716 *	-1.8858 *	-1.6944 *	-2.4264 **	-2.3593 **	-2.3217 **	-1.7527 *	-1.6069	-1.4667
OFFERSCRIP	(-/+)	-0.1982	-0.2014	-0.2105	-0.2126	-0.2136	-0.2284	-0.3656	-0.3539	-0.3302
		-3.0029 ***	-3.0309 ***	-3.0775 ***	-2.4036 **	-2.3903 **	-2.5696 **	-2.9826 ***	-2.9754 ***	-2.7355 ***
DEALVOL	(-/+)	-0.0040	-0.0045	-0.0039	-0.0086	-0.0090	-0.0057	-0.0128	-0.0180	-0.0155
		-0.6311	-0.7123	-0.5694	-1.1626	-1.1984	-0.7950	-0.9420	-1.3532	-1.1058
DEALSIZE	(-/+)	0.0575	0.0499	0.0426	0.1320	0.1229	0.1249	0.1285	0.1140	0.0854
		1.0179	0.8764	0.7048	1.8756 *	1.7033 *	1.6826 *	1.1869	1.0744	0.7686
RELSIZE	(-/+)	0.0360	0.0436	0.0484	-0.0375	-0.0274	-0.0122	0.0228	0.0639	0.0109
		0.6526	0.7921	0.8133	-0.5446	-0.3940	-0.1605	0.2473	0.6630	0.1081
BIDDERDEBT	(-/+)	0.0202	0.0305	0.0292	-0.0133	0.0011	0.0080	-0.0911	-0.0965	-0.0661
		0.3430	0.5144	0.4827	-0.1642	0.0130	0.0958	-0.9103	-1.0412	-0.8083
PRIORBIDDERPERF	(-/+)	0.1743	0.2085	0.2409	-0.0171	0.0429	0.0721	-1.0490	-1.0382	-0.9533
		0.4122	0.4907	0.5466	-0.0428	0.1081	0.1779	-1.4384	-1.3991	-1.3334
BIDDERSIZE	(-/+)	-0.0019	-0.0150	-0.0229	-0.0032	-0.0196	-0.0264	0.0388	0.0179	-0.0134
		-0.0355	-0.2885	-0.4284	-0.0453	-0.2817	-0.3734	0.4305	0.2009	-0.1546
TOP20_INSTIT_5P	(-/+)	0.0019	0.0021	0.0023	0.0005	0.0006	0.0002	0.0010	0.0008	0.0010
		1.4379	1.6307	1.7012 *	0.2825	0.3542	0.1348	0.5584	0.4606	0.5059
Adjusted R-squared		0.2925	0.2958	0.2976	0.3633	0.3670	0.3702	0.3664	0.3904	0.4203
F-statistic		2.8602	2.8444	2.7441	3.2676	3.2487	3.1325	3.2251	3.3926	3.4971
Prob(F-statistic)		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
# of Obs.		181	181	178	160	160	157	128	128	125

Note: Year and GICS effects were controlled using dummy variables; t-Stats are one-tailed for predicted sign variables and two-tailed for non-predicted sign variables; *** Coefficient is significant at the 0.01 level; ** Coefficient is significant at the 0.05 level; * Coefficient is significant at the 0.10 level

Where: POST/PREMIUM: post acquisition scaled by premium, where premium = price / price 20 days prior; INDBOARD: calculated by the number of independent director over total number of directors on board; BUSYIND: (no. of ind directors/total directors)* total no. of board ind directors' seats; FCF_IMV: bidder's free cash flow scaled by implied market value of the deal; OFFERCASH: dummy variable for acquisitions that are funded with cash; OFFERSCRIP: dummy variable for acquisitions that are funded by share issues; DEALSIZE: log transformation of total dollar value of the acquisition transaction ("Implied market value" Connect4); RELSIZE: the natural log of the quotient of target and bidder size (total assets in the year immediately preceding the year of the acquisition announcement); BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; BIDDERSIZE: natural log transformation of the acquirer's total revenue for the year immediately prior to the acquisition announcement; TOP20_INSTIT: the proportion of equity owned by institutional investors that own more than 5 percent in the bidder firm;

TABLE 5 Continue...
Primary Hypothesis Tests

PANEL B: CONFLICT ACQUISITION - POISSON COUNT REGRESSIONS

		CONFLICT		
INTERCEPT	(-/+)	-1.3441	-1.5600	-1.1412
		-1.0681	-1.1554	-0.8145
INDBOARD	(-)	-0.2195	-0.1043	-0.1717
		-0.4427	-0.1859	-0.3015
BUSYIND	(-)		-0.0074	-0.0084
			-0.4387	-0.4463
FCF_IMV	(-/+)			0.8466
				0.9822
BUSYIND*FCF_IMV	(+)			0.0124
				0.1059
BIDDERDEBT	(-/+)	-0.4186	-0.4174	-0.3525
		-1.5890	-1.5926	-1.3202
PRIORBIDDERPERF	(-/+)	3.4329	3.4187	3.2308
		2.2414 **	2.2409 **	2.0243 **
BIDDERSIZE	(-/+)	0.1936	0.2149	0.1828
		1.7542 *	1.7881 *	1.4817
Adjusted R-squared		0.2894	0.2873	0.2858
LR statistic		91.9736	92.1671	93.1415
Prob(LR statistic)		0.0000	0.0000	0.0000
# of Obs.		217	217	215

Note: Year and GICS effects were controlled using dummy variables; t-Stats are one-tailed for predicted sign variables and two-tailed for non-predicted sign variables; *** Coefficient is significant at the 0.01 level; ** Coefficient is significant at the 0.05 level; * Coefficient is significant at the 0.10 level

Where: CONFLICT: amount of institutial conflict, director conflict and major stakeholder conflict; INDBOARD: calculated by the number of independent director over total number of directors on board; BUSYIND: (no. of ind directors/total directors)* total no. of board ind directors' seats; FCF_IMV: bidder's free cash flow scaled by implied market value of the deal; BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; BIDDERSIZE: natural log transformation of the acquirer's total revenue for the year immediately prior to the acquisition announcement;

TABLE 5 Continue...
Primary Hypothesis Tests

PANEL C: POST ACQUISITION SHARE PERFORMANCE - OLS REGRESSIONS

		POST ACQUISITION 1YR			POST ACQUISITION 2YRS			POST ACQUISITION 3YRS		
INTERCEPT	(-/+)	1.2816	1.4803	0.9348	-0.1630	0.1353	-0.0301	0.1692	0.5548	0.9966
		2.0776 **	2.3084 **	1.7331 *	-0.3018	0.2483	-0.0659	0.2735	0.8516	1.3312
INDBOARD	(+)	0.2950	0.2132	0.2257	0.3091	0.1825	0.1929	0.6806	0.4541	0.4566
		2.1119 **	1.4033 *	1.4154 *	2.0366 **	1.1285	1.1393	3.1293 ***	1.9535 **	1.8872 **
BUSYIND	(-)		0.0049	0.0046		0.0074	0.0080		0.0122	0.0183
			1.2969 *	1.0652		1.4648 *	1.8121 **		1.5937 *	2.9513 ***
FCF_IMV	(+)			0.0062			0.0123			0.0583
				0.5717			0.8916			3.6988 ***
BUSYIND*FCF_IMV	(-)			-0.0003			-0.0013			-0.0027
				-0.7391			-2.6539 ***			-4.0580 ***
OFFERCASH	(-/+)	-0.1399	-0.1369	-0.1412	-0.2560	-0.2488	-0.2857	-0.2091	-0.1862	-0.1859
		-1.8347 *	-1.7601 *	-1.8304 *	-2.2327 **	-2.1312 **	-2.5167 **	-1.7427 *	-1.5320	-1.4604
OFFERSCRIP	(-/+)	-0.2297	-0.2302	-0.2357	-0.2651	-0.2618	-0.2896	-0.4556	-0.4349	-0.4050
		-2.9581 ***	-2.9588 ***	-3.0007 ***	-2.4881 **	-2.4334 **	-2.7548 ***	-3.5931 ***	-3.4778 ***	-3.1355 ***
DEALVOL	(-/+)	0.0031	0.0028	0.0029	-0.0020	-0.0021	-0.0005	-0.0082	-0.0129	-0.0121
		0.3903	0.3574	0.3444	-0.2243	-0.2424	-0.0635	-0.5711	-0.9292	-0.8634
DEALSIZE	(-/+)	0.0413	0.0331	0.0387	0.1345	0.1209	0.1474	0.1353	0.1261	0.1007
		0.6191	0.4928	0.5631	1.6931 *	1.4982	1.7717 *	1.1476	1.0831	0.8321
RELSIZE	(-/+)	0.0153	0.0224	0.0297	-0.0668	-0.0542	-0.0261	-0.0147	0.0078	-0.0378
		0.2361	0.3460	0.4401	-0.8539	-0.6994	-0.3318	-0.1502	0.0790	-0.3613
BIDDERDEBT	(-/+)	0.0360	0.0417	0.0450	-0.0190	-0.0086	0.0146	-0.0598	-0.0589	-0.0216
		0.5550	0.6489	0.6825	-0.2114	-0.0970	0.1645	-0.5113	-0.5309	-0.2178
PRIORBIDDERPERF	(-/+)	0.7850	0.8057	0.7871	0.5158	0.5627	0.5478	-0.7738	-0.7001	-0.6823
		1.8430 *	1.8586 *	1.7872 *	1.2658	1.3568	1.3459	-1.1978	-1.0862	-1.0517
BIDDERSIZE	(-/+)	-0.0366	-0.0469	-0.0468	-0.0211	-0.0366	-0.0392	-0.0106	-0.0372	-0.0601
		-0.5524	-0.7056	-0.6980	-0.2526	-0.4448	-0.4742	-0.0953	-0.3276	-0.5298
TOP20_INSTIT_5P	(-/+)	0.0008	0.0010	0.0007	-0.0005	-0.0004	-0.0014	-0.0012	-0.0013	-0.0017
		0.5885	0.7033	0.4992	-0.2690	-0.2168	-0.7970	-0.5717	-0.6757	-0.8512
Adjusted R-squared		0.3398	0.3398	0.3385	0.3929	0.3966	0.4073	0.3438	0.3577	0.3878
F-statistic		3.1325	3.1325	3.1325	3.6681	3.6446	3.7155	3.1588	3.2276	3.3406
Prob(F-statistic)		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
# of Obs.		192	192	189	170	170	167	137	137	134

Note: Year and GICS effects were controlled using dummy variables; t-Stats are one-tailed for predicted sign variables and two-tailed for non-predicted sign variables; *** Coefficient is significant at the 0.01 level; ** Coefficient is significant at the 0.05 level; * Coefficient is significant at the 0.10 level

Where: POST_XY: bidder's post acquisition share prices (1yr, 2yrs, 3yrs) / price 1 month prior; INDBOARD: calculated by the number of independent director over total number of directors on board; BUSYIND: (no. of ind directors/total directors)* total no. of board ind directors' seats; FCF_IMV: bidder's free cash flow scaled by implied market value of the deal; OFFERCASH: dummy variable for acquisitions that are funded with cash; OFFERSCRIP: dummy variable for acquisitions that are funded by share issues; DEALSIZE: log transformation of total dollar value of the acquisition transaction ("Implied market value" – Connect4); RELSIZE: the natural log of the quotient of target and bidder size (total assets in the year immediately preceding the year of the acquisition announcement); BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; BIDDERSIZE: natural log transformation of the acquirer's total revenue for the year immediately prior to the acquisition announcement; TOP20_INSTIT: the proportion of equity owned by institutional investors that own more than 5 percent in the bidder firm;

TABLE 6
Decomposition Regressions

PANEL A: POST ACQUISITION / PREMIUM - OLS REGRESSIONS

		POST ACQUISITION 1YR / PREMIUM			POST ACQUISITION 2YRS / PREMIUM			POST ACQUISITION 3YRS / PREMIUM		
INTERCEPT	(-/+)	0.6144	0.8313	0.7667	-0.1856	0.1060	-0.0097	-0.1654	0.5414	1.1966
INDBOARD	(+)	1.1653	1.5428	1.4765	-0.4851	0.2695	-0.0258	-0.2894	0.7528	1.5232
BUSYCEO	(-)	0.1092	0.0149	-0.0124	0.1561	0.1110	0.1004	0.4453	0.3153	0.2805
BUSYCHAIR	(-)	0.7818	0.0934	-0.0756	1.0546	0.7073	0.6069	2.3538 **	1.6897 **	1.4135 *
BUSYNONIND	(-)		-0.0681	-0.1082		0.0194	-0.0243		-0.1402	-0.2080
BUSYIND	(-)		-0.9037	-1.6396 *		0.1981	-0.2559		-1.0949	-1.7378 **
FCF_IMV	(+)		-0.0004	-0.0132		-0.0994	-0.1107		-0.0768	-0.1383
BUSYIND*FCF_IMV	(-)		-0.0059	-0.2049		-1.7065 **	-1.8453 **		-0.9207	-1.6639 **
OFFERCASH	(-/+)		-0.0031	-0.0031		0.0122	0.0089		0.0236	0.0095
OFFERSCRIP	(-/+)		-0.2093	-0.1899		0.8677	0.5739		1.4777 *	0.5868
DEALVOL	(-/+)		0.0072	0.0087		0.0064	0.0084		0.0143	0.0250
DEALSIZE	(-/+)		1.9822 **	2.2300 **		1.2769	1.5745 *		1.9983 **	3.8617 ***
RELSize	(-/+)		0.0008	0.0008		0.0098	0.0098		0.0449	0.0449
BIDDERDEBT	(-/+)		0.0751	0.7355		0.7355	0.7355		3.2103 ***	3.2103 ***
PRIORBIDDERPERF	(-/+)		-0.0001	-0.0010		-0.0010	-0.0010		-0.0025	-0.0025
BIDDERSIZE	(-/+)		-1.604	-1.7254 **		-1.7254 **	-1.7254 **		-4.8344 ***	-4.8344 ***
TOP20_INSTIT_5P	(-/+)	-0.1291	-0.1218	-0.1116	-0.2405	-0.2692	-0.2630	-0.1910	-0.1783	-0.1768
Adjusted R-squared		-1.9716 *	-1.7588 *	-1.6286	-2.4264 **	-2.7258 ***	-2.6347 ***	-1.7527 *	-1.7253 *	-1.6833 *
F-statistic		-0.1982	-0.1953	-0.2039	-0.2126	-0.2344	-0.2447	-0.3656	-0.3755	-0.3624
Prob(F-statistic)		-3.0029 ***	-2.9608 ***	-3.0472 ***	-2.4036 **	-2.6385 ***	-2.7532 ***	-2.9826 ***	-3.2874 ***	-3.2186 ***
# of Obs.		-0.0040	-0.0052	-0.0049	-0.0086	-0.0085	-0.0060	-0.0128	-0.0226	-0.0197
		-0.6311	-0.8202	-0.7184	-1.1626	-1.0945	-0.7986	-0.9420	-1.4583	-1.1909
		0.0575	0.0475	0.0377	1.320	1.265	1.1224	1.0285	1.1174	0.0931
		1.0179	0.8387	0.6250	1.8756 *	1.7616 *	1.6409	1.1869	1.1313	0.8645
		0.0360	0.0482	0.0551	-0.0375	-0.0373	-0.0173	0.0228	0.0637	0.0127
		0.6526	0.8709	0.9309	-0.5446	-0.5198	-0.2202	0.2473	0.6364	0.1192
		0.0202	0.0281	0.0243	-0.0133	0.0013	0.0013	-0.0911	-0.1061	-0.0725
		0.3430	0.4717	0.4034	-0.1642	0.0162	0.0153	-0.9103	-1.1068	-0.8455
		0.1743	0.1936	0.2244	-0.0171	0.0822	0.1044	-1.0490	-0.9342	-0.7841
		0.4122	0.4633	0.5212	-0.0428	0.2050	0.2565	-1.4384	-1.1912	-1.0383
		-0.0019	-0.0118	-0.0188	-0.0032	-0.0243	-0.0270	0.0388	-0.0004	-0.0391
		-0.0355	-0.2194	-0.3425	-0.0453	-0.3461	-0.3840	0.4305	-0.0047	-0.4650
		0.0019	0.0020	0.0022	0.0005	0.0006	0.0002	0.0010	0.0008	0.0006
		1.4379	1.5356	1.5419	0.2825	0.3518	0.1031	0.5584	0.4218	0.3151
Adjusted R-squared		0.2925	0.2845	0.2918	0.3633	0.3684	0.3728	0.3664	0.3929	0.4355
F-statistic		2.8602	2.6265	2.5853	3.2676	3.1074	3.0156	3.2251	3.0156	3.4533
Prob(F-statistic)		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
# of Obs.		181	181	178	160	160	157	128	128	125

Note: Year and GICS effects were controlled using dummy variables; t-Stats are one-tailed for predicted sign variables and two-tailed for non-predicted sign variables; *** Coefficient is significant at the 0.01 level; ** Coefficient is significant at the 0.05 level; * Coefficient is significant at the 0.10 level

Where: POST/PREMIUM: post acquisition scaled by premium, where premium = price / price 20 days prior; INDBOARD: calculated by the number of independent director over total number of directors on board; BUSYCEO: dummy variable for CEOs who are busy; BUSYCHAIR: dummy variable for Chairpersons who are busy; BUSYNONIND: (no. of nonind directors/total directors) * total no. of board nonind directors' seats; BUSYIND: (no. of ind directors/total directors)* total no. of board ind directors' seats; FCF_IMV: bidder's free cash flow scaled by implied market value of the deal; OFFERCASH: dummy variable for acquisitions that are funded with cash; OFFERSCRIP: dummy variable for acquisitions that are funded by share issues; DEALSIZE: log transformation of total dollar value of the acquisition transaction ("Implied market value" – Connect4); RELSIZE: the natural log of the quotient of target and bidder size (total assets in the year immediately preceding the year of the acquisition announcement); BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; BIDDERSIZE: natural log transformation of the acquirer's total revenue for the year immediately prior to the acquisition announcement; TOP20_INSTIT: the proportion of equity owned by institutional investors th

TABLE 6 Continue...
Decomposition Regressions

PANEL B: CONFLICT ACQUISITION - POISSON COUNT REGRESSIONS

		CONFLICT		
INTERCEPT	(-/+)	-1.3441	-2.1140	-1.6098
INDBOARD	(-)	-1.0681	-1.4701	-1.0903
BUSYCEO	(+)	-0.2195	-0.2308	-0.3431
BUSYCHAIR	(+)	-0.4427	-0.3935	-0.5750
BUSYNONIND	(+)		0.1173	0.1909
BUSYIND	(+)		0.4479	0.7190
FCF_IMV	(-/+)		0.4478	0.4941
BUSYIND*FCF_IMV	(+)		2.1975 **	2.3525 ***
BIDDERDEBT			-0.0297	-0.0293
PRIORBIDDERPERF			-0.4751	-0.4681
BIDDERSIZE			-0.0122	-0.0178
			-0.6354	-0.8422
				0.6119
				0.7353
				0.0758
				0.6335
		-0.4186	-0.4291	-0.3559
		-1.5890	-1.6069	-1.3054
		3.4329	3.0776	2.9570
		2.2414 **	1.9960 **	1.8416 *
		0.1936	0.2238	0.1900
		1.7542 *	1.7794 *	1.4678
Adjusted R-squared		0.2894	0.3144	0.3194
LR statistic		91.9736	97.4242	99.3194
Prob(LR statistic)		0.0000	0.0000	0.0000
# of Obs.		217	217	215

Note: Year and GICS effects were controlled using dummy variables; t-Stats are one-tailed for predicted sign variables and two-tailed for non-predicted sign variables; *** Coefficient is significant at the 0.01 level; ** Coefficient is significant at the 0.05 level; * Coefficient is significant at the 0.10 level

Where: CONFLICT: amount of institutional conflict, director conflict and major stakeholder conflict; INDBOARD: calculated by the number of independent director over total number of directors on board; BUSYCEO: dummy variable for CEOs who are busy; BUSYCHAIR: dummy variable for Chairpersons who are busy; BUSYNONIND: (no. of nonind directors/total directors) * total no. of board nonind directors' seats; BUSYIND: (no. of ind directors/total directors)* total no. of board ind directors' seats; FCF_IMV: bidder's free cash flow scaled by implied market value of the deal; BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; BIDDERSIZE: natural log transformation of the acquirer's total revenue for the year immediately prior to the acquisition announcement;

TABLE 6 Continue...
Decomposition Regressions

PANEL C: POST ACQUISITION SHARE PERFORMANCE - OLS REGRESSIONS

		POST ACQUISITION 1YR			POST ACQUISITION 2YRS			POST ACQUISITION 3YRS		
INTERCEPT	(-/+)	1.2816	1.6024	0.8905	-0.1630	0.3352	0.0218	0.1692	0.8214	1.4409
		2.0776 **	2.4229 **	1.5844	-0.3018	0.5844	0.0458	0.2735	1.1102	1.7346 *
INDBOARD	(+)	0.2950	0.2326	0.2396	0.3091	0.2887	0.2790	0.6806	0.6117	0.5621
		2.1119 **	1.4971 *	1.4792 *	2.0366 **	1.6050 *	1.5218 *	3.1293 ***	2.6746 ***	2.3912 ***
BUSYCEO	(-)		-0.0722	-0.0799	0.0022	-0.0254			-0.1553	-0.2179
			-1.0088	-1.1128		0.0233			-1.1510	-1.6211 *
BUSYCHAIR	(-)		-0.0815	-0.0802		-0.1519			-0.1737	-0.2226
			-1.3355 *	-1.3050 *		-2.4206 ***			-1.8686 **	-2.4255 ***
BUSYNONIND	(-)		-0.0020	-0.0044		0.0182			0.0240	0.0048
			-0.1295	-0.2666		1.1713			1.3852 *	0.2915
BUSYIND	(-)		0.0068	0.0071		0.0067			0.0137	0.0252
			1.5424 *	1.4223 *		1.1839			1.6411 *	3.6341 ***
FCF_IMV	(+)			0.0068					0.0122	0.0601
				0.5477					0.8043	3.3927 ***
BUSYIND*FCF_IMV	(-)			-0.0004					-0.0015	-0.0032
				-0.8898					-2.1799 ***	-5.1763 ***
OFFERCASH	(-/+)	-0.1399	-0.1525	-0.1551	-0.2560	-0.2894	-0.3195	-0.2091	-0.2177	-0.2196
		-1.8347 *	-2.0094 **	-2.0788 **	-2.2327 **	-2.6376 ***	-2.8913 ***	-1.7427 *	-1.8050 *	-1.7479 *
OFFERSCRIP	(-/+)	-0.2297	-0.2393	-0.2420	-0.2651	-0.2893	-0.3113	-0.4556	-0.4745	-0.4470
		-2.9581 ***	-3.1116 ***	-3.1352 ***	-2.4881 **	-2.8236 ***	-3.0307 ***	-3.5931 ***	-3.8984 ***	-3.6022 ***
DEALVOL	(-/+)	0.0031	0.0024	0.0029	-0.0020	-0.0015	-0.0010	-0.0082	-0.0183	-0.0164
		0.3903	0.3153	0.3408	-0.2243	-0.1674	-0.0115	-0.5711	-1.1516	-1.0180
DEALSIZE	(-/+)	0.0413	0.0311	0.0352	0.1345	0.1243	0.1445	0.1353	0.1407	0.1103
		0.6191	0.4630	0.5063	1.6931 *	1.5606	1.7406 *	1.1476	1.2104	0.9082
RELSIZE	(-/+)	0.0153	0.0265	0.0295	-0.0668	-0.0661	-0.0410	-0.0147	0.0014	-0.0383
		0.2361	0.3989	0.4277	-0.8539	-0.8138	-0.4985	-0.1502	0.0129	-0.3351
BIDDERDEBT	(-/+)	0.0360	0.0396	0.0409	-0.0190	-0.0117	0.0051	-0.0598	-0.0679	-0.0260
		0.5550	0.6102	0.6134	-0.2114	-0.1324	0.0582	-0.5113	-0.5719	-0.2458
PRIORBIDDERPERF	(-/+)	0.7850	0.8001	0.7921	0.5158	0.6155	0.6180	-0.7738	-0.5404	-0.4316
		1.8430 *	1.8235 *	1.7660 *	1.2658	1.4316	1.4611	-1.1978	-0.7687	-0.6069
BIDDERSIZE	(-/+)	-0.0366	-0.0397	-0.0398	-0.0211	-0.0432	-0.0420	-0.0106	-0.0571	-0.0843
		-0.5524	-0.5918	-0.5911	-0.2526	-0.5164	-0.5015	-0.0953	-0.5163	-0.7601
TOP20_INSTIT_5P	(-/+)	0.0008	0.0009	0.0006	-0.0005	-0.0005	-0.0015	-0.0012	-0.0014	-0.0021
		0.5885	0.6318	0.4094	-0.2690	-0.2817	-0.9078	-0.5717	-0.7328	-0.9593
Adjusted R-squared		0.3398	0.3373	0.3364	0.3929	0.4101	0.4242	0.3438	0.3722	0.4141
F-statistic		3.3981	3.1601	3.1175	3.6681	3.6111	3.7174	3.1588	3.1789	3.4101
Prob(F-statistic)		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
# of Obs.		192	192	189	170	170	167	137	137	134

Note: Year and GICS effects were controlled using dummy variables; t-Stats are one-tailed for predicted sign variables and two-tailed for non-predicted sign variables; *** Coefficient is significant at the 0.01 level; ** Coefficient is significant at the 0.05 level; * Coefficient is significant at the 0.10 level

Where: POST_XY: bidder's post acquisition share prices (1yr, 2yrs, 3yrs) / price 1 month prior; INDBOARD: calculated by the number of independent director over total number of directors on board; BUSYCEO: dummy variable for CEOs who are busy; BUSYCHAIR: dummy variable for Chairpersons who are busy; BUSYNONIND: (no. of nonind directors/total directors) * total no. of board nonind directors' seats; BUSYIND: (no. of ind directors/total directors)* total no. of board ind directors' seats; FCF_IMV: bidder's free cash flow scaled by implied market value of the deal; OFFERCASH: dummy variable for acquisitions that are funded with cash; OFFERSCRIP: dummy variable for acquisitions that are funded by share issues; DEALSIZE: log transformation of total dollar value of the acquisition transaction ("Implied market value" - Connect4); RELSIZE: the natural log of the quotient of target and bidder size (total assets in the year immediately preceding the year of the acquisition announcement); BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; BIDDERSIZE: natural log transformation of the acquirer's total revenue for the year immediately prior to the acquisition announcement; TOP20_INSTIT: the proportion of equity owned by institutional investors that own more than 5 percent

TABLE 7

Decomposition Regressions - Weighted

Weight adjusted for different types of outside directorships - where CEO and Non-Independent = 4, Chairperson = 2, Misc = 0.5, and Independent = 1

PANEL A: POST ACQUISITION / PREMIUM - OLS REGRESSIONS

		POST ACQUISITION 1YR / PREMIUM			POST ACQUISITION 2YRS / PREMIUM			POST ACQUISITION 3YRS / PREMIUM		
INTERCEPT	(-/+)	0.6144	0.7822	0.7259	-0.1856	-0.0422	-0.1584	-0.1654	0.2346	0.9296
		1.1653	1.4658	1.4067	-0.4851	-0.1046	-0.3943	-0.2894	0.3453	1.2194
INDBOARD	(+)	0.1092	0.1052	0.0884	0.1561	0.2190	0.2361	0.4453	0.4346	0.4997
		0.7818	0.7320	0.5971	1.0546	1.5039 *	1.5660 *	2.3538 **	2.1473 **	2.5008 ***
BUSYCEO	(-)		-0.0615	-0.1051		0.0150	-0.0319		-0.1186	-0.1839
			-0.8375	-1.6637 **		0.1513	-0.3266		-0.8992	-1.4736 *
BUSYCHAIR	(-)		0.0123	0.0001		-0.0892	-0.0966		-0.0672	-0.1176
			0.1941	0.0017		-1.5270 *	-1.5793 *		-0.8139	-1.4305 *
BUSYNONIND_W	(-)		0.0594	0.0583		0.1297	0.1447		-0.0081	-0.0188
			1.0377	1.0285		2.1897 **	2.4570 ***		-0.1044	-0.2172
BUSYIND_W	(-)		0.0055	0.0077		0.0064	0.0088		0.0112	0.0187
			1.6138 *	2.0941 **		1.3897 *	1.7153 **		1.8018 **	3.1343 ***
FCF_IMV	(+)			0.0023			0.0109			0.0515
				0.2407			0.8288			3.2414 ***
BUSYIND_W*FCF_IMV	(-)			-0.0002			-0.0012			-0.0024
				-0.5321			-2.2036 **			-4.1920 ***
OFFERCASH	(-/+)	-0.1291	-0.1267	-0.1150	-0.2405	-0.2942	-0.2897	-0.1910	-0.1892	-0.1788
		-1.9716 *	-1.7902 *	-1.6533	-2.4264 **	-2.8176 ***	-2.7382 ***	-1.7527 *	-1.7316 *	-1.6455
OFFERSCRIP	(-/+)	-0.1982	-0.1979	-0.2057	-0.2126	-0.2498	-0.2601	-0.3656	-0.3738	-0.3605
		-3.0029 ***	-2.9689 ***	-3.0174 ***	-2.4036 **	-2.8154 ***	-2.9725 ***	-2.9826 ***	-3.1136 ***	-3.0174 ***
DEALVOL	(-/+)	-0.0040	-0.0035	-0.0030	-0.0086	-0.0047	-0.0010	-0.0128	-0.0191	-0.0172
		-0.6311	-0.5128	-0.4127	-1.1626	-0.6236	-0.1396	-0.9420	-1.3402	-1.1501
DEALSIZE	(-/+)	0.0575	0.0496	0.0393	0.1320	0.1336	0.1263	0.1285	0.1337	0.1160
		1.0179	0.8897	0.6672	1.8756 *	1.9265 *	1.7658 *	1.1869	1.2693	1.0726
RELSIZE	(-/+)	0.0360	0.0391	0.0473	-0.0375	-0.0523	-0.0318	0.0228	0.0482	-0.0126
		0.6526	0.7126	0.8048	-0.5446	-0.7283	-0.4070	0.2473	0.4693	-0.1162
BIDDERDEBT	(-/+)	0.0202	0.0327	0.0275	-0.0133	0.0240	0.0288	-0.0911	-0.1030	-0.0737
		0.3430	0.5464	0.4529	-0.1642	0.2819	0.3333	-0.9103	-0.9851	-0.7947
PRIORBIDDERPERF	(-/+)	0.1743	0.2339	0.2662	-0.0171	0.2065	0.2618	-1.0490	-0.9522	-0.7993
		0.4122	0.5538	0.6157	-0.0428	0.5168	0.6518	-1.4384	-1.2006	-1.0394
BIDDERSIZE	(-/+)	-0.0019	-0.0186	-0.0275	-0.0032	-0.0364	-0.0434	0.0388	0.0089	-0.0447
		-0.0355	-0.3293	-0.4773	-0.0453	-0.4891	-0.5863	0.4305	0.0939	-0.4743
TOP20_INSTIT_5P	(-/+)	0.0019	0.0020	0.0022	0.0005	0.0005	0.0001	0.0010	0.0007	0.0009
		1.4379	1.5552	1.5718	0.2825	0.2949	0.0580	0.5584	0.3887	0.4706
Adjusted R-squared		0.2925	0.2854	0.2944	0.3633	0.3794	0.3894	0.3664	0.3715	0.4158
F-statistic		2.8602	2.6337	2.6051	3.2676	3.2088	3.1626	3.2251	3.0291	3.2627
Prob(F-statistic)		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
# of Obs.		181	181	178	160	160	157	128	128	125

Note: Year and GICS effects were controlled using dummy variables; t-Stats are one-tailed for predicted sign variables and two-tailed for non-predicted sign variables; *** Coefficient is significant at the 0.01 level; ** Coefficient is significant at the 0.05 level; * Coefficient is significant at the 0.10 level

Where: POST/PREMIUM: post acquisition scaled by premium, where premium = price / price 20 days prior; INDBOARD: calculated by the number of independent director over total number of directors on board; BUSYCEO: dummy variable for CEOs who are busy; BUSYCHAIR: dummy variable for Chairpersons who are busy; BUSYNONIND_W: weighted BUSYNONIND, where (CEO, Nonind)=4; (Chairperson)=2; (Independent)=1; (Misc)=0.5; BUSYIND_W: weighted BUSYIND, where (CEO, Nonind)=4; (Chairperson)=2; (Independent)=1; (Misc)=0.5; FCF_IMV: bidder's free cash flow scaled by implied market value of the deal; OFFERCASH: dummy variable for acquisitions that are funded with cash; OFFERSCRIP: dummy variable for acquisitions that are funded by share issues; DEALSIZE: log transformation of total dollar value of the acquisition transaction ("Implied market value" - Connect4); RELSIZE: the natural log of the quotient of target and bidder size (total assets in the year immediately preceding the year of the acquisition announcement); BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; BIDDERSIZE: natural log transformation of the acquirer's total revenue for the year immediately prior to the acquisition announcement; TOP20_INSTIT: the

TABLE 7 Continue...**Decomposition Regressions - Weighted**

Weight adjusted for different types of outside directorships - where CEO and Non-Independent = 4, Chairperson = 2, Misc = 0.5, and Independent = 1

PANEL B: CONFLICT ACQUISITION - POISSON COUNT REGRESSIONS

		CONFLICT		
INTERCEPT	(-/+)	-1.3441	-2.4525	-1.9731
		-1.0681	-1.6576 *	-1.3060
INDBOARD	(-)	-0.2195	-0.4570	-0.5446
		-0.4427	-0.8557	-1.0037
BUSYCEO	(+)		0.2508	0.3365
			0.9258	1.2371
BUSYCHAIR	(+)		0.3926	0.4711
			1.9544 **	2.2749 **
BUSYNONIND_W	(+)		-0.0689	-0.0675
			-1.3647 *	-1.3303 *
BUSYIND_W	(+)		-0.0109	-0.0232
			-0.6966	-1.2215
FCF_IMV	(-/+)			0.4013
				0.5169
BUSYIND_W*FCF_IMV	(+)			0.1715
				1.2341
BIDDERDEBT		-0.4186	-0.4675	-0.3895
		-1.5890	-1.7158 *	-1.3971
PRIORBIDDERPERF		3.4329	2.6796	2.5605
		2.2414 **	1.7411 *	1.6063
BIDDERSIZE		0.1936	0.2705	0.2308
		1.7542 *	2.0477 **	1.7107 *
Adjusted R-squared		0.2894	0.3287	0.3475
LR statistic		91.97363	99.14401	102.2007
Prob(LR statistic)		0.0000	0.0000	0.0000
# of Obs.		217	217	215

Note: Year and GICS effects were controlled using dummy variables; t-Stats are one-tailed for predicted sign variables and two-tailed for non-predicted sign variables; *** Coefficient is significant at the 0.01 level; ** Coefficient is significant at the 0.05 level; * Coefficient is significant at the 0.10 level

Where: CONFLICT: amount of institutional conflict, director conflict and major stakeholder conflict; INDBOARD: calculated by the number of independent director over total number of directors on board; BUSYCEO: dummy variable for CEOs who are busy; BUSYCHAIR: dummy variable for Chairpersons who are busy; BUSYNONIND_W: weighted BUSYNONIND, where (CEO, Nonind)=4; (Chairperson)=2; (Independent)=1; (Misc)=0.5; BUSYIND_W: weighted BUSYIND, where (CEO, Nonind)=4; (Chairperson)=2; (Independent)=1; (Misc)=0.5; FCF_IMV: bidder's free cash flow scaled by implied market value of the deal; BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; BIDDERSIZE: natural log transformation of the acquirer's total revenue for the year immediately prior to the acquisition announcement; Note on weighting approach - Harris and Shimizu (2004) and Kiel and Nicholson (2006) also adopt a similar approach in their studies.

TABLE 7 Continue...

Decomposition Regressions - Weighted

Weight adjusted for different types of outside directorships - where CEO and Non-Independent = 4, Chairperson = 2, Misc = 0.5, and Independent = 1

PANEL C: POST ACQUISITION SHARE PERFORMANCE - OLS REGRESSIONS

		POST ACQUISITION 1YR			POST ACQUISITION 2YRS			POST ACQUISITION 3YRS		
INTERCEPT	(-/+)	1.2816	1.6671	0.9248	-0.1630	0.2351	-0.1234	0.1692	0.5789	1.2733
		2.0776 **	2.4908 **	1.6616 *	-0.3018	0.3847	-0.2466	0.2735	0.8191	1.5773
INDBOARD	(+)	0.2950	0.3150	0.3290	0.3091	0.3892	0.4280	0.6806	0.7229	0.7936
		2.1119 **	2.2634 **	2.2730 **	2.0366 **	2.4916 ***	2.5822 ***	3.1293 ***	3.2036 ***	3.4276 ***
BUSYCEO	(-)		-0.0854	-0.0957		-0.0178	-0.0492		-0.1419	-0.2121
			-1.2218	-1.3611 *		-0.1817	-0.5124		-1.0083	-1.4502 *
BUSYCHAIR	(-)		-0.0706	-0.0701		-0.1460	-0.1591		-0.1609	-0.1996
			-1.1486	-1.1361		-2.3543 ***	-2.6409 ***		-1.7495 **	-2.2443 **
BUSYNONIND_W	(-)		0.0889	0.0930		0.1494	0.1807		0.0096	0.0030
			1.2632	1.3489 *		2.5990 ***	3.1383 ***		0.1297	0.0353
BUSYIND_W	(-)		0.0077	0.0082		0.0085	0.0101		0.0127	0.0210
			1.9865 **	1.9267 **		1.5859 *	1.9409 **		1.7921 **	3.1216 ***
FCF_IMV	(+)			0.0079			0.0130			0.0656
				0.6881			0.8310			3.4228 ***
BUSYIND_W*FCF_IMV	(-)			-0.0006			-0.0017			-0.0032
				-1.2552			-3.0631 ***			-4.6618 ***
OFFERCASH	(-/+)	-0.1399	-0.1589	-0.1615	-0.2560	-0.3193	-0.3529	-0.2091	-0.2317	-0.2218
		-1.8347 *	-2.0502 **	-2.1255 **	-2.2327 **	-2.8007 ***	-3.0997 ***	-1.7427 *	-1.8853 *	-1.7801 *
OFFERSCRIP	(-/+)	-0.2297	-0.2449	-0.2475	-0.2651	-0.3082	-0.3297	-0.4556	-0.4779	-0.4519
		-2.9581 ***	-3.1548 ***	-3.1458 ***	-2.4881 **	-3.0576 ***	-3.3024 ***	-3.5931 ***	-3.8303 ***	-3.5126 ***
DEALVOL	(-/+)	0.0031	0.0044	0.0050	-0.0020	0.0022	0.0055	-0.0082	-0.0156	-0.0142
		0.3903	0.5506	0.5660	-0.2243	0.2596	0.7055	-0.5711	-1.0734	-0.9471
DEALSIZE	(-/+)	0.0413	0.0299	0.0331	0.1345	0.1285	0.1437	0.1353	0.1492	0.1218
		0.6191	0.4535	0.4899	1.6931 *	1.6597 *	1.7922 *	1.1476	1.2765	1.0124
RELSIZE	(-/+)	0.0153	0.0175	0.0216	-0.0668	-0.0769	-0.0545	-0.0147	-0.0025	-0.0512
		0.2361	0.2684	0.3146	-0.8539	-0.9442	-0.6576	-0.1502	-0.0228	-0.4477
BIDDERDEBT	(-/+)	0.0360	0.0479	0.0496	-0.0190	0.0121	0.0334	-0.0598	-0.0675	-0.0310
		0.5550	0.7440	0.7519	-0.2114	0.1325	0.3659	-0.5113	-0.5301	-0.2769
PRIORBIDDERPERF	(-/+)	0.7850	0.8572	0.8521	0.5158	0.7269	0.7626	-0.7738	-0.5634	-0.4492
		1.8430 *	1.9520 *	1.8969 *	1.2658	1.7491 *	1.8974 *	-1.1978	-0.7946	-0.6204
BIDDERSIZE	(-/+)	-0.0366	-0.0536	-0.0547	-0.0211	-0.0552	-0.0577	-0.0106	-0.0485	-0.0936
		-0.5524	-0.7903	-0.8012	-0.2526	-0.6340	-0.6685	-0.0953	-0.4195	-0.7999
TOP20_INSTIT_5P	(-/+)	0.0008	0.0009	0.0006	-0.0005	-0.0007	-0.0016	-0.0012	-0.0015	-0.0016
		0.5885	0.7150	0.4642	-0.2690	-0.3964	-1.0116	-0.5717	-0.7855	-0.7976
Adjusted R-squared		0.3398	0.3476	0.3480	0.3929	0.4224	0.4434	0.3438	0.3604	0.4061
F-statistic		3.3981	3.2611	3.2302	3.6681	3.7469	3.9382	3.1588	3.0713	3.3318
Prob(F-statistic)		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
# of Obs.		192	192	189	170	170	167	137	137	134

Note: Year and GICS effects were controlled using dummy variables; t-Stats are one-tailed for predicted sign variables and two-tailed for non-predicted sign variables; *** Coefficient is significant at the 0.01 level; ** Coefficient is significant at the 0.05 level; * Coefficient is significant at the 0.10 level

Where: POST_XY: bidder's post acquisition share prices (1yr, 2yrs, 3yrs) / price 1 month prior; INDBOARD: calculated by the number of independent director over total number of directors on board; BUSYCEO: dummy variable for CEOs who are busy; BUSYCHAIR: dummy variable for Chairpersons who are busy; BUSYNONIND_W: weighted BUSYNONIND, where (CEO, Nonind)=4; (Chairperson)=2; (Independent)=1; (Misc)=0.5; BUSYIND_W: weighted BUSYIND, where (CEO, Nonind)=4; (Chairperson)=2; (Independent)=1; (Misc)=0.5; FCF_IMV: bidder's free cash flow scaled by implied market value of the deal; OFFERCASH: dummy variable for acquisitions that are funded with cash; OFFERSCRIP: dummy variable for acquisitions that are funded by share issues; DEALSIZE: log transformation of total dollar value of the acquisition transaction ("Implied market value" - Connect4); RELSIZE: the natural log of the quotient of target and bidder size (total assets in the year immediately preceding the year of the acquisition announcement); BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; BIDDERSIZE: natural log transformation of the acquirer's total revenue for the year immediately prior to the acquisition announcement; TOP20_INSTIT: the proportion of equity owned by institutional investors that own

TABLE 8
Cumulative Abnormal Returns as Dependent Variables

PANEL A: SHORT-TERM CUMULATIVE ABNORMAL RETURN - OLS REGRESSIONS

		CAR 2DAYS	CAR 3DAYS	CAR 3DAYS (BETA)
INTERCEPT	(-/+)	-0.2156 -1.9535 *	-0.1978 -1.7851 *	-0.1033 -0.9293
INDBOARD	(+)	0.0118 0.3251	-0.0044 -0.1296	-0.0206 -0.6522
BUSYCEO	(-)	0.0151 0.9676	-0.0030 -0.1956	-0.0084 -0.5473
BUSYCHAIR	(-)	0.0155 1.1745	0.0140 1.0687	0.0146 1.1565
BUSYNONIND	(-)	0.0013 0.3127	-0.0012 -0.3265	-0.0009 -0.2733
BUSYIND	(-)	-0.0006 -0.4297	0.0002 0.1278	0.0002 0.1432
FCF_IMV	(+)	-0.0050 -1.2095	-0.0050 -1.2862 *	-0.0055 -1.5200 *
BUSYIND*FCF_IMV	(-)	0.0001 0.5811	0.0001 0.5046	0.0001 0.9514
OFFERCASH	(-/+)	-0.0027 -0.1686	-0.0167 -0.9265	-0.0178 -0.9149
OFFERSCRIP	(-/+)	0.0025 0.1449	0.0032 0.1849	-0.0016 -0.0946
DEALVOL	(-/+)	0.0008 0.5431	0.0010 0.6132	0.0004 0.3023
DEALSIZE	(-/+)	0.0041 0.3235	0.0074 0.6130	0.0099 0.8528
RELSIZE	(-/+)	0.0061 0.5077	-0.0017 -0.1397	-0.0007 -0.0585
BIDDERDEBT	(-/+)	0.0477 2.5281 **	0.0526 2.6536 ***	0.0534 2.9282 ***
PRIORBIDDERPERF	(-/+)	-0.2783 -2.7747 ***	-0.1885 -1.8923 *	-0.1493 -1.1672
BIDDERSIZE	(-/+)	0.0135 1.2987	0.0083 0.8143	0.0037 0.3535
TOP20_INSTIT	(-/+)	0.0000 0.1206	0.0000 -0.0733	0.0002 0.5619
Adjusted R-squared		0.0694	0.0808	0.0529
F-statistic		1.3210	1.3744	1.2821
Prob(F-statistic)		0.1081	0.0795	0.1458
# of Obs.		199	197	198

Note: Year and GICS effects were controlled using dummy variables; t-Stats are one-tailed for predicted sign variables and two-tailed for non-predicted sign variables; *** Coefficient is significant at the 0.01 level; **

Where: CAR: cumulative abnormal return; INDBOARD: calculated by the number of independent director over total number of directors on board; BUSYCEO: dummy variable for CEOs who are busy; BUSYCHAIR: dummy variable for Chairpersons who are busy; BUSYNONIND: (no. of nonind directors/total directors) * total no. of board nonind directors' seats; BUSYIND: (no. of ind directors/total directors)* total no. of board ind directors' seats; FCF_IMV: bidder's free cash flow scaled by implied market value of the deal; OFFERCASH: dummy variable for acquisitions that are funded with cash; OFFERSCRIP: dummy variable for acquisitions that are funded by share issues; DEALVOL: total acquisition activity (number of deal in excess of \$1 Million) per year; DEALSIZE: log transformation of total dollar value of the acquisition transaction ("Implied market value" - Connect4); RELSIZE: the natural log of the quotient of target and bidder size (total assets in the year immediately preceding the year of the acquisition announcement); BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; BID

TABLE 13 Continue...
Cumulative Abnormal Returns as Dependent Variables

PANEL B: LONG-TERM CUMULATIVE ABNORMAL RETURN - OLS REGRESSIONS

		CAR 1YR	CAR 2YRS	CAR 3YRS
INTERCEPT	(-/+)	-0.3370	1.1976	2.7719
INDBOARD	(+)	-0.6382	1.5106	2.5178 **
BUSYCEO	(-)	0.4764	0.1323	0.2591
BUSYCHAIR	(-)	2.3038 **	0.3892	0.5586
BUSYNONIND	(-)	-0.0013	0.0789	0.1073
BUSYIND	(-)	-0.0114	0.7359	0.6631
FCF_IMV	(+)	-0.1432	0.0053	-0.0645
BUSYIND*FCF_IMV	(-)	-2.0418 **	0.0395	-0.4289
OFFERCASH	(-/+)	-0.0417	-0.0254	-0.0332
OFFERSCRIP	(-/+)	-2.3356 **	-0.7996	-0.8795
DEALVOL	(-/+)	0.0029	-0.0113	-0.0155
DEALSIZE	(-/+)	0.4205	-1.2450	-1.2442
RELSize	(-/+)	0.0139	-0.0145	0.0172
BIDDERDEBT	(-/+)	0.6923	-0.4040	0.4372
PRIORBIDDERPERF	(-/+)	0.0005	0.0012	-0.0012
BIDDERSIZE	(-/+)	0.5078	0.8391	-0.7697
TOP20_INSTIT	(-/+)	0.2178	0.0921	-0.0118
		2.0059 **	0.5597	-0.0564
		0.0048	-0.0512	-0.0493
		0.0484	-0.3555	-0.2666
		0.0113	0.0205	0.0195
		1.4485	1.9001 *	1.2997
		0.0545	-0.0439	0.0143
		0.6197	-0.3553	0.0742
		0.0537	0.0469	-0.1291
		0.5729	0.3445	-0.5557
		0.0740	-0.0625	-0.0245
		0.9035	-0.4769	-0.1200
		0.3390	1.0950	3.1586
		0.5025	1.5559	2.1257 **
		-0.1119	-0.1756	-0.3474
		-1.3690	-1.2222	-1.2856
		0.0022	0.0012	-0.0039
		1.2021	0.3582	-1.0059
Adjusted R-squared		0.2121	0.1325	0.1781
F-statistic		2.0945	1.5906	1.8943
Prob(F-statistic)		0.0006	0.0230	0.0045
# of Obs.		184	175	162

Note: Year and GICS effects were controlled using dummy variables; t-Stats are one-tailed for predicted sign variables and two-tailed for non-predicted sign variables; *** Coefficient is significant at the 0.01 level; **

Where: CAR: cumulative abnormal return; INDBOARD: calculated by the number of independent director over total number of directors on board; BUSYCEO: dummy variable for CEOs who are busy; BUSYCHAIR: dummy variable for Chairpersons who are busy; BUSYNONIND: (no. of nonind directors/total directors) * total no. of board nonind directors' seats; BUSYIND: (no. of ind directors/total directors)* total no. of board ind directors' seats; FCF_IMV: bidder's free cash flow scaled by implied market value of the deal; OFFERCASH: dummy variable for acquisitions that are funded with cash; OFFERSCRIP: dummy variable for acquisitions that are funded by share issues; DEALVOL: total acquisition activity (number of deal in excess of \$1 Million) per year; DEALSIZE: log transformation of total dollar value of the acquisition transaction ("Implied market value" - Connect4); RELSize: the natural log of the quotient of target and bidder size (total assets in the year immediately preceding the year of the acquisition announcement); BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; BIDDERSIZE: natural log transformation of the acquirer's total revenue for the year immediate!

TABLE 8 Continue...
Cumulative Abnormal Returns as Dependent Variables

PANEL B: LONG-TERM CUMULATIVE ABNORMAL RETURN - OLS REGRESSIONS

		CAR 1YR	CAR 2YRS	CAR 3YRS
INTERCEPT	(-/+)	-0.3370	1.1976	2.7719
INDBOARD	(+)	-0.6382	1.5106	2.5178 **
BUSYCEO	(-)	0.4764	0.1323	0.2591
BUSYCHAIR	(-)	2.3038 **	0.3892	0.5586
BUSYNONIND	(-)	-0.0013	0.0789	0.1073
BUSYIND	(-)	-0.0114	0.7359	0.6631
FCF_IMV	(+)	-0.1432	0.0053	-0.0645
BUSYIND*FCF_IMV	(-)	-2.0418 **	0.0395	-0.4289
OFFERCASH	(-/+)	-0.0417	-0.0254	-0.0332
OFFERSCRIP	(-/+)	-2.3356 **	-0.7996	-0.8795
DEALVOL	(-/+)	0.0029	-0.0113	-0.0155
DEALSIZE	(-/+)	0.4205	-1.2450	-1.2442
RELsize	(-/+)	0.0139	-0.0145	0.0172
BIDDERDEBT	(-/+)	0.6923	-0.4040	0.4372
PRIORBIDDERPERF	(-/+)	0.0005	0.0012	-0.0012
BIDDERSIZE	(-/+)	0.5078	0.8391	-0.7697
TOP20_INSTIT	(-/+)	0.2178	0.0921	-0.0118
		2.0059 **	0.5597	-0.0564
		0.0048	-0.0512	-0.0493
		0.0484	-0.3555	-0.2666
		0.0113	0.0205	0.0195
		1.4485	1.9001 *	1.2997
		0.0545	-0.0439	0.0143
		0.6197	-0.3553	0.0742
		0.0537	0.0469	-0.1291
		0.5729	0.3445	-0.5557
		0.0740	-0.0625	-0.0245
		0.9035	-0.4769	-0.1200
		0.3390	1.0950	3.1586
		0.5025	1.5559	2.1257 **
		-0.1119	-0.1756	-0.3474
		-1.3690	-1.2222	-1.2856
		0.0022	0.0012	-0.0039
		1.2021	0.3582	-1.0059
Adjusted R-squared		0.2121	0.1325	0.1781
F-statistic		2.0945	1.5906	1.8943
Prob(F-statistic)		0.0006	0.0230	0.0045
# of Obs.		184	175	162

Note: Year and GICS effects were controlled using dummy variables; t-Stats are one-tailed for predicted sign variables and two-tailed for non-predicted sign variables; *** Coefficient is significant at the 0.01 level; **

Where: CAR: cumulative abnormal return; INDBOARD: calculated by the number of independent director over total number of directors on board; BUSYCEO: dummy variable for CEOs who are busy; BUSYCHAIR: dummy variable for Chairpersons who are busy; BUSYNONIND: (no. of nonind directors/total directors) * total no. of board nonind directors' seats; BUSYIND: (no. of ind directors/total directors)* total no. of board ind directors' seats; FCF_IMV: bidder's free cash flow scaled by implied market value of the deal; OFFERCASH: dummy variable for acquisitions that are funded with cash; OFFERSCRIP: dummy variable for acquisitions that are funded by share issues; DEALVOL: total acquisition activity (number of deal in excess of \$1 Million) per year; DEALSIZE: log transformation of total dollar value of the acquisition transaction ("Implied market value" – Connect4); RELSIZE: the natural log of the quotient of target and bidder size (total assets in the year immediately preceding the year of the acquisition announcement); BIDDERDEBT: bidder's debt-to-equity ratio immediately before the acquisition announcement; PRIORBIDDERPERF: acquirer average return on assets for the three years prior to the acquisition announcement; BID