

Demand and Career Outcomes for Directors with M&A Experience

by Davina Jeganathan

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the degree of

Doctor of Philosophy

under the supervision of Professor Martin Bugeja, Dr. Samir
Ghannam and Professor Yaowen Shan

University of Technology Sydney
Faculty of Business

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Certificate of Original Authorship

I, Davina Jeganathan, declare that this thesis, is submitted in fulfilment of the requirements for the award of Doctor of Philosophy, in the Accounting Discipline Group of the UTS Business School at the University of Technology Sydney.

This thesis is wholly my own work unless otherwise referenced or acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

This document has not been submitted for qualifications at any other academic institution.

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List of Abbreviations

BHAR	Buy-and-hold abnormal return
CAR	Cumulative abnormal return
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CRSP	Center for Research in Security Prices
FE	Fixed effects
ISS	Institutional Shareholder Services
M&A	Mergers and acquisitions
MTB	Market to book
MVE	Market value of equity
OLS	Ordinary least squares
PSM	Propensity score matching
ROA	Return on assets
SDC	Securities Data Company
SEC	Securities and Exchange Commission
SIC	Standard Industrial Classification
SSC	Statistical Software Components
TA	Total assets
US	United States
USD	United States Dollar
VIF	Variance inflation factor
WRDS	Wharton Research Data Services

Abstract

The corporate governance literature shows that directors receive additional directorships for engaging in mergers and acquisitions (M&A) even if their experience does not create value for shareholders. This occurs despite prior research finding that directors only create value for shareholders during subsequent acquisitions if their prior experience is positive. This thesis further investigates the demand for directors with M&A experience in the director labour market. First, using US data, this thesis shows that acquisition experience leads to more prestigious directorships for acquiring directors both in value-increasing and value-destroying acquisitions. However, higher director responsibility is not associated with penalties following poor M&A decisions. This reinforces that, in terms of acquisitions, experience is valued over ability. Second, this thesis identifies an association between firm and CEO characteristics and the appointment of directors with M&A experience to the board. The results also suggest that directors with M&A experience are compensated more highly than other directors. Finally, even though firms demand experienced directors, shareholders vote against the appointment of directors with M&A experience.

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