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Determinants of layoff announcements following M&As: an empirical investigation

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Abstract

It is often argued that mergers and acquisitions (M&As) lead to employee layoffs. This paper examines factors that influence the probability that a layoff announcement will follow an M&A. A sample of 136 large M&As, involving U.S. targets, that occurred between 1989 and 1993 is analyzed. Analyses of this sample indicate that the probability of a layoff announcement is higher if the firms involved in the transaction are related. The probability that a layoff will be announced was not changed when the acquirer was a non-U.S. firm (cross-border transactions). Target revenue per employee before the M&A is negatively related to the probability that a layoff was announced. Target financial performance prior to the transaction and use of borrowed funds to finance the merger were not found to have an impact on the probability that a layoff will be announced. © 1998 John Wiley & Sons, Ltd.

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