

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

K. C. O'Shaughnessy, David J. Flanagan

First published: 21 December 1998

[https://doi.org/10.1002/\(SICI\)1097-0266\(199810\)19:10<989::AID-SMJ994>3.0.CO;2-3](https://doi.org/10.1002/(SICI)1097-0266(199810)19:10<989::AID-SMJ994>3.0.CO;2-3)



PDF

### 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.

### References

Amihud, Y., B. Lev and N. Travlos (1990). 'Corporate control and the choice of investment financing: The case of corporate acquisitions', *Journal of Finance*, **45**, pp. 603-616.

[Web of Science®](#)

[Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

Brockner, J. (1992). 'Managing the effects of layoffs on survivors', *California Management Review*, 34, pp. 9-28.

[Web of Science®](#) | [Google Scholar](#)

Cameron, K. (1998). 'Strategic organizational downsizing: An extreme case. Parts 1 and 2', *Research in Organizational Behavior*, 20, pp. 185-229.

[Web of Science®](#) | [Google Scholar](#)

Cannella, A. and D. Hambrick (1993). 'Effects of executive departures on the performance of acquired firms', *Strategic Management Journal, Summer Special Issue*, 14, pp. 137-152.

[Web of Science®](#) | [Google Scholar](#)

Casson, M. (1979) *Alternatives to the Multinational Enterprise*. Macmillan, London,

[Google Scholar](#)

Caves, R. (1982). *Multinational Enterprise and Economic Analysis*. Cambridge University Press, Cambridge, MA,

[Google Scholar](#)

Caves, R. E. and M. B. Kreps (1993). 'Fat: The displacement of nonproduction workers from U.S. manufacturing industries', *Brookings Papers on Economic Activity*, 2, pp. 227-288.

[Google Scholar](#)

Chatterjee, S. (1986). 'Types of synergy and economic value: The impact of acquisitions on merging and rival firms', *Strategic Management Journal*, 7(2), pp. 119-139.

[Web of Science®](#) | [Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

---

Chowdrhy, B. and V. Nanda (1993). 'The strategic role of debt in takeover contests', *Journal of Finance*, **48**, pp. 731-745.

[Web of Science®](#) | [Google Scholar](#)

---

Davis, P. S., D. B. Robinson and J. A. Pearce (1992). 'Business unit relatedness and performance: A look at the pulp and paper industry', *Strategic Management Journal*, **13**(5), pp. 349-361.

[Web of Science®](#) | [Google Scholar](#)

---

Dewenter, K. (1995). 'Are intra-industry investment patterns consistent with cost disadvantages to cross border investing? Evidence from the U.S. chemical industry', *Journal of International Business Studies*, **26**, pp. 843-858.

[Web of Science®](#) | [Google Scholar](#)

---

Dunning, J. (1988). 'The eclectic paradigm of international production: A restatement and some possible extensions', *Journal of Business Studies*, **19**(1), pp. 1-31.

[CAS](#) | [Web of Science®](#) | [Google Scholar](#)

---

Fama, E. F. (1980). 'Agency problems and the theory of the firm', *Journal of Political Economy*, **88**, pp. 288-307.

[Web of Science®](#) | [Google Scholar](#)

---

Fina, E. and A. Rugman (1996), 'A test of internalization theory and internationalization theory: The Upjohn Company', *Management International Review*, **36**, pp. 199-213.

[Google Scholar](#)

---

Flanagan, D. (1996). 'Announcements of purely related and purely unrelated mergers and shareholder returns: Reconciling the relatedness paradox', *Journal of Management*, **22**, pp. 823-835.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

[Google Scholar](#) 

---

Harris, M. and A. Raviv (1991). 'The theory of capital structure', *Journal of Finance*, **46**, pp. 297–355.

[Web of Science®](#)  | [Google Scholar](#) 

---

Harris, R. S. and D. Ravenscraft (1991). 'The role of acquisitions in foreign direct investment: Evidence from the U.S. stock market', *Journal of Finance*, **46**, pp. 825–844.

[Web of Science®](#)  | [Google Scholar](#) 

---

Healy, P., K. Palepu and R. S. Ruback (1992). 'Do mergers improve corporate performance?', *Journal of Financial Economics*, **31**, pp. 135–175.

[Web of Science®](#)  | [Google Scholar](#) 

---

Hitt, M., R. Hoskisson, R. D. Ireland and J. Harrison (1991). 'Effects of acquisitions on R&D inputs and outputs', *Academy of Management Journal*, **34**, pp. 693–706.

[Web of Science®](#)  | [Google Scholar](#) 

---

Holmstrom, B. and J. Tirole (1989). 'The theory of the firm.' In R. Schmalensee and R. D. Willig (eds.), *Handbook of Industrial Organization*. North-Holland, New York, pp. 61–133.

[Google Scholar](#) 

---

Hoskisson, R. E. and M. Hitt (1994). *Downscoping: How to Tame the Diversified Firm*. Oxford University Press, New York,

[Google Scholar](#) 

---

Jemison, D. B. and S. B. Sitkin (1986). 'Corporate acquisitions: A process perspective', *Academy of Management Review*, **11**, pp. 145–163.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#) 

[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)

Jensen, M. C. and W. Meckling (1976). 'The theory of the firm: Managerial behavior, agency costs, and capital structure', *Journal of Financial Economics*, 3, pp. 305-360.

[CAS](#) | [Web of Science®](#) | [Google Scholar](#)

Jensen, M. C. and R. S. Ruback (1983). 'The market for corporate control', *Journal of Financial Economics*, 11, pp. 5-50.

[Web of Science®](#) | [Google Scholar](#)

Kaplan, S. (1989). 'The effects of management buyouts on operating performance and value', *Journal of Financial Economics*, 24, pp. 217-254.

[Web of Science®](#) | [Google Scholar](#)

Koch, M. and R. McGrath (1996). 'Improving labor productivity: Human resource management policies do matter', *Strategic Management Journal*, 17(5), pp. 335-354.

[Web of Science®](#) | [Google Scholar](#)

Kochhar, R. (1996). 'Explaining firm capital structure: The role of agency theory vs. transaction cost economies', *Strategic Management Journal*, 17(9), pp. 713-728.

[Web of Science®](#) | [Google Scholar](#)

Kumar, N. (1987). 'Intangible assets, internalization and foreign production: Direct investment and licensing in Indian manufacturing', *Weltwirtschaft-archiv*, 123, pp. 325-345.

[Web of Science®](#) | [Google Scholar](#)

Lichtenberg, F. R. and D. Seigel (1987). 'Productivity and changes in ownership of manufacturing plants', *Brookings Papers on Economic Activity*, 3, pp. 643-673.

[Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

---

Lubatkin, M. (1983). 'Mergers and the performance of the acquiring firm', *Academy of Management Review*, 8, pp. 218-225.

[Web of Science®](#) | [Google Scholar](#)

---

Lubatkin, M. (1987). 'Merger strategies and stockholder value', *Strategic Management Journal*, 8(1), pp. 39-53.

[Web of Science®](#) | [Google Scholar](#)

---

Lubatkin, M. and P. J. Lane (1996). 'Psst. The merger mavens still have it wrong!', *Academy of Management Executive*, 10, pp. 21-39.

[Google Scholar](#)

---

Manne, H. G. (1965). 'Mergers and the market for corporate control', *Journal of Political Economy*, 73, pp. 110-120.

[Web of Science®](#) | [Google Scholar](#)

---

Markides, C. (1995). 'Diversification, restructuring, and economic performance', *Strategic Management Journal*, 16(2), pp. 101-118.

[Web of Science®](#) | [Google Scholar](#)

---

Martin, K. J. and J. J. McConnell (1991). 'Corporate performance, corporate takeovers, and management turnover', *Journal of Finance*, 46, pp. 671-687.

[Web of Science®](#) | [Google Scholar](#)

---

Matsusaka, J. (1993). 'Target profits and managerial discipline during the conglomerate merger wave', *Journal of Industrial Economics*, 41, pp. 179-189.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

Morck, R., A. Shleifer and R. Vishny (1989). 'Alternative mechanisms for corporate control', *American Economic Review*, 79, pp. 842–852.

[Web of Science®](#) [Google Scholar](#)

Morck, R., A. Shleifer and R. Vishny (1990). 'Do managerial objectives drive bad acquisitions?', *Journal of Finance*, 45, pp. 31–48.

[Web of Science®](#) [Google Scholar](#)

Morck, R. and R. Yueng (1991). 'Foreign acquisitions: When do they make sense?', *Managerial Finance*, 17, pp. 10–17.

[Google Scholar](#)

Ofek, A. (1993). 'Capital structure and firm response to poor performance: An empirical analysis', *Journal of Financial Economics*, 34, pp. 3–30.

[Web of Science®](#) [Google Scholar](#)

Pitts, R. A. (1976). 'Diversification strategies and organizational policies of large diversified firms', *Journal of Economics and Business*, 28, pp. 181–188.

[Web of Science®](#) [Google Scholar](#)

Porter, M. E. (1985). *Competitive Advantage: Creating and Sustaining Superior Performance*. Free Press, New York,

[Google Scholar](#)

Porter, M. E. (1987). 'From competitive advantage to corporate strategy', *Harvard Business Review*, 65(3), pp. 43–59.

[Web of Science®](#) [Google Scholar](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

[Google Scholar](#) 

---

Rugman, A. (1980). 'Internalization as a general theory of foreign direct investment: A reappraisal of the literature', *Weltwirtschaftliches Archiv*, 116, pp. 365–379.

[Web of Science®](#)  | [Google Scholar](#) 

---

Rumelt, R. (1974). *Strategy, Structure, and Economic Performance*. Harvard University Press, Cambridge, MA,

[Google Scholar](#) 

---

Salter, M. S. and W. A. Weinhold (1979). *Diversification Through Acquisition: Strategies for Creating Economic Value*. Free Press, New York,

[Google Scholar](#) 

---

Shapiro, C. (1989). 'The theory of business strategy', *Rand Journal of Economics*, 20, pp. 125–137.

[CAS](#)  | [PubMed](#)  | [Web of Science®](#)  | [Google Scholar](#) 

---

Sharma, A. and I. Kesner (1996). 'Diversifying entry: Some ex-ante explanations for post entry survival and growth', *Academy of Management Journal*, 39, pp. 635–677.

[Web of Science®](#)  | [Google Scholar](#) 

---


Sharpe, S. (1994). 'Financial market imperfections, firm leverage, and the cyclicity of employment', *American Economic Review*, 84, pp. 1060–1074.

[Web of Science®](#)  | [Google Scholar](#) 

---

Shelton, L. M. (1988). 'Strategic business fits and corporate acquisition: Empirical evidence', *Strategic Management Journal*, 9(3), pp. 279–287.

[Web of Science®](#)  | [Google Scholar](#) 

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#) 

Manage Preferences

Accept All

Reject Non-Essential

[CAS](#)[PubMed](#)[Web of Science®](#)[Google Scholar](#)

---

Singh, H. (1990). 'Management buyouts: Distinguishing characteristics and operating changes prior to public offering', *Strategic Management Journal*, Summer Special Issue, 11, pp. 111-129.

[Web of Science®](#)[Google Scholar](#)

---

Singh, H. and C. Montgomery (1987). 'Corporate acquisition strategies and economic performance', *Strategic Management Journal*, 8(4), pp. 377-386.

[Web of Science®](#)[Google Scholar](#)

---

Sirower, M. L. (1997). *The Synergy Trap: How Companies Lose the Acquisition Game*. Free Press, New York,

[Google Scholar](#)

---

Smith, A. J. (1990). 'Corporate ownership structure and performance: The case of management buyouts', *Journal of Financial Economics*, 27, pp. 143-164.

[PubMed](#)[Web of Science®](#)[Google Scholar](#)

---

Thompson, R. B., C. Olsen and J. R. Dietrich (1987). 'Attributes of news about firms: An analysis of firm specific news reported in the Wall Street Journal Index', *Journal of Accounting Research*, 25, pp. 245-273.

[Web of Science®](#)[Google Scholar](#)

---

Useem, M. (1996). *Investor Capitalism: How Money Managers are Changing the Face of Corporate America*. Basic Books, New York,

[Google Scholar](#)

---

Walsh, J. P. (1988). 'Top management turnover following mergers and acquisitions', *Strategic Management Journal*, 9(2), pp. 173-183.

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)

Manage Preferences

Accept All

Reject Non-Essential

Walsh, J. P. and J. Ellwood, (1991). 'Mergers, acquisitions, and the pruning of managerial dead wood', *Strategic Management Journal*, 12(3), pp. 201–217.

[Web of Science®](#) | [Google Scholar](#)

Woo, C. Y., G. E. Willard, and U. S. Daellenbach (1992). 'Spinoff performance: A case of overstated expectations?', *Strategic Management Journal*, 13(6), pp. 433–447.

[Web of Science®](#) | [Google Scholar](#)

Worrell, D. L., W. N. Davidson and V. M. Sharma (1991). 'Layoff announcements and stockholder wealth', *Academy of Management Journal*, 34, pp. 662–678.

[Web of Science®](#) | [Google Scholar](#)

Wruck, K. (1990). 'Financial distress, reorganization, and organizational efficiency', *Journal of Financial Economics*, 27, pp. 419–444.

[Web of Science®](#) | [Google Scholar](#)

Yu, C. J. (1990). 'The experience effect and foreign direct investment', *Weltwirtschaftliches Archiv*, 126, pp. 561–580.

[Web of Science®](#) | [Google Scholar](#)

## Citing Literature



[Download PDF](#)



This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



Manage Preferences

Accept All

Reject Non-Essential

## ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

## HELP & SUPPORT

[Contact Us](#)

[Training and Support](#)

[DMCA & Reporting Piracy](#)

[Sitemap](#)

## OPPORTUNITIES

[Subscription Agents](#)

[Advertisers & Corporate Partners](#)

## CONNECT WITH WILEY

[The Wiley Network](#)

[Wiley Press Room](#)

This website utilizes technologies such as cookies to enable essential site functionality, as well as for analytics, personalization, and targeted advertising. You may change your settings at any time or accept the default settings. You may close this banner to continue with only essential cookies. [Privacy Policy](#)



[Manage Preferences](#)

[Accept All](#)

[Reject Non-Essential](#)