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Completion or Abandonment of Mergers and Acquisitions: Evidence from the Newspaper Industry, 1981–2000

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Abstract

Regulatory and technological changes have resulted in a surge in merger and acquisition (M&A) activity in the newspaper industry since the 1980s. This study investigates the "success" of these activities focusing on a particular facet of acquisition performance. We study the completion likelihood of an announced transaction, using a sample of M&A announcements from the newspaper industry (1981–2000). Results show that although firm-level characteristics are relevant, transaction-specific and regulatory factors are even more important. Not surprisingly, the attitude of the transaction—whether hostile or friendly—is a key factor, as are the method of payment and the percentage of control sought by the acquirer. The latter in particular reaffirms the prevailing view on the importance of regulatory influences on media M&As.

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Notes

[1]We use the terms acquisition(s), merger(s), and M&A(s) interchangeably.

[2]The majority of these studies have employed performance measures based on stock market data such as abnormal announcement returns (Moeller, Schlingemann, & Stulz, 2005) or accounting-based measures such as return on assets (Peltier, 2004; Ravenscraft & Scherer, 1987). Some studies have used subjective measures, such as satisfaction or goal contribution, based on survey data of executives about perceived M&A outcomes (Saxton & Dollinger, 2004; for an overview of the methodological approaches, see Bruner, 2002).

[3]Thomson began collecting data in the early 1980s, yet is confident about completeness only for records after 1990; M&As in the 1980s should be treated more as a sample than as a complete record of all M&As (Pryor, 2001).

[4]M&As recorded as intent withdrawn, withdrawn, or rumored (but not completed) make up the abandoned category.

[5]Offers that were not friendly could receive other classifications: (a) hostile, if the board officially rejected the offer but the acquirer persisted with the takeover; (b) neutral, if the management of the target was not involved with the transaction; and (c) unsolicited, if the offer is a surprise to the target's board, implying they had not given a recommendation.

[6]There is a small chance that the firm we take to be a “one-timer” has actually attempted other transactions before the start of our sample period, but this is unlikely because our sample period spans the 1981–2000 period.

[a]Dependent variable is 1 if merger was completed, and 0 if abandoned.

[7]An odds ratio of 1 implies that changing the independent variable does not change the odds of the completion of an M&A transaction. An odds ratio of less than 1 implies that increasing the independent variable reduces the odds of completion, whereas an odds ratio greater than 1 implies that increasing the independent variable increases the odds of completion. Odds are defined to be p/1 − p, where p is the probability of an event.