The Role of Executive Blockholder in a Completed Merger

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We investigate the role of top executives, specifically CEOs who are also blockholders in their companies, in completing a merger deal. We conduct a logit analysis that examines the effect of three different factors on the outcome of a proposed deal. These factors include the attributes of the target firm's executive(s), the attributes of the deal, and specific attributes of the target company. The results reveal that if the CEO is also a blockholder, he/she is more likely to complete the merger or acquisition deal. Conversely, the target company's volatility is negatively related with the successful completion of a deal.

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1. Introduction

Mergers and Acquisitions (M&A) make a significant contribution to the world of corporate finance. The role of M&A in corporate restructuring is of particular interest in the context of the current financial crisis. Recently, the market has been dominated by attempts to buy growth through acquisitions. Many companies see this period of economic downturn as an opportunity to buy at a bargain price. However, initiating an M&A, setting things in motion, closing the deal, and ultimately extracting synergistic values from the newly formed entity is a complex and challenging endeavor. The deal may disintegrate at any stage resulting in loss of valuable resources such as time, money and in some cases, a decline in reputation for either or both parties.

An aspect that increases the complexity of an M&A deal is blockholder and/or founding family ownership of the target firm. One of the major concerns in the negotiation and execution of an M&A is agency problems related to managerial opportunism.[1] This issue is compounded when blockholder(s) are at the helm of a target company. Such blockholders can create major obstacles in the orchestration of a deal if they foresee a loss in compensation and/or position upon deal completion. Conversely, if the outcome of the merged entity appears favorable to such blockholders, they will tend to support the advancement and successful closure of the deal. In either case, agency problems result from the inherent conflict between the self-serving motives of these blockholders and the remaining shareholders. Evidence of such agency costs is documented in a study conducted by Dodd (1980). The author detects a negative and permanent revaluation of the target company's stock price when an M&A proposal is vetoed by the incumbent management. Such negative response is not observed if the reason for cancellation of a deal is either a retraction of offer by the bidder or the reason remains unclear to the shareholders.

The above discussion raises several questions. First, are executive blockholders more likely to assist or hinder a merger deal? Second, does the nature of the deal itself have anything to do with its success? Third, do certain characteristics of the target firm make the acquisition attractive despite

[1] Hitt, Harrison, and Ireland (2001) discuss the details of agency concerns and ethical issues surrounding mergers and acquisitions in their book.

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possible blockholder intervention? The motivation of our study arises from the fact that existing literature provides, at best, conflicting evidence regarding the role of a blockholder in the M&A process. We provide a more detailed insight of such acquisition attempts by conducting an analysis of the attributes of the blockholder(s), attributes of the target company, and characteristics concerning the nature of the deal. This permits us to identify those factors that have the most profound impact on the successful completion of an M&A. We focus exclusively on internal blockholder ownership since external blockholder motives may be different and would contaminate the overall results.

The rest of the paper is organized as follows. Section II conducts a detailed literature review. Section III discusses our hypotheses and methodology. Section IV analyzes and explains the results. Section V provides a summary and conclusion of the study.

2. Literature Review

Existing literature on blockholder ownership involvement in an M&A provides evidence of both benefits and detriments. One branch of research suggests that large blockholders are able to effectively monitor top managers and therefore reduce the agency costs between shareholders and managers Demsetz and Lehn (1985). A study by James (1999) reveals greater investment efficiencies for family-owned firms due to their long-term investment horizons. Conversely, Dennis and McConnell (2003) point out that firm value tends to decline with increase in insider ownership beyond a certain level due to dominance of managerial entrenchment effects. Early evidence of such decline is provided by Johnson, Magee, Nagarajan, and Newman (1985). They document positive stock returns in response to sudden death of founding executive(s) but none in similar cases of non-founding executive(s). Another research by Morck, Shleifer, and Vishny (1988) documents a lower Tobin's *Q* for firms managed by founding family blockholders than for firms with dispersed ownership.

A study by Fama and Jensen (1983) notes that controlling rights of blockholders allow them to exchange profits for private rents. Blockholders/families have also been known to limit top management positions to family members, possibly compromising on capable talent, leading to inefficient long-run performance relative to diversified ownership. Chang (1998) conducts an event study to examine cumulative abnormal returns for bidders of privately held targets. He finds evidence of positive abnormal returns for stock offers but none for cash offers. This finding concurs with the logic that such a takeover creates block ownership that enhances monitoring techniques of managerial performance.

Anderson and Reeb (2003) conduct a study on the relationship between founding-family ownership and firm performance. Using return on assets (ROA) as a measure of firm performance they find that family-owned firms perform at least as well as firms with diverse ownership structure. A subsequent study by King and Santor (2008) on a sample of Canadian firms shows that family-owned firms using dual class shares have, on an average, 17% lower valuations than relatively widely held firms with comparable ROA and financial leverage. Contrasting this evidence is a study by Andres (2008) whose results, using a sample of German exchange-listed firms, provide evidence of stronger profitability for family-owned firms than both widely-held firms and those with non-family blockholders. However, this finding holds only as long as the founding family is active either on the executive or supervisory board.

Evans and Pyles (2009) analyze the role of large equity ownership by both institution and blockholders in monitoring the board of directors' reaction to an impending acquisition. They distinguish between pressure-sensitive and pressure-resistant blockholders in determining the effectiveness of anti-takeover techniques by target firms. Their findings suggest that the former group is more likely to adopt anti-takeover mechanisms than the latter. Along similar lines is a study conducted by Maury (2006) using a sample of non-financial Western European firms. He finds that family control lowers agency problems between owners and managers but increasing control and potential for family opportunism results in declining valuation. This result corresponds with a

study by Hagelin, Holmén and Pramborg (2006) where the authors show that family-controlled Swedish firms use shares with different voting rights in order to simultaneously maintain control and reduce the family's portfolio risk.

A merger benefits shareholders when a company's post-merger share price increases by the value of the potential increase in synergy. A study by Maksimovic and Phillips (2001) provides evidence of efficiency gains involving mergers and asset sales. They show that timing and efficiency of such sales tend to improve resource allocation leading to profit maximization. A study by Bugeja (2006) uses a sample of Australian firms to investigate when boards are more likely to commission a voluntary expert to assess the adequacy of an offer. He finds the deployment of an outside expert is more likely when the takeover board leans towards rejecting the offer. In addition, the probability of hiring experts increases with increasing complexity of the takeover. Basu et al (2009) conduct an investigation on value creation in mergers. Their evidence indicates that acquirers with low levels of family ownership earn lower abnormal returns than those with high levels of ownership. Furthermore, they infer that acquisitions involving targets with low levels of family ownership are associated with greater value creation. A study by Lee and Lim (2006) also looks at the value creation objective of an M&A. They find evidence of overall increased firm value for the sample firms. They further analyze the situation by dividing the same sample into IT and non-IT firms. They document stronger support for positive gains in firm value for non-IT firms than IT firms.

An important contributor of value creation is termination fees. Andre et al (2007) focus on a sample of Canadian target firms to investigate the relationship between termination fees and expected synergy gains. They propose that while termination fees are used as a medium for contracting, their magnitude accounts for, and balances, between transaction expenses, expected benefits of the proposed combination, and potential opportunity costs. In the next section, we utilize the evidence from existing literature and add our own analogy to develop our exploratory hypotheses.

3. Hypothesis Development and Methodology

The relationship between managerial ownership and the successful completion of an M&A has been of considerable interest to researchers. Several studies investigate, and find evidence thereof, that independent boards lead to mitigation of agency issues (Byrd and Hickman, 1992; Cotter et al., 1997). Hence the question arises whether there exists obvious misalignment of interest between boards with blockholder(s) and shareholders and if so, are there any factors that can mitigate this effect?

In the context of the above argument, financial incentives of blockholder(s) appear to be a determining factor of a successful acquisition. Hartzell et al. (2004) document negotiations of large cash payments in the form of bonuses and golden parachutes by target firm CEOs. In addition, they find last-minute cash benefits offered to target company CEOs for favorable deal negotiation. This proves that if blockholders do not receive adequate financial benefits, they may choose to impede the negotiation process.

Besides compensation, blockholder(s) stand to lose nonfinancial rewards such as position and influence in the event of an acquisition. Harford (2003) finds that director compensation plays an insignificant role in aligning management and shareholder interest. Instead, the author detects the potential for career enhancement, which is a direct consequence of the directors' decision to be a determinant factor of corporate governance. We posit that in addition to compensation, blockholder attributes such as age and gender may impact the decision-making process. This leads to our first testable hypothesis:

H1: Blockholder executives have an implicit interest in a merger outcome. Executive's position (as a CEO), salary, age, and gender are significant determinants of a merger completion.

Several studies examine the impact of M&A bids on the target firm's stockholder returns. Some of the earlier research papers documenting such cumulative abnormal returns include Mandelker (1974), Ellert (1976), Langetieg (1978), and Dodd (1980). While these studies provide evidence of

abnormal stockholder returns at specific points during a merger bid, Asquith (1983) scrutinizes the entire merger process. His sample includes both successful and unsuccessful bids. He documents positive abnormal returns for shareholders of target firms as the probability of a merger increases and negative returns for both target and bidder when the probability of a merger decreases. We postulate that besides abnormal returns, other characteristics of a deal such as the location of the target, the percentage of ownership sought by the acquirer, and the percentage of cash and stock offered by the bidder for the acquisition, impact the outcome of a bid. This leads to our second hypothesis:

H2: Deal attributes, such as, location and cumulative abnormal return are determinants of a merger completion.

Certain financial characteristics can make firms more attractive takeover targets. Hasbrouck (1985) concludes that low Tobin's *Q* and high current financial liquidity characterize target firms. In addition, stock price behavior of the target can influence the outcome of a deal. Existing literature documents evidence of the effect of information uncertainty on a firm's stock returns. In his study, Zhang (2006) uses stock price volatility as one of the proxies for information asymmetry. Croci and Petmezas (2009) argue that uncertainty in the value of a target company fetches higher takeover premiums from the bidder resulting in large gains for the target company stockholders. These issues motivate us to examine the impact of target company characteristics in conjunction with the presence of blockholder(s) and leads to our third hypothesis:

H3: Company-specific attributes, such as, liquidity and stock price volatility are determinants of a merger completion.

We use the logistic model distribution to predict the probability of occurrence of the merger event (completed transaction versus non-completed) by fitting the data to a logit function. The logistic distribution used (Greene, 2003):

$$Prob(Y = 1|x) = \frac{e^{x'\beta}}{1 + e^{x'\beta}} = CD\left(e^{x'\beta}\right)$$

Where;

- Y=1 reflects a completed merger.
- x is the set of independent variables used to predict the probability of Y.
- The set of parameters β shows the impact of changes in x on the probability.
- CD is the cumulative distribution.

We use a logit analysis so as to constrain $x'\beta$ to the interval 0-1 which fits the binary dependent variable completed versus non-completed. Our proposed model is as follows:

$$Complete = \alpha + \beta_1 ExecutiveAttributes + \beta_2 DealAttributes + \beta_3 Target\ Company\ Specific\ Attributes + error$$

The specific variables tested for each of the above categories are defined in Appendix 1.

4. Data

We conduct empirical tests of our hypotheses using data collected from multiple sources. Our data sources include Compustat-Execucomp, Securities Data Corporation Mergers and Acquisition (SDC – M&A) Segment, and Merged CRSP/Compustat.

First, we use the Compustat-Execucomp database to identify all the executives that hold an equity stake of at least 5% and above between the period of 1995 and 2008. The definition of a blockholder as any entity that owns at least 5% of the firm's equity is proposed by Holderness (2003) in his survey paper on equity ownership by insiders and blockholders of U.S. firms. We confine our study to include only internal blockholders, in order to keep our results free from any information asymmetry issues that may arise if external blockholders are included in the sample. The identification is made for each executive in a specific year for a specific company. Next, we collect the variables relevant to our hypotheses for each identified executive. The first step of the data collection process yields a total of 4,712 observations. Each observation pertains to a specific company and specific executive in a given year.

In the second step, we use the SDC – M&A database to identify and match companies from step one that were takeover targets. Targets must have received a takeover bid during the tenure of our identified executive in step one. After completing this step, we are left with a range of 774-687 of usable data points.[2]

Finally, we use merged CRSP/Compustat database to collect the required control variables and accounting variables for the target companies examined.

Table 1 presents the summary statistics of our sample. An explanation of the variables is provided in Appendix 1. Note that the average blockholder receives a total annual compensation (*tdc2*) of $4.3 million. The distribution is skewed towards the lower end with a median value of $904 thousand. The mean value of unexercised exercisable in-the-money options (*opt_unex_ex*) is $10.9 million while the average value of unvested stock options is about $460 thousand.

The age of the blockholder in our sample has a wide range with the youngest being 33 years and the oldest 88 years. However, the distribution is tight with the median corresponding to the mean. The average blockholder is 58 years old with a mean tenure of approximately 22 years in the company. The average size of the target company in our sample (using total assets as a proxy) is $2.6 billion. The median size for the target is $6.15 billion indicating a skew towards smaller firms. The average target has about 11 thousand employees and 945 thousand stockholders. Again, the distributions is skewed towards smaller firms with respective median values of $3 million and $279 million.

Table 1
Descriptive Statistics

	N	Mean	Median
Panel A			
completed	774	0.24	0.00
Panel B			
ceoyes	774	0.65	1.00
salary	774	518.77	441.88
bonus	774	529.70	116.12
shrown	774	15.52	12.00
current	774	1048.48	650.00
opt_unex_ex	771	10883.64	104.94
opt_unex_unex	771	7751.09	0.00
stock_unves	771	459.90	0.00
tdc1	767	3822.01	1060.99
tdc2	774	4281.91	904.45
sal_pct	728	6.58	1.92
tdc1_pct	702	259.84	3.87
tdc2_pct	725	200.42	4.87
age	687	58.21	58.00
gender	774	0.97	1.00

[2] The range in the number of observations is caused by the availability of observations in different databases. For example, in Table 4 the variables were collected from Compustat, which is a more comprehensive database than SDC or ExecuComp. On the other hand, Table 5 uses the total completed cases that are collected from three different databases: Compustat, ExecuComp and SDC. We elected to use the maximum available number of completed cases for each table.

Table 1 (continued)

	N	Mean	Median
Panel C			
percsought	774	12.84	4.90
samestate	774	0.83	1.00
perccash	720	90.76	100.00
percother	720	0.71	0.00
percstock	720	2.65	0.00
car1	690	-0.05	-0.03
car2	690	0.01	0.01
car3	690	0.03	0.02
car4	690	0.01	0.00
Panel D			
assetstotal	767	2612.18	615.48
bvshare	767	12.32	8.53
common	767	944.70	279.14
cash	767	388.30	66.43
longtermdebt	767	445.76	50.00
employees	767	10.77	3.00
goodwill	767	162.34	0.00
intangibles	767	382.71	14.07
liabilities	767	1625.95	276.52
volatility	767	9.11	0.00
revenuetotal	767	1825.77	687.98
stockholders	767	954.77	279.14
spranka	774	0.06	0.00
sprankam	774	0.06	0.00
sprankbp	774	0.18	0.00
sprankb	774	0.20	0.00
sprankbm	774	0.25	0.00
sprankc	774	0.07	0.00
sprankd	774	0.00	0.00
noranksp	774	0.16	0.00

Notes: This table presents summary statistics of our sample for the period ranging from 1995 through 2008. We begin with 4,712 observations and are left with 774 data points for the final analysis after matching the CRSP-Execucomp data with the SDC-M&A data.

5. Results

We use a logistic regression model to test our hypotheses related to three attributes of an M&A involving a blockholder target: executive characteristics; nature of the deal; and target company characteristics.

Tables 2, 3, and 4 present the results of the executive attributes, the deal attributes, and the target company attributes respectively. Finally, we test our hypotheses by combining all variables of each of the three attributes. Table 5 presents the results of this analysis. Each table reports the odds

ratio along with the *p*-value of the logistic regression tests. An odds ratio of 1 indicates a probability of success of 0.5, or in other words, the odds are 1 to 1.

Table 2
Executive Attributes

completed	Odds Ratio	P-Value	Odds Ratio	P-Value	Odds Ratio	P-Value	Odds Ratio	P-Value
ceoyes					1.590	0.044	1.571	0.052
salary	1.000	0.375					1.000	0.498
bonus	1.000	0.897					1.000	0.909
total_curr			1.000	0.590	1.000	0.670		
shrown	1.000	0.969	1.001	0.948	0.999	0.905	0.999	0.896
opt_unex_ex	1.000	0.528	1.000	0.471	1.000	0.583	1.000	0.637
opt_unex_unex	1.000	0.629	1.000	0.765	1.000	0.543	1.000	0.469
stock_unves	1.000	0.900	1.000	0.931	1.000	0.891	1.000	0.874
tdc1	1.000	0.508	1.000	0.571	1.000	0.469	1.000	0.441
tdc2	1.000	0.032	1.000	0.025	1.000	0.028	1.000	0.037
sal_pct	1.003	0.305	1.003	0.298	1.003	0.219	1.003	0.226
tdc1_pct	0.999	0.048	0.999	0.046	0.999	0.042	0.999	0.043
tdc2_pct	1.001	0.055	1.001	0.053	1.001	0.048	1.001	0.050
age	1.014	0.144	1.015	0.116	1.018	0.081	1.017	0.099
gender	1.855	0.346	1.760	0.383	1.712	0.413	1.783	0.383
Pseudo R2	0.032		0.031		0.037		0.038	
Pseudolikelihood	-329.013		-329.332		-327.228		-327.035	
N	635		635		635		635	

Notes: We use the logistic regression model: $Complete = \alpha + \beta_1 ExecutiveAttributes + error$ to test hypothesis H1 *i.e.* Executive's position (as a CEO), salary and age are significant determinants of a merger completion. We report the odds ratio along with the *p*-value of the regression tests. An odds ratio of 1 or higher indicates a positive relationship while a ratio of less than 1 demonstrates an inverse relationship. Note that the variable *CEOYES*, which denotes a CEO position of the blockholder in the company, is positive and significant at the 1% level.

We begin our analysis with the first hypothesis, H1: *Executive's position (as a CEO), salary and age are significant determinants of a merger completion.* Table 2 reports the results of the test for executive attributes. We observe that the variable *CEOYES*, which denotes a CEO position of the blockholder in the company, is positive and significant at the 1% level. This indicates that a blockholder's position as the CEO of the company will tend to favor an acquisition. This finding has intuitive appeal given that owner CEOs reward themselves differently from manager CEOs. They can derive private benefits from the deal that manager CEOs are unable to earn. For example, Denis and McConnell (2003) cite accessibility to powerful people a private benefit that blockholders enjoy. Another example is the pricing of block trades at a premium to the exchange price, a private benefit unavailable to general shareholders (Barclay and Holderness (1989); Mikkelson and Regassa (1991); Chang and Mayers (1995)). Note that none of the other variables including *age*, *gender*, and *salary* are

significant at any level demonstrating the irrelevancy of these factors as determinants of a successful M&A for our sample.

Next, we conduct a test of our second hypothesis, H2: *Deal attributes, such as, location and cumulative abnormal return are determinants of a merger completion.* Table 3 reports the statistics for the attributes of the deal. We find that the variable, *samestate*, which indicates whether the acquirer and the target belong to the same state, is negative and statistically significant at the 1% level. This suggests within-state M&As are highly unlikely, possibly due to lack of diversification benefits.

Table 3
Deal Attributes

completed	Odds Ratio	P-Value	Odds Ratio	P-Value	Odds Ratio	P-Value	Odds Ratio	P-Value
percsought	0.9906	0.2180	-1.0900	0.2740	0.9942	0.3860	0.9961	0.5470
samestate	0.0593	0.0000	-8.6100	0.0000	0.0625	0.0000	0.0514	0.0000
perccash	0.9934	0.1950			0.9929	0.1650		
percstock			0.9958	0.7280			0.9946	0.6720
percother	1.0221	0.2370	1.0256	0.1390				
car1	1.7471	0.3080	1.8216	0.2670	1.7102	0.3370	1.7605	0.3010
car2	3.1166	0.5630	3.9068	0.4610	11.0907	0.0940	14.3994	0.0540
car3	4.0016	0.3770	4.1921	0.3320				
car4	2.1635	0.2700	2.0880	0.2990				
Pseudo R2	0.1800		0.1766		0.1764		0.1726	
Pseudolikelihood	-282.4868		-283.6537		-283.7383		-285.0283	
N	648		648		648		648	

Notes: We use the logistic regression model: $Complete = \alpha + \beta_1 DealAttributes + error$ to test hypothesis H2 *i.e.* location and cumulative abnormal return are significant determinants of a merger completion. We report the odds ratio along with the *p*-value of the regression tests. An odds ratio of 1 or higher indicates a positive relationship while a ratio of less than 1 demonstrates an inverse relationship.

Moreover, in many cases, antitrust laws promote competition while discouraging same-state mergers in order to protect consumers and/or businesses. We also observe that *car2*, the cumulative abnormal return in the (-1,0) window, is significant at the 10% level indicating a favorable market response on the day of announcement of the deal.

Table 4 presents the company-specific attributes of an M&A deal i.e. the results of our third hypothesis, H3: *Company-specific attributes, such as, stock price volatility is a determinant of a merger completion.* We find common ordinary equity (*commonordinary*) is positive and significant at the 1% level. This suggests that higher the percentage of the target company's common equity outstanding, the greater the probability of a deal completion. This indicates shareholder optimism and preference for such deals since successful completions often lead to an increase in shareholder wealth. The other variable that makes a significant contribution (at the 1% level) is *volatility* (risk) of the target company as measured by the Black Scholes model. We find that the success of a deal is negatively related with stock price volatility of the target firm. This evidence demonstrates that volatile firms make undesirable acquisition targets. There are two possible explanations for this observation. One,

it is difficult to correctly value high-risk companies; and second, investors generally view such volatile companies as unattractive investment conduits.

Table 4
Company-Specific Attributes

completed	Odds Ratio	P-Value	Odds Ratio	P-Value	Odds Ratio	P-Value	Odds Ratio	P-Value
assetstotal	1.0000	0.3440	1.0000	0.3360	1.0000	0.4600	1.0000	0.5200
bvshare	0.9980	0.7300	0.9980	0.7290	0.9983	0.7870	0.9988	0.8460
shequity			1.0001	0.0080	1.0001	0.0120	1.0000	0.7200
commonordinary	1.0001	0.0090						
cashandshortinv	0.9999	0.3320	0.9999	0.3080	0.9999	0.2850	1.0000	0.6910
longtermdebt	1.0000	0.8340	1.0000	0.8110	1.0000	0.7120	0.9999	0.6830
employees	0.9966	0.5970	0.9965	0.5870	0.9972	0.6710	0.9973	0.6880
goodwill	1.0001	0.3850	1.0001	0.3810	1.0002	0.1610		
intangibles							1.0001	0.1250
revenuetotal	1.0000	0.4960	1.0000	0.4980	1.0000	0.4390	1.0000	0.4270
spranka	1.0601	0.8810	1.0610	0.8790	1.0950	0.8180	1.0951	0.8180
sprankam	0.7042	0.3720	0.7043	0.3720	0.7044	0.3710	0.7026	0.3660
sprankbp	0.5580	0.0420	0.5563	0.0410	0.5724	0.0530	0.5678	0.0490
sprankb	0.4915	0.0130	0.4915	0.0130	0.5777	0.0540	0.5657	0.0450
sprankbm	0.8690	0.5710	0.8681	0.5680	0.9592	0.8670	0.9182	0.7340
sprankc	0.4195	0.0290	0.4190	0.0290	0.4371	0.0410	0.4413	0.0430
volatility					0.9781	0.0000	0.9788	0.0000
Pseudo R2	0.0257		0.0259		0.0454		0.0460	
Pseudolikelihood	-416.1606		-416.0598		-407.7708		-407.5030	
N	767		767		767		767	

Notes: We use the logistic regression model: $Complete = \alpha + Target\ Company\ Specific\ Attributes + error$ to test hypothesis H3 *i.e.* company-specific attributes as determinants of a merger completion. We report the odds ratio along with the *p*-value of the regression tests. An odds ratio of 1 or higher indicates a positive relationship while a ratio of less than 1 demonstrates an inverse relationship.

Finally, Table 5 reports the results of the combined analysis of the three attributes. We note that some factors that were insignificant when the attributes were analyzed separately become significant in a joint analysis. Note that *AGE* which was previously insignificant is now significant at the 10% level. *Gender* is consistently significant with a *p*-value of 0.017 indicating stronger inclination of male blockholders (we consider 1 for male and 0 for female blockholder) to complete a deal. A comparison between the *Gender's* odds ratio in Table 2 (1.86) and Table 5 (8.80) shows that male blockholders are more likely to complete a merger. However, we would like to point out that the limitation of the sample data could be a factor in the difference between the results in Table 2 and Table 5.[3] Moreover, *volatility* (risk) is consistently significant at the 1% level. This confirms that companies with higher volatility are less likely to complete a merger.

[3] The total number of observations for Gender is 774 of which only 24 pertain to female executives. Hence, this variable is significantly skewed towards male executives. We suggest that given a more balanced sample, "gender effect" could be a potential avenue for future research.

Table 5
Combined Analysis of Variables Pertaining to Executive, Deal, and Company-Specific Attributes

completed	Odds Ratio	P-Value	Odds Ratio	P-Value
ceoyes	1.605	0.111	1.569	0.129
current	1.000	0.628	1.000	0.591
shrown	1.001	0.968	1.000	0.973
opt_unex_ex	1.000	0.800	1.000	0.793
opt_unex_unex	1.000	0.902	1.000	0.921
stock_unves	1.000	0.811	1.000	0.846
tdc1	1.000	0.993	1.000	0.980
tdc2	1.000	0.132	1.000	0.138
sal_pct	1.002	0.421	1.002	0.417
tdc1_pct	0.999	0.118	0.999	0.114
tdc2_pct	1.001	0.133	1.001	0.129
age	1.023	0.091	1.023	0.097
gender	8.796	0.017	8.631	0.016
percsought	0.994	0.507	0.992	0.377
samestate	0.047	0.000	0.046	0.000
perccash	0.998	0.729	0.997	0.637
percother	1.017	0.449	1.019	0.395
car1	1.133	0.852		
car2	12.717	0.120		
car3			9.698	0.103
car4			1.838	0.467
assetstotal	1.000	0.667	1.000	0.687
bvshare	1.003	0.727	1.002	0.750
common	1.000	0.664	1.000	0.683
cash	1.000	0.281	1.000	0.337
longtermdebt	1.000	0.968	1.000	0.983
employees	1.004	0.547	1.004	0.548
goodwill	1.000	0.709	1.000	0.709
intangibles	1.000	0.417	1.000	0.404
revenuetotal	1.000	0.826	1.000	0.792
volatility	0.977	0.008	0.977	0.009
spranka	0.779	0.666	0.755	0.627
sprankam	0.625	0.447	0.551	0.349
sprankbp	0.871	0.713	0.832	0.623
sprankb	0.604	0.167	0.565	0.119
sprankbm	0.518	0.103	0.491	0.078
sprankc	0.198	0.006	0.192	0.005
Pseudo R2	0.240		0.241	
Pseudolikelihood	-214.377		-213.926	
N	539		539	

Notes: We use the logistic regression model: $Complete = \alpha + \beta_1 ExecutiveAttributes + \beta_2 DealAttributes + \beta_3 Target\ Company\ Specific\ Attributes + error$ to conduct a combined analysis of the three attributes pertaining to the executive, deal, and company specific characteristics. We report the odds ratio along with the p-value of the regression tests. An odds ratio of 1 or higher indicates a positive relationship while a ratio of less than 1 demonstrates an inverse relationship.

6. Conclusion

This research studies the role of blockholder ownership in an acquisition/merger deal. Specifically, we compare three categories of attributes: executive, deal, and company-specific. The motivation is to capture the most powerful attributes that contribute to the successful completion of a deal.

Our findings can be summarized as follows. For the executive attributes, we find that the blockholder's position as CEO of the target company favors a deal completion. We explain this finding based on an owner CEO's ability to reward themselves with private benefits. For the deal attributes, we note that if both the acquirer and target are from within state, the less likely it is for the deal to be successfully completed. We corroborate this finding with diversification issues and existence of antitrust laws. The results for the company-specific attributes indicate that common equity and company volatility play determinant roles in deal completion. This finding is explained using shareholder motivation and target company volatility in stock price movements.

Based on the overall results, we find that CEO blockholders are able to exercise significant influence over an acquisition or merger deal. We expect our findings will help acquirers in their decision-making process on M&A deals particularly when such deals involve CEO blockholders.

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Appendix 1: Variable Descriptions

completed	A dummy variable equals to 1 if the merger completed and zero otherwise.
EXECUTIVE ATTRIBUTES:	
ceoyes	A dummy variable equals 1 if the blockholder executive (owns 5% or more) is a CEO, otherwise equals zero.
salary	Executive's annual salary (in thousand $).
bonus	Executive's annual bonus (in thousand $).
shrown	Percentage of shares excluding stock options owned by the executive of the target company.
current	Total current compensation that includes salary and bonus (in thousand $).
opt_unex_ex	Estimated value of in-the-money unexercised exercisable options (in thousand $).
opt_unex_unex	Estimated value of in-the-money unexercised unexercisable options (in thousand $).
stock_unves	Restricted stock holdings (in thousand $).
tdc1	Total current compensation that includes Salary + Bonus + Other Annual + Restricted Stock Grants + All Other + Value of Option Grants (in thousand $).
tdc2	Total current compensation that includes Salary + Bonus + Other Annual + Restricted Stock Grants + All Other + Value of Option Grants (in thousand $).
sal_pct	Salary percent change Year-to-Year (%)
tdc1_pct	TDC1 percent change Year-to-Year (%)

Appendix 1: Variable Descriptions (continued)

tdc2_pct	TDC2 percent change Year-to-Year (%)
age	Age of executive as on the date of the M&A announcement.
gender	A dummy variable that equals 1 if the executive is a male and 0 if female.
DEAL ATTRIBUTES:	
percsought	Percentage sought by the acquirer.
samestate	The acquirer and target companies reside in the same state.
perccash	Percentage of cash payment to acquire the target company.
percother	Percentage of payment other than cash or stock that is paid to acquire the target company.
percstock	Percentage of stock payment to acquire the target company.
car1	Cumulative abnormal return for (-30, -2) window
car2	Cumulative abnormal return for (-1, 0) window
car3	Cumulative abnormal return for (-1, +1) window
car4	Cumulative abnormal return for (+2, +30) window
COMPANY SPECIFIC ATTRIBUTES:	
assetstotal	Target company's total assets (in millions of $)
bvshare	Target company's book value per share (in $)
common	Target company's common/ordinary equity (in millions of $)
cash	Target company's cash and short term investments (in millions of $)
longtermdebt	Target company's long term debt (in millions of $)
COMPANY SPECIFIC ATTRIBUTES:	
employees	Target company's number of employees (in thousands)
goodwill	Target company's goodwill (in millions of $)
intangibles	Target company's intangible assets (in millions of $).
liabilities	Target company's total liabilities (in millions of $).
volatility	Target company's volatility assumption (in %)
revenuetotal	Target company's total revenue (in millions of $)
spranka	The target company is ranked "A" by S&P
sprankam	The target company is ranked "A-" by S&P
sprankbp	The target company is ranked "B+" by S&P
sprankb	The target company is ranked "B" by S&P
sprankbm	The target company is ranked "B-" by S&P
sprankc	The target company is ranked "C" by S&P
sprankd	The target company is ranked "D" by S&P
noranksp	The target company is not ranked by S&P