41st Annual EIBA (European International Business Academy) Conference,

Rio de Janeiro, December 1-3 2015

Track 6: International finance, accounting and corporate governance, Competitive paper

# Value creation in M&As: does acquirer's reputation matter?

Ludivine Chalençon, Associate Professor
IAE Lyon, Magellan Research Center, Jean Moulin Lyon 3 University,
6 cours Albert Thomas, 69008 Lyon, France
Tel.: +33 4 78 78 76 58
E-mail: ludivine.chalencon@univ-lyon3.fr

Ana Colovic, Associate Professor
NEOMA Business School
Tel.: +33 2 32 82 57 91
1 rue du Maréchal Juin, 76130 Mont Saint Aignan, France
E-mail: ana.colovic@neoma-bs.fr

Olivier Lamotte, Associate Professor
Paris School of Business
59 rue Nationale, 75013 Paris, France
Tel. : +33 1 53 36 44 03
E-mail: olamotte@esg.fr

Ulrike Mayrhofer, Full Professor
IAE Lyon, Magellan Research Center, Jean Moulin Lyon 3 University,
6 cours Albert Thomas, 69008 Lyon, France
Tel.: +33 4 78 78 76 21
E-mail: ulrike.mayrhofer@univ-lyon3.fr

**Abstract**

This article investigates the effects of reputation on the value created by mergers and acquisitions (M&As). Building on the resource-based view, we study the impact of the acquirer's reputation on financial market reactions to M&A announcements. The empirical study is based on a sample of 187 M&As involving French multinationals of the CAC 40 index. The statistical analysis shows that reputation has a significant, positive influence on M&A value-creation. Our study contributes to the academic literature analyzing the role of intangible assets in firm performance. It also contributes to the M&A literature by highlighting the positive impact of reputation on the financial evaluation of M&A operations.

Keywords: Reputation, Resource-Based View, Mergers and Acquisitions, Multinational Firms, Value-Creation

## Introduction

In recent years, multinational companies (MNCs) have been increasingly involved in mergers and acquisitions (M&As), aimed at accelerating their growth (Cooper and Finkelstein 2010; Mayrhofer 2013). These M&As attract significant interest from different stakeholder groups, because they provide important signals about the firms' resources, skills, strategic intentions and development patterns. Financial markets attempt to estimate the potential for M&As to create value, using a variety of factors related to the characteristics of acquiring companies, target companies and operations.

Among the factors that make firms more likely to create value, prior research has frequently pointed to intangible assets, such as knowledge, skills, trustworthiness or reputation (Barney 1991; Fombrun and Shanley 1990; Hall 1992). Among these assets, reputation seems to be particularly salient in value-creation (Barney 1988) by M&As. However, although both academic research (Hitt et al. 2001; Saxton and Dollinger 2004) and professional outlets (Kempner 2005) have recognized the influence of reputation in M&As, empirical evidence on the relationship between reputation and M&As remains scarce. This is rather surprising, because several studies have argued that reputation strongly affects inter-firm relationships (Dollinger, Golden, and Saxton 1997; Gu and Lu 2014; Hitt et al. 2001; Stern, Dukerich, and Zajac 2014) and in particular, their performance outcomes (Saxton and Dollinger 2004).

Reputation can be defined as perceptions of a firm's ability to create value relative to competitors (Fombrun, 1996; Fombrun and Shanley 1990; Hall 1992; Rindova et al. 2005) or as a firm's ability to deliver value in key dimensions of performance (Rindova and Fombrun 1999; Rindova, Pollock, and Hayward 2006). As such, reputation is a valuable intangible asset that contributes to a firm's competitive advantage (Barney 1991) and organizational performance (Rindova et al. 2005) in two main ways. First, it indicates the extent to which

different stakeholders perceive a firm as being capable of providing greater value than its competitors (Petkova et al. 2014; Rindova et al. 2005) and second, it helps to create long-term relationships with stakeholder groups (Boyd, Bergh, and Ketchen 2010).

In this study, we investigate the impact of reputation on M&A value-creation. In line with the resource-based view (RBV), we consider reputation as an important intangible corporate asset that contributes to competitive advantage and performance (Amit and Schoemaker 1993; Barney 1991). Consequently, we hypothesize that reputation significantly impacts M&A value-creation, which we measure by financial market responses to the M&A announcement. In particular, we assume that a good reputation of the acquirer is positively related to the way information about an M&A is transferred and perceived by different stakeholder groups, and that these positive perceptions in turn lead to more positive evaluation of the M&A decision by financial markets. Conversely, if the acquirer's reputation is poor, we argue that this results in negative perceptions of the M&A and a negative reaction to the M&A announcement by financial markets. The use of financial data as a measure for value-creation allows us to capture perceptions of the M&A, which are dependent, we assume, on the reputation of the acquiring firm. The empirical study is based on a unique dataset of 187 M&As announced between 2010 and 2012 by French multinationals of the CAC 40 index, which we compiled personally. French companies appear to be particularly active in the field of M&As: they make up 4% of the volume and value of M&As worldwide, which positions France as the world's third most active country in terms of M&As, after the United States and the United Kingdom (UNCTAD 2014). Our sample allows us to examine the impact of the reputation of French multinationals on M&A value-creation depending on geographic location (mature vs. emerging markets). We thus contribute to understanding of the role of intangible assets in the value-creation of M&As, as advocated by the resource-based view.

The paper is organized as follows. In the first section, we build on the resource-based view to examine the literature on reputation, and we link this literature to the M&A literature in order to formulate our hypotheses on the relationship between reputation and M&A value-creation. The second section presents the method and data used in our study. In the third section, we present and discuss our findings. In the concluding section, we outline major contributions and implications of our research, its limits and future research directions.

## Reputation and M&A value-creation: theoretical framework and hypotheses

The influence of intangible assets on organizational outcomes is an under-researched and a poorly understood phenomenon (Pfarrer, Pollock, and Rindova 2010). Yet, many authors argue that intangible assets are key to corporate performance and success (Barney 1991; Dollinger et al., 1997; Hall 1992). Reputation is such an asset (Barney 1991; Hall 1993; Hitt et al. 2001) and its role is therefore of utmost importance in the case of M&A deals.

### Reputation: a multidimensional construct

The resource-based view (RBV) argues that resources that are valuable, rare, difficult to imitate or substitute, provide firms with sustainable competitive advantage (Amit and Schoemaker 1993; Barney 1991). RBV emphasizes intangible assets as central determinants of a firm's competitive advantage (Hall 1992), the argument being that these assets are developed through socially complex processes and as such are difficult for competitors to replicate (Barney 1991). One such asset is reputation, which is considered as the most difficult to create, imitate, or substitute (Barney 1991; Dierickx and Cool 1989). Indeed, according to the RBV (Barney 1991; Penrose 1959; Wernerfelt 1984), as one of the firm's

key assets, reputation is a source of rent and profit (Barney 1991) and an indicator of overall effectiveness (Dollinger et al. 1997).

Reputation is a stable, durable intangible element of a firm's business strategy (Walker 2010). Reputation can have several dimensions. For example, firms can have a reputation for being innovative, for being socially responsible or for being aggressive competitors (Yu, Lester, and Sengul 2002). With its reputation, a firm can signal its competitive intentions (Dollinger et al. 1997).

As a concept, reputation has attracted considerable attention from scholars and practitioners. Although many definitions of reputation have been put forward (e.g. Almeida Costa and Vasconcelos 2010; Deephouse and Carter 2005; Fombrun 1996; King and Whetten 2008; Rindova et al. 2005), two schools of thought have contributed significantly to the definition of this construct (Rindova et al. 2005). On one hand, scholars that study reputation from an economics perspective define it as observers' expectations or estimations of a particular attribute of an organization, in particular its ability to produce quality products (Milgrom and Roberts 1986; Shapiro 1983). On the other hand, scholars who draw on institutional theory, conceptualize reputation as a global impression, a collective perception of a firm (Fombrun 1996; Hall 1992; Rao 1994). Therefore, while the first perspective considers reputation as an independent attribute of a firm, the second perspective considers it to be a result of social influence and information exchange between various actors (Rindova et al. 2005). Both perspectives acknowledge that reputation reduces stakeholder uncertainty with regard to a firm (Benjamin and Podolny 1999; Rao 1998). According to the economics perspective, uncertainty is reduced by the high quality of the firm's products and other outputs (Shapiro 1982, 1983). From the institutional perspective, uncertainty is reduced through the information exchange between different actors related to the firm (Rao, Greve, and Davis 2001), which include different stakeholder groups as well as financial intermediaries and the

media. The media's impact on stakeholder perceptions stems from their ability to focus public attention on specific issues and entities (Pollock and Rindova 2003).

People construct reputation from information originating from the firms themselves, from the media, or from other sources (Fombrun and Shanley 1990). Fombrun and Shanley (1990) argue that reputation is built from the signals sent to recipients, and they divide these signals into the following categories: market signals (market performance and market risk, dividend policy); accounting signals (accounting profitability and risk); institutional signals (institutional ownership, social responsibility, media visibility, firm size) and strategy signals (differentiation, diversification posture). The authors emphasize the social community in which firms are embedded, and the role played by firms, constituents and the media in influencing the informational context in which reputation is built. Firms do not rely only on objective signals, such as profits and market share, but they also "actively intrude into their environments" (Fombrun and Shanley 1990, p. 254), through annual reports, corporate websites and social networks or online communities.

Because reputation reflects collective perceptions of a firm's ability to deliver quality and value (Fombrun 1996; Rindova and Fombrun 1999), it serves as an "interpretative frame through which stakeholders can assess the likelihood that the firm will continue to exhibit value attributes or behaviors in the future" (Pfarrer et al. 2010, p. 1134). It follows that good reputation provides a positive frame for assessment of a firm's ability to deliver value (Pfarrer et al. 2010).

Reputation formation can therefore be seen as a signaling process, in which the firms send signals to stakeholders through their strategic choices and in which stakeholders use these signals to develop perceptions about the firms (Basdeo et al. 2006). Even if the stakeholders do not always observe these signals directly, they receive information about them through

different channels such as interpersonal networks, the media (Pollock and Rindova 2003) or online communities and social networks (Castellano and Dutot 2013; O'Leary 2011).

## M&As and value-creation

Despite their proliferation at a global scale, M&As lead to contrasting results: their risk of failure is estimated at more than 50% (Calipha, Tarba, and Brock 2010; Schoenberg 2006; Vazirani 2012). M&A value-creation is often measured by the reaction of financial markets to the announcement of an operation. This indicator reflects how financial analysts perceive the performance of an M&A and the value they believe it will create for the shareholders of the acquiring company (Bargeron et al. 2014; Dittmar and Thakor 2007). The most widely used indicator for evaluating the reaction of financial markets to M&A operations is cumulated abnormal returns (CAR), which measures the difference between expected returns and real returns over a set period of time (Sudarsanam 2010). Research has identified several factors that determine the value created by M&As. These concern the characteristics of (1) acquiring companies, (2) target companies and (3) operations.

Concerning the characteristics of acquiring companies, several authors show that the financial markets are more efficient for large companies. Financial analysts tend to pay more attention to them (Brennan, Jegadeesh, and Swaminathan 1993), which makes it easier for investors to anticipate M&A operations (Cai and Vijh 2007). One can thus anticipate that the size of the acquiring company, usually measured by its market capitalization, is negatively related to M&A value-creation. Likewise, companies with high cash flow are more likely to operate M&As, often for opportunistic reasons (Bauguess and Stegemoller 2008). Their operations thus tend to generate negative reactions by financial markets (Deng, Kang, and Low 2013). Moreover, if the acquiring company has accumulated significant experience in the field of

M&As, managers are more likely to launch M&A operations to satisfy their own interests (Billett and Qian 2008), thus reducing the value created by these operations (Aktas, de Bodt, and Roll 2013).

Concerning the characteristics of target companies, the literature mainly emphasizes the importance of their status and indicates that the value-creation is lower for listed companies than for private companies. In fact, acquiring companies can often benefit from a more attractive price when the firm they are taking over is not listed (Moeller, Schlingemann, and Stulz 2004), since the number of interested investors is usually limited (Chang 1998).

As for the characteristics of operations, research highlights the fact that M&As in pursuit of diversification tend to achieve lower performance than those in pursuit of specialization (Moeller and Schlingemann 2005). They also indicate that M&As paid for in cash tend to create more value than those paid for by equity, since this payment method is more easily accepted by target companies (Gaughan 2013).

Empirical studies on M&A value-creation often introduce other control variables, such as the form of the deal (merger vs. acquisition) and the percentage of capital acquired. Concerning the form of the deal, authors often mention the negative influence of mergers on the value-creation of the acquiring firm (Jensen and Ruback 1983). For example, Ahern, Daminelli, and Fracassi (2012) show that acquisitions create value, whereas the impact of mergers tends to be negative. However, Martynova and Renneboog (2011) find a negative relationship between acquisitions and value-creation. The impact of this control variable is often assessed with other indicators, such as the size and status of the target or the type of payment. The percentage of capital acquired determines the degree of power and the commitment of the acquirer. Martynova and Renneboog (2011) observe a significant, positive relationship between this factor and abnormal returns. Conversely, Akhigbe, Martin, and Whyte (2007)

conclude that the share of acquisition has no significant impact on the value-creation at the announcement date.

## Reputation, M&As and value-creation

Acquisitions are complex, heterogeneous transactions (Bower 2001; Lubatkin 1987). While previous research has studied the relationship between reputation and strategic alliances (Gu and Lu 2014; Saxton 1997; Stern et al. 2014), studies examining such relationships in the context of M&As are still scarce. To our knowledge, Saxton and Dollinger's (2004) is the only study empirically linking reputation and M&As. This study differs from ours, because it studies the reputation of the target company, while we focus on the reputation of the acquiring company. Saxton and Dollinger's (2004) findings show that target firm reputation is positively related to the benefits of acquisitions, and that paying a premium for reputation may be worthwhile, because of the benefits that the acquiring company can reap through resource-picking in this way.

According to Kempner (2005, p. 47), M&A information is conveyed by the employees, the media, the competitors and the general public, which function as "gossip tributaries either running in multiple directions or converging into a river of speculation whose possible overflow can wreak havoc on both a corporate reputation and merger outcome." In this process, reputation is a vital asset for ensuring the value-creation of the M&A agreement (Kempner 2005). Indeed, reputation generates value for firms by reassuring stakeholders that the company will honor the implicit claims it makes (Devine and Halpern 2001); in the case of M&As, these claims refer to the legitimacy and relevance of the M&A deal and prospects for future gains for the stakeholders. Consequently, it is expected that the acquirer's reputation affects M&A value-creation as this intangible asset reassures stakeholders that the

strategic move made through an M&A is in line with the company's ability to respond to expectations and to maintain its credibility in the competitive landscape (Hitt et al., 2001).

Despite the lack of evidence on the role of reputation in M&As, reputation has attracted significant interest in other forms of inter-firm relationships, such as joint ventures (Dollinger et al. 1997), strategic alliances (Gu and Lu 2014; Saxton 1997; Stern et al. 2014), joint projects (Almeida Costa and Vasconcelos 2010) and inter-firm cooperation in general (Beuve and Saussier 2011). Even though these studies do not report on M&As, they are extremely valuable as they provide important insights for the examination of the role of reputation in inter-firm relationships, and consequently M&As.

Studying inter-firm cooperation between French firms, Beuve and Saussier (2011) argue that the partner's reputation enhances cooperation. Indeed, their findings suggest that reputation can act as insurance for trustworthiness and encourage the emergence of cooperative behaviors.

According to Parkhe (1993), reputation can be used as a proxy for knowledge of opportunistic intentions. Reputation is often considered as a condition that favors alliance cooperation (Houston 2003), because it can replace control mechanisms intended to monitor the actions of business partners closely (Kogut 1989). Consequently, reputation can be an important intangible asset (Hall 1992) and a source of competitive advantage (Barney 1991), enabling firms to attract partners (Dollinger et al. 1997) and build up successful relationships (Saxton 1997). Therefore, firms have an incentive to foster positive reputation (Beuve and Saussier 2011). This finding is in line with Stuart (1998), who suggests that prestigious firms are desirable alliance partners because associating with them enhances the reputation of a less prestigious firm. Saxton (1997) confirms the expected positive relationship between reputation and alliance outcomes. Dollinger et al. (1997) suggest that the better a firm's

reputation, the more likely it will be targeted as a partner for a joint venture or for similar inter-firm relationships.

Jensen and Roy (2008) argue that reputation helps simplify partner choice in the formation of partnerships. They define reputation as prestige accorded to companies because of their prior performance (Gould 2002; Wilson 1985). As such, reputation is based on assessments of specific attributes, such as the ability to produce quality products (Rindova et al. 2005), and it thus leads to perceptions of the quality of individual firm attributes (Dollinger et al. 1997) such as industry expertise and business integrity.

Theorizing that reputation influences a firm's decision-making under conditions of ambiguity, Petkova et al. (2014) suggest that reputation increases a firm's aspirations for future performance, encouraging it to act on ambiguous business opportunities. At the same time, reputation increases mindfulness of the risks of acting on such opportunities, which leads the firm to use extensive risk reduction strategies (Petkova et al. 2014).

Therefore, according to the RBV and the empirical literature, reputation, as an important intangible asset, strongly impacts a firm's results and effectiveness. Consequently, we hypothesize that the reputation of the acquiring company is positively related to M&A value-creation:

Hypothesis 1: The better the reputation of an acquiring firm, the more value is created by the M&A.

Today, a significant proportion of M&As take place in emerging markets (UNCTAD 2014), since companies attempt to seize high growth opportunities (Danbolt and Maciver 2012). However, it is not certain whether good reputation increases M&A value-creation in both

mature and emerging economies. Therefore, it is important to distinguish between the impact of reputation on M&A value-creation in mature and emerging markets.

The literature suggests that reputation is the sum of perceptions about a firm's ability to create value (Fombrun and Shanley 1990; Rindova et al. 2005). Through market actions, such as M&As, firms send signals about their resources, capabilities and aspirations. In mature markets, when the acquiring company in an M&A operation has a positive reputation, this sends signals about the strengthening of its operations in traditional markets. If the M&A operation is conducted in emerging economies, the acquirer sends signals about its global aspirations and competitive strength, which should lead to value-creation for companies with a good reputation. However, it seems important to note that M&As in emerging economies increase information asymmetry and agency costs, resulting in significant difficulties for the financial market to evaluate the value-creation of the announced deals (John, Knyazeva, and Knyazeva 2011). Some authors consider that investors prefer M&As in mature markets (Kang and Kim 2008). This can be explained by the fact that these operations provide access to growth opportunities but also involve higher risks (Goerzen, Sapp, and Delios 2010). In such cases, the acquirer's good reputation could play an important role by offsetting the perceived risks of the M&A deals. RBV (Barney, 1991) argues that reputation, as an important intangible asset, is a source of competitive advantage as it relies on past performance and the strategic ability to make the right moves, both at home and in foreign markets. Based on these arguments, we formulate the following hypotheses:

Hypothesis 2a: The better the reputation of the acquiring firm, the more value is created by an M&A in mature markets.

Hypothesis 2b: The better the reputation of the acquiring firm, the more value is created by an M&A in emerging markets.

**Data and method**

The data used for our empirical study is made up of a sample of 187 M&As announced between 2010 and 2012 and carried out by French multinationals of the CAC 40 index. The CAC 40 index (*Cotation Assistée en Continu* - Continuous Assisted Quotation) is a French stock market index giving a capitalization-weighted measure of the 40 largest companies among the 100 highest market capitalizations on Euronext Paris (formerly the Paris Bourse). It is one of the main national indices in the pan-European stock exchange group Euronext. We obtained the list of M&As and their characteristics from the SDC database and financial data about the acquiring firms from the DataStream database, published by Thomson Reuters. After removing operations in the banking and insurance industries from the sample, we searched the Factiva database to validate and complete our collection of data on M&A operations. The Factiva database provides access to various secondary sources (Les Echos, Reuters, Dow Jones Newswires, Boursier.com, Business Wire, and Agence France Press). To the data collected, we added information published in other databases and by public institutions (Chalençon 2014).

Factiva shows that companies included in the CAC 40 index carried out 187 M&As between 2010 and 2012, which indicates that French multinationals are particularly active in launching M&As. Major acquirers operate in industries that are important to the French economy, such as chemicals (e.g. Air Liquide), building materials (e.g. Saint Gobain), rail transport (e.g. Alstom), electrical equipment (e.g. Legrand, Schneider Electric), medical equipment (e.g. Essilor International), pharmaceuticals (e.g. Sanofi), food (e.g. Danone), luxury (e.g. LVMH Moët Hennessy), communication services (e.g. Publicis Group), construction (e.g. Vinci), retail (e.g. Carrefour), electricity, gas and oil production (e.g. EDF, GDF Suez, Total), engineering (e.g. Technip), information technologies (e.g. Cap Gemini), real estate (e.g.

Unibail-Rodamco) and telecommunications (e.g. Orange). It is also interesting to note that M&A activities by French multinationals mainly concern foreign targets: 78.6% of the operations are cross-border. In our sample, 45.4% of the announced operations concern other mature markets, namely Western Europe and the United States, and 33.2% took place in emerging markets, mainly BRIC (Brazil, Russia, India, and China). The three most valuable deals were the acquisition of the American company Genzyme by Sanofi (€18.51bn), the acquisition of the French company SFR by Vivendi (€7.95bn) and the acquisition of the Russian company Novatek by Total (€2.89bn).

We conducted an event study to examine the reaction of financial markets to M&A announcements. The dependent variable is cumulated abnormal returns (CAR), which measures the difference between expected returns and real returns over a set period. A short window makes it possible for investors to save time when gathering additional information and neutralizes other information leaks related to the same firms (Aktas, de Bodt, and Roll 2009; Chari, Ouimet, and Tesar 2010). Since these multinational firms are closely scrutinized in the media, it is more difficult to isolate the influence of one single event. Today, multinational companies are aware of the importance of reputation management and may choose to communicate several data simultaneously. In our study, the period covers the day before and three days after the announcement of the M&A, since financial markets react particularly strongly during this period.

The independent variable is the acquiring firm's reputation. We used the reputation index developed by Burson-Marsteller, which is an American public relations and communication agency, and the Reputation Institute, the world's leading reputation management consultancy. The two companies provide an annual reputation score for French companies included in the CAC 40 index. This score, the so-called RepTrack™ Pulse, is determined by an online survey of more than 2000 individuals, representative of the French population, aged between 18 and

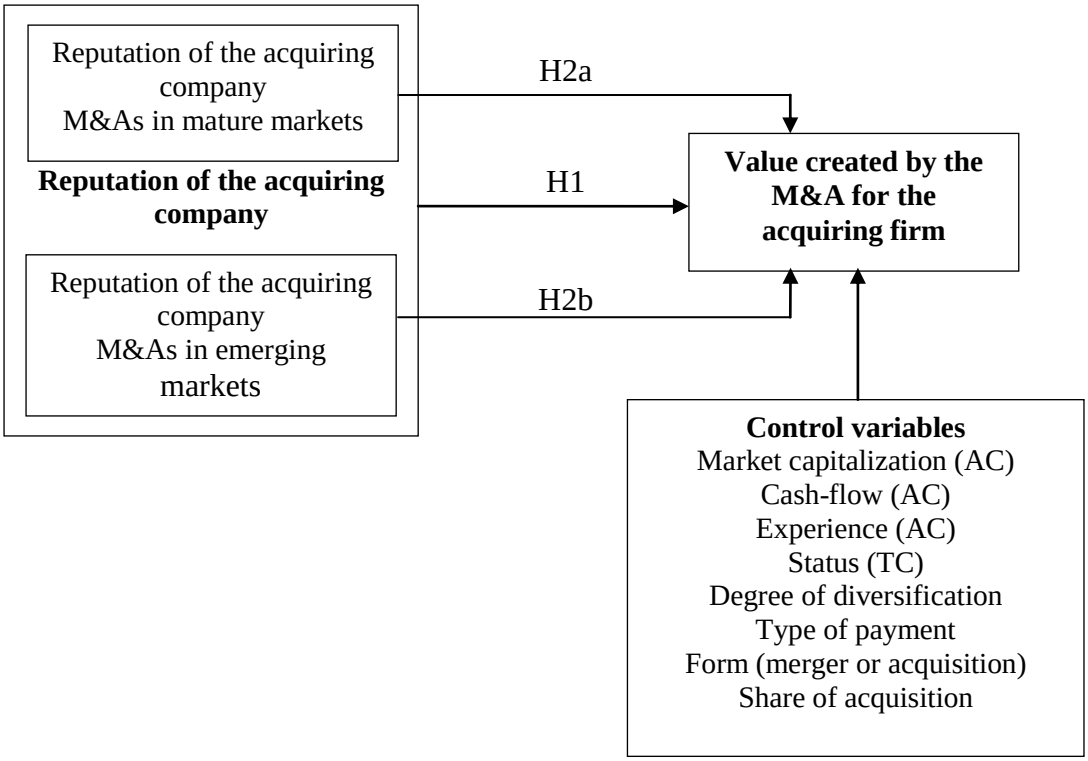
64 and familiar with the company. The results of the questionnaire are used to determine the reputation score through four emotional perceptions that structure the relationship of the company with the public: trust, respect, admiration and proximity. Each participant is asked about his/her perceptions of the company through seven relational dimensions: products and services, innovation, labor, governance, citizenship, leadership and performance. Ponzi, Fombrun and Gardberg (2011) provide more details of the development and validation of the RepTrack™ Pulse measure. The index is widely used in academic research to measure reputation.

We also introduced several variables to control for (1) the characteristics of acquiring companies (market capitalization, cash flow, experience), (2) the characteristics of target companies (status: listed or not) and (3) characteristics of operations (form of the deal, diversification, type of payment, share of acquisition). Variable measurements and sources are provided in Table 1. The research model is presented in Figure 1.

Table 1. Variable measurements and sources

| **Variable** | **Measurement** | **Data source** |
|---|---|---|
| CAR | Cumulative Abnormal Returns, evaluated by a market model | Event study |
| Reputation | RepTrack™ index, developed by Burson-Marsteller and the Reputation Institute, based on an online survey of more than 2000 individuals | Burson-Marsteller and Reputation Institute |
| Market capitalization | Log of the acquirer's market value 11 days prior to the announcement date | DataStream database |
| Cash flow | Excess cash generated by the acquirer's operating activity divided by its total assets | DataStream database |
| Experience | Number of M&As conducted by the acquirer over the 10 years before the deal analyzed | SDC database |
| Degree of diversification | Dummy variable, equal to 1 if the acquirer's standard industrial classification (SIC) code (2 digits) is different from that of the target firm, 0 otherwise | SDC database |
| Status | Dummy variable, equal to 1 if the target is public, 0 otherwise | SDC database |
| Type of payment | Dummy variable, equal to 1 if the acquisition is paid for exclusively in cash, 0 otherwise | SDC database |
| Form | Dummy variable, equal to 1 if the deal is an acquisition, 0 otherwise | SDC database |
| Share of acquisition | Percentage share of capital purchased | SDC database and press review |

Figure 1. Research model




Note: AC refers to the acquiring company, TC refers to the target company

## Results and discussion

### Results

Table 2 reports the descriptive statistics. The cumulated abnormal returns of the acquirer for the event window range from -0.087% to 0.183% with a mean of 0.006% for the whole sample, the value being statistically different from zero (t=2.49). This suggests that M&As create little value for acquiring firm shareholders during this period of time, which is consistent with previous studies of M&As (Andrade, Mitchell, and Stafford 2001). The Reputation index value, ranges from 48.28 for Total (oil and gas company) in 2012 to 79.34 for Michelin (tire manufacturer) in 2011. Table 3 reports the correlations for the independent

and dependent variables. An examination of the correlations among the variables shows that the explanatory variables are not highly correlated. Moreover, we computed variance inflation factors (VIF) to test for multicollinearity. The VIF values are between 1.08 and 4.15 for all models, which is well below the threshold at which multicollinearity is considered as a concern (O'Brien 2007).

Table 2. Descriptive statistics

| | N | Min | Max | Mean | Std. Dev. | Variance |
|---|---|---|---|---|---|---|
| CAR | 187 | -0.087 | 0.183 | 0.006 | 0.033 | 0.001 |
| Reputation | 187 | 48.280 | 79.340 | 64.410 | 6.053 | 36.640 |
| Market capitalization | 187 | 8.480 | 11.537 | 9.871 | 0.861 | 0.741 |
| Cash flow | 187 | -0.0002 | 0.263 | 0.078 | 0.035 | 0.001 |
| Experience | 187 | 0 | 68 | 30.209 | 21.046 | 442.929 |
| Degree of diversification | 187 | 0 | 1 | 0.930 | 0.255 | 0.065 |
| Status | 187 | 0 | 1 | 0.123 | 0.329 | 0.108 |
| Type of payment | 187 | 0 | 1 | 0.155 | 0.363 | 0.132 |
| Form | 187 | 0 | 1 | 0.786 | 0.411 | 0.169 |
| Share of acquisition | 187 | 0.262 | 100 | 78.309 | 31.291 | 979.112 |

Table 3. Correlation matrix

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| (1) CAR | 1 | | | | |
| (2) Reputation | 0.127 * | 1.000 | | | |
| (3) Market capitalization | -0.128 * | 0.096 | 1.000 | | |
| (4) Cash flow | -0.007 | -0.148 ** | 0.462 *** | 1.000 | |
| (5) Experience | -0.063 | -0.025 | -0.272 *** | 0.052 | 1.000 |
| (6) Status | 0.112 | 0.120 * | 0.150 ** | 0.033 | -0.130 * |
| (7) Form | -0.045 | -0.020 | 0.124 * | 0.001 | -0.143 ** |
| (8) Degree of diversification | -0.192 *** | 0.010 | 0.047 | -0.007 | 0.013 |
| (9) Type of payment | 0.089 | -0.083 | -0.084 | 0.034 | -0.144 ** |
| (10) % acquisition | -0.025 | 0.232 *** | -0.239 *** | -0.173 ** | 0.142 ** |
| | (6) | (7) | (8) | (9) | (10) |
| (6) Status | 1.000 | | | | |
| (7) Form | -0.162 ** | 1.000 | | | |
| (8) Degree of diversification | -0.218 *** | -0.040 | 1.000 | | |
| (9) Type of payment | 0.379 *** | -0.029 | -0.115 | 1.000 | |
| (10) Share of acquisition | -0.244 *** | -0.273 *** | 0.125 * | -0.044 | 1.000 |

Table 4 reports the results of the OLS regressions for all models. We first present the estimation with the control variables (column 1). We then analyze the impact of reputation on

M&A value-creation for the whole sample (column 2) and compare the reaction of financial markets according to the geographic location of targets, differentiating operations in mature and emerging markets (columns 3 and 4). The models account for between 7.44% and 15.79% of the variance of acquirers' cumulated abnormal returns, which is in line with similar studies.

Table 4: The impact of reputation on M&A value-creation

| CAR [-1;+3] days | Full sample Controls only | | Full sample | | M&As Mature markets | | M&As Emerging markets | |
|---|---|---|---|---|---|---|---|---|
| Variables | (1) | | (2) | | (3) | | (4) | |
| Constant | 0,103 | *** | 0,058 | | 0,101 | * | -0,037 | |
| Reputation | | | 0,001 | ** | 0,001 | ** | 0,001 | * |
| *Control variables* | | | | | | | | |
| Market capitalization | -0,008 | ** | -0,009 | *** | -0,014 | *** | 0,002 | |
| Cash-flow | 0,081 | | 0,113 | | 0,129 | | -0,004 | |
| Experience | 0,000 | | 0,000 | | 0,000 | | 0,000 | |
| Status | 0,008 | | 0,004 | | 0,002 | | -0,003 | |
| Form | -0,003 | | -0,004 | | -0,005 | | -0,007 | |
| Degree of diversification | -0,021 | ** | -0,021 | ** | -0,032 | ** | -0,013 | |
| Type of payment | 0,000 | | 0,002 | | 0,005 | | -0,007 | |
| Share of acquisition | 0,000 | | 0,000 | | 0,000 | | 0,000 | |
| N | 187 | | 187 | | 125 | | 62 | |
| $R^2$ (%) | 7,44 | | 10,14 | | 15,79 | | 11,17 | |
| $R^2$ adjusted (%) | 3,28 | | 5,57 | | 9,20 | | -4,20 | |
| F Fischer | 1,79 | * | 2,22 | ** | 2,4 | ** | 0,73 | |

CAR = cumulated abnormal returns; * => p<0.10; ** => p<0.05; *** => p<0.01

The findings show that the reputation of the acquiring firm has a positive and strongly significant influence on the value-creation of mergers and acquisitions (column 2), thus validating hypothesis 1. This suggests that financial markets take into account corporate reputation when estimating value-creation following M&A announcements. More precisely, the returns following the announcement of an M&A are positively affected by the acquirer's reputation. It is interesting to note that, over the whole sample, two control variables have a significant, but negative impact on M&A value-creation: market capitalization and degree of diversification. These results are in line with previous studies. Investors tend to foresee the operations of large firms, those with high market capitalization (Cai and Vijh 2007), and so

these create less value than operations by smaller firms. As far as the degree of diversification is concerned, Moeller and Schlingemann (2005) show that M&As create less value when they follow a diversification strategy than when they follow a specialization strategy.

Our analysis of the impact of the acquiring firm's reputation on the value created by M&As in mature markets reveals several interesting results (column 3). Reputation seems to influence operations in mature economies, thus validating hypotheses 2a. M&As create more value when the acquirer has a good reputation. One can also note that financial analysts and/or investors consider different factors when evaluating the potential value-creation of M&As. For M&As in mature economies, the market capitalization of the acquiring company and the degree of diversification of the operation influence M&A value-creation negatively. In other words, returns are lower when the acquirer is a larger firm and when the acquirer's sector is different from that of the target firm. The estimated model for operations in emerging markets is not statistically significant (column 3).

## Discussion

The effects of reputation on M&A value-creation and differences in these effects according to the location of the target firm (mature *versus* emerging markets) are important, yet so far they have rarely been studied. Our research contributes to fill this research gap by examining how the acquirer's reputation affects the value created by the M&A. Moreover, our study responds to the call for better understanding of the way intangible assets, including reputation, affect firm outcomes (Pfarrer et al. 2010). Indeed, according to the RBV, reputation is a valuable asset, rare and difficult to imitate or substitute (Barney 1991), and as such it provides a firm with sustainable competitive advantage. Our study supports this claim empirically, namely in the case of M&As.

We find support for two of our hypotheses. Hypothesis 1 states that the acquirer's reputation influences M&A value-creation positively. Our results suggest that there is indeed a significant positive relationship between reputation and value-creation. This result is important, because it supports empirically the arguments put forward in previous research concerning the role of reputation in M&As (Hitt et al. 2001). This finding is new to the academic literature, because it focuses specifically on the acquirer's reputation and its impact on M&A outcomes. Indeed, although several studies have analyzed the relationship between reputation, financial performance and social standing (Brown and Perry 1994; Fombrun and Shanley 1990; Roberts and Dowling 2002), these studies do not scrutinize M&As, in particular from the point of view of the acquiring firm. Our findings are in line with most studies examining the effects of reputation on inter-firm relationships in general (Beuve and Saussier 2012; Dollinger et al. 1997; Gu and Lu 2014; Hitt et al. 2001; Stern et al. 2014). They confirm the insight that reputation is the collective perception (Rindova et al. 2005).

Hypothesis 2a posits that the acquirer's reputation influences the value-creation of M&As conducted in mature markets positively. We find strong support for this hypothesis. This finding suggests that the attention of the public and the media may be particularly strong in cases of M&As in mature economies, because abundant information is available about the target firm. This also suggests that firms with a good reputation are extremely careful about operations in mature markets, because these deals send important signals to various stakeholder groups, upon which these groups are likely to develop their perceptions of the firm further. Consequently, firms that have a solid, positive reputation enter M&A operations in mature economies with great care, as they do not wish to risk losing their reputation through unsuccessful deals. These insights are in line with the work of Petkova et al. (2014) who argue that, to preserve its reputation, a firm must deliver consistent performance over time, using risk reduction strategies.

The results of our empirical study have important implications for both research on M&As and companies who intend to invest in mature or emerging economies. First, our statistical analysis shows that reputation has a significant influence on the value-creation of M&As and thus emphasizes the central role of intangible assets for the value-creation process. Second, we focus on M&As developed by French multinationals whose operations in both mature and emerging markets have considerably increased during the recent period. Despite their importance in terms of volume and value, M&A operations formed by French companies have often been neglected in IB research. Third, we consider M&As on a large scale, without focusing on a particular target country or region like other studies on M&A deals concluded by French multinationals (e.g. Meschi & Métais, 2006).

**Conclusion**

While a growing number of scholars have examined the effects of reputation on inter-firm relationships (Beuve and Saussier 2012; Dollinger et al. 1997; Gu and Lu 2014; Stern et al. 2014), such effects are under-researched in the case of M&As. Our research contributes to enhance understanding of the influence of reputation on these complex operations. Based on an analysis of 187 M&As announced by French multinationals of the CAC 40 index, we measure the impact of reputation on M&As established by French companies between 2010 and 2012. Our findings indicate that reputation has a strong influence on M&A value-creation.

Our research findings also contribute to the growing literature examining M&A value-creation (Bargeron et al. 2014; Capron and Pistre 2002; Moeller and Schlingemann 2005), by highlighting the impact of intangible assets, particularly reputation, on this process. A specific

contribution of our study is the fact that we actually use a measure for reputation, while previous research rarely measures reputation directly (Rindova et al. 2005). Indeed, Rindova et al. (2005) argue that, in the bulk of research on reputation, researchers infer the unobservable effects of reputation by examining relationships between observable attributes and performance (Rindova et al. 2005), with an underlying hypothesis that reputation is embedded in these relationships. Our study contributes to the literature because it includes reputation as a variable for all the acquirers in the M&A operations under investigation. Moreover, reputation has been estimated by a survey that takes account of the various dimensions of corporate reputation. By studying the relationship between acquirer's reputation and M&A value-creation, we are able to assess the contribution that reputation makes to the payoffs an organization reaps following an M&A operation.

Our findings have significant managerial implications. They emphasize the necessity to consider reputation when analyzing investment strategies. Since the impact of reputation seems to differ according to the location of the target, it follows that it is important to consider the location of the target company when considering future M&As. Today, companies enjoy multiple opportunities in both mature and emerging economies, but they need to take good advantage of them, paying careful consideration to the uncertain results of external growth strategies. Recent years have been marked by increasing investments in emerging economies, and it seems essential to anticipate the high degree of risk associated with these markets, as perceived by financial markets.

Our study also has several limitations, originating mainly in the characteristics of our data. The time span of our sample is limited to three years (2010-2012) and 187 M&A operations. It would be interesting to replicate our study with a larger sample, covering a longer period to eliminate possible effects of the 2009-2010 financial and economic crisis. Moreover, our sample is limited to M&As carried out by French multinational firms of the CAC 40 index.

An international sample might yield slightly different results and reduce the potential country bias of our study. Finally, our sample did not allow us to include other factors that are also likely to influence M&A value-creation, such as the size of target companies (King et al. 2004).

These limitations open new avenues for future research. A fine-grained analysis of M&A operations according to the location of acquirers and target firms would lead to better understanding of the ways reputation impact M&A value-creation. Indeed, previous research has highlighted the importance of geographic location in the strategic decisions of MNCs (Colovic, 2010; Colovic and Mayrhofer, 2011). Moreover, a thorough examination of the role of different media, e.g. traditional and online media, in the announcement of M&A operations would significantly contribute to understanding of reputation and its influence on firm outcomes. Finally, it would also be interesting to integrate the reputation of target companies on the value-creation process.

**References**

Ahern, K.R., D. Daminelli, and C. Fracassi. 2012. “Lost in translation? The effect of cultural values on mergers around the world.” *Journal of Financial Economics* In Press, Corrected Proof, Available online 6 september 2012.

Akhigbe, A., A.D. Martin, and A.M. Whyte. 2007. “Partial acquisitions, the acquisition probability hypothesis, and the abnormal returns to partial targets.” *Journal of Banking & Finance* 31 (10): 3080-3101.

Aktas, N., E. de Bodt, and R. Roll. 2009. “Learning, Hubris and Corporate Serial Acquisitions.” *Journal of Corporate Finance* 15 (5): 543-561.

Aktas, N., E. de Bodt, and R. Roll. 2013. “Learning From Repetitive Acquisitions: Evidence

From the Time Between Deals." *Journal of Financial Economics* 108 (1): 99-117.

Almeida Costa, L., and L. Vasconcelos. 2010. "Share the fame or share the blame ? The reputational implications of partnerships." *Journal of Economics and Management Strategy* 19 (2): 259-301.

Amit, R., and P. J. H Schoemaker. 1993. "Strategic Assets and Organizational Rent." *Strategic Management Journal* 14 (1): 33-46.

Andrade, G., M. Mitchell, and E. Stafford, E. 2001. "New evidence and perspectives on mergers." *Journal of Economic Perspectives* 15 (2): 103-120.

Bargeron, L. L., K. Lehn, S. B. Moeller, and F. P. Schlingemann. 2014. "Disagreement and the Informativeness of Stock Returns: The case of Acquisition Announcements." *Journal of Corporate Finance* 25: 155-172.

Barney, J. B. 1988. "Returns to Bidding Firms in Mergers and Acquisitions: Reconsidering the Relatedness Hypothesis." *Strategic Management Journal* 9 (S1): 71-78.

Barney, J. 1991. "Firm Resources and Sustained Competitive Advantage." *Journal of Management* 17 (1): 99-120.

Basdeo, D. K., K. G. Smith, C. M. Grimm, V. P. Rindova, and P. Derfus. 2006. "The Impact of Market Actions on Firm Reputation." *Strategic Management Journal* 27 (12): 1205-1219.

Bauguess, S. and M. Stegemoller. 2008. "Protective Governance Choices and the Value of Acquisition Activity." *Journal of Corporate Finance* 14 (5): 550-566.

Benjamin, B. A., and J. M. Podolny. 1999. "Status, Quality and Social Order in the California Wine Industry." *Administrative Science Quarterly*, 44 (3): 563-589.

Billett, M. T. and Y. Qian. 2008. "Are Overconfident CEOs Born or Made? Evidence of Self-Attribution Bias from Frequent Acquirers." *Management Science* 54 (6): 1037-1051.

Beuve, J. and S. Saussier. 2012. "Interfirm Cooperation in Strategic Relationships: The Role of Formal Contract." *Industrial and Corporate Change* 21(4): 811-836.

Boyd, B. K., D. D. Bergh, and D. J Ketchen. 2010. "Reconsidering the Reputation-Performance Relationship: A Resource-Based View." *Journal of Management* 36 (3): 588-609.

Bower, J. L. 2001. "Not All M&As Are Alike – And That Matters." *Harvard Business Review* 79 (3): 92-101.

Brennan M., N. Jegadeesh, and B. Swaminathan. 1993. "Investment Analysis and the Adjustment of Stock Prices to Common Information", *Review of Financial Studies* 6 (4): 799-824.

Brown, B., and S. Perry. 1994. "Removing the Financial Performance Halo from Fortune's "Most Admired" Companies." *Academy of Management Journal* 37 (5): 1347-1359.

Cai J. and A. M. Vijh. 2007. "Incentive Effects of Stock and Option Holdings of Target and Acquirer CEOs." *Journal of Finance* 62 (4): 1891-1933.

Calipha R., S. Tarba, and D. Brock. 2010. "Mergers and Acquisitions. A Review of Phases, Motives, and Success Factors." In *Advances in Mergers and Acquisitions*, ed C. L. Cooper and S. Finkelstein, 1-24. Bingley: Emerald Group.

Capron, L., and N. Pistre. 2002. "When do Acquirers Earn Abnormal Returns?" *Strategic Management Journal*, 23 (9): 781-794.

Castellano, S. and V. Dutot. 2013. "Une analyse de l'e-réputation par analogie ou contraste avec la réputation: une approche par les medias sociaux." *Revue Française de Marketing* 243: 35-51.

Chalençon, L. 2014. "Les stratégies de localisation et la création de valeur des fusion-acquisitions internationales." Unpublished Doctoral Dissertation, University of Lyon 3, France.

Chang S. 1998. "Takeovers of Privately Held Targets, Methods of Payment, and Bidder Returns." *Journal of Finance* 53 (2): 773-784.

Chari, A., P.P. Ouimet, and L.L. Tesar. 2010. “The Value of Control in Emerging Markets.” *Review of Financial Studies* 23 (4): 1741-1770.

Colovic, A. 2010. “Towards a Better Understanding of Multinational Enterprises’ R&D Location Choices” In *Global Outsourcing and Offshoring: An Integrated Approach to Theory and Corporate Strategy*, ed. F. Contractor, V. Kumar, S.K. Kundu, S. K. and T. Pedersen, 168-190. Cambridge: Cambridge University Press.

Colovic, A. and U. Mayrhofer. 2011. “La reconfiguration de l’espace mondial et les stratégies de localisation des firmes multinationales.” *Management International* 16 (1): 11-19.

Cooper, C. L. and S. Finkelstein. 2010. *Advances in Mergers and Acquisitions*. Bingley: Emerald Group.

Danbolt, J., and G. Maciver. 2012. “Cross-Border versus Domestic Acquisitions and the Impact on Shareholder Wealth.” *Journal of Business Finance & Accounting* 39 (7/8): 1028-1067.

Deephouse, D. L., and S M. Carter. 2005. “An examination of differences between organizational legitimacy and organizational reputation.” *Journal of Management Studies* 42 (2): 329-360.

Deng, X., J. Kang, and B. S. Low. 2013. “Corporate Social Responsibility and Stakeholder Value Maximization: Evidence from Mergers.” *Journal of Financial Economics* 110 (1): 87-109.

Devine, I., and P. Halpern. 2001. “Implicit Claims: The Role of Corporate Reputation in Value Creation.” *Corporate Reputation Review* 4 (1): 42-49.

Dierickx, I. and K. Cool. 1989. “Asset Stock Accumulation and Sustainability of Competitive Advantage.” *Management Science* 35 (12): 1504-1511.

Dittmar A. and A. Thakor. 2007. “Why Do Firms Issue Equity?.” *Journal of Finance* 62 (1): 1-54.

Dollinger, M. J., P. A. Golden, and T. Saxton. 1997. "The effect of reputation on the decision to joint venture." *Strategic Management Journal* 18 (2): 127-140.

Fombrun, C., and M. Shanley. 1990. "What's in a Name? Reputation Building and Corporate Strategy." *Academy of Management Journal* 33 (2): 233-258.

Fombrun, C. J. 1996. *Reputation: Realizing Value from the Corporate Image*. Boston: Harvard Business School Press.

Gaughan, P. A. 2013. *Mergers, Acquisitions, and Corporate Restructurings*. 6th edition, Hoboken, New Jersey: John Wiley & Sons.

Goerzen, A., S. Sapp, and A. Delios. 2010. "Investor Response to Environmental Risk in Foreign Direct Investment." *Management International Review* 50 (6): 683-708.

Gu, Q., and X. Lu. 2014. "Unraveling the Mechanisms of Reputation and Alliance Formation A Study of Venture Capital Syndication in China." *Strategic Management Journal* 35 (5): 739-750.

Gould, R.V. 2002. "The Origins of Status Hierarchies: A Formal Theory and Empirical Test." *American Journal of Sociology* 107 (5): 1143-1178.

Hall, R. 1992. "The Strategic Analysis of Intangible Resources." *Strategic Management Journal* 13 (2): 135-144.

Hall, R. 1993. "A Framework Linking Intangible Resources and Capabilities to Sustainable Competitive Advantage." *Strategic Management Journal* 14 (8): 607-618.

Hitt, M. A., J. S. Harrison, and R. D. Ireland. 2001. *Mergers & Acquisitions: A Guide to Creating Value for Stakeholders*. Oxford: Oxford University Press.

Houston, M. B. 2003. "Alliance Partner Reputation as a Signal to the Market: Evidence From Bank Loan Alliances." *Corporate Reputation Review* 5 (4): 330-342.

Jensen, M., and A. Roy. 2008. "Staging Exchange Partner Choices: When Status and Reputation Matter?" *Academy of Management Journal* 51 (3): 495-516.

Jensen, M.C., and R.S. Ruback 1983. “The Market for Corporate Control: the Scientific Evidence”. *Journal of Financial Economics* 11 (1/4): 5-50.

John, K., A. Knyazeva and D. Knyazeva. 2011. “Does Geography Matter? Firm Location and Corporate Payout Policy.” *Journal of Financial Economics* 101 (3): 533-551.

Kang, J.-K., and J.-M. Kim. 2008. “The Geography of Block Acquisitions.” *Journal of Finance* 63 (6): 2817-2858.

Kempner, M. 2005. “When Rumors Thrive Your Deal’s in Trouble.” *Mergers & Acquisitions: The Dealermaker’s Journal* 40 (4): 42-50.

King, M. D. R., D.R., Dalton, C.M. Daily, and J.G. Covin. 2004. “Meta-analyses of post-acquisition performance: indications of unidentified moderators.” *Strategic Management Journal*, 25 (2): 187–200.

King, B. G., and D. A. Whetten. 2008. “Rethinking the Relationship Between Reputation and Legitimacy: A Social Actor Conceptualization.” *Corporate Reputation Review* 11 (3): 192-208.

Kogut, B. 1989. “The Stability of Joint Ventures: Reciprocity and Competitive Rivalry.” *Journal of Industrial Economics* 38 (2): 183-198.

Lubatkin, M. 1987. “Merger Strategies and Stockholder Value.” *Strategic Management Journal* 8 (1): 39-52.

Martynova M., and L. Renneboog 2011. “The Performance of the European Market for Corporate Control: Evidence from the Fifth Takeover Wave”. *European Financial Management* 17 (2): 208-259.

Mayrhofer U. (ed.) 2013. *Management of Multinational Companies. A French Perspective*. Basingstoke: Palgrave Macmillan.

Meschi P.-X. and Métais E. (2006). “International Acquisition Performance and Experience: A Resource-Based View. Evidence from French Acquisitions in the United States (1988–

2004)". *Journal of International Management*, 12 (4): 430-448.

Milgrom, P., and J. Roberts. 1986. "Price and Advertising Signals of Product Quality." *Journal of Political Economy* 94 (4): 796-821.

Moeller S. B., and F. P. Schlingemann. 2005. "Global Diversification and Bidder Gains: a Comparison Between Cross-Border and Domestic Acquisitions." *Journal of Banking & Finance* 29 (3): 533-564.

Moeller S. B., F. P. Schlingemann, and R. M. Stulz. 2004. "Firm Size and the Gains from Acquisitions." *Journal of Financial Economics* 73 (2): 201-228.

O'Brien, R. M. (2007). "A Caution Regarding Rules of Thumb for Variance Inflation Factors." *Quality & Quantity* 41 (5): 673-690.

O'Leary, D. E. 2011. "The Use of Social Media in the Supply Chain: Survey and Extensions." *Intelligent Systems in Accounting, Finance and Management* 18 (2-3): 121-144.

Oliver, C. 1988. "The Collective Strategy Framework: An Application to Competing Predictions of Isomorphism." *Administrative Science Quarterly* 33 (4): 543-561.

Parkhe, A. 1993. "Strategic Alliance Structuring: A Game Theoretic and Transaction Costs Examination of Interfirm Cooperation." *Academy of Management Journal*, 36 (4): 794-829.

Petkova, A. P., A. Wadhwa, A. Yao, and S. Jain. 2014. "Reputation and Decision Making under Ambiguity: A Study of U.S. Venture Capital Firms' Investments in the Emerging Clean Energy Sector." *Academy of Management Journal* 57 (2): 422-448.

Penrose, E. 1959. *The Theory of the Growth of the Firm*. New York: John Wiley.

Pfarrer, M. D., T. G. Pollock, and V. P. Rindova. 2010. "A Tale of Two Assets: The Effects of Firm Reputation and Celebrity on Earnings Surprises and Investors' Reactions." *Academy of Management Journal* 53 (5): 1131-1152.

Pollock, T., and V. Rindova. 2003. "Media Legitimation Effects in the Market for Initial Public Offerings." *Academy of Management Journal*, 46 (5): 631-642.

Ponzi, L. J., C. J. Fombrun, and N. A. Gardberg. 2011. “RepTrak™ Pulse: Conceptualizing and Validating a Short-Form Measure of Corporate Reputation.” *Corporate Reputation Review* 14 (1): 15-35.

Rao, H. 1994. “The Social Contruction of Reputation: Certification Contests, Legitimation, and the Survival of Organizations in the American Automobile Industry: 1895-1912.” *Strategic Management Journal* 15 (Issue Supplement 1): 29-44.

Rao, H. 1998. “Caveat Emptor: The Construction of Non-Profit Consumer Watchdog Organizations.” *American Journal of Sociology* 103 (4): 912-961.

Rao, H., H. Greve, and G. Davis. 2001. “Fool’s Gold: Social Proof in the Initiation and Abandonment of Coverage by Wall Street Analysts.” *Administrative Science Quarterly* 46 (3): 502-526.

Rindova, V. and C. J. Fombrun. 1999. “Constructing Competitive Advantage: The Role of Firm-Constituent Interactions.” *Strategic Management Journal* 20 (8): 691-710.

Rindova,V. P., T. G. Pollock, and M. L. A. Hayward. 2006. “Celebrity Firms: The Social Construction of Market Popularity.” *Academy of Management Review* 31 (1): 50-71.

Rindova, V. P., I. O. Williamson, A. P. Petkova, and J. M. Sever. 2005. “Being Good or Being Known: An Empirical Examination of the Dimensions, Antecedents, and Consequences of Organizational Reputation”. *Academy of Management Journal*, 48 (6): 1033-1049.

Roberts, P. W., and G. R. Dowling. 2002. “Corporate Reputation and Sustained Superior Financial Performance.” *Strategic Management Journal* 23 (12): 1077-1093.

Saxton, T. 1997. “The Effects of Partner and Relationship Characteristics on Alliance Outcomes.” *Academy of Management Journal* 40 (2): 443-461.

Saxton, T., and M. Dollinger. 2004. Target Reputation and Appropriability: Picking and Deploying Resources in Acquisitions.” *Journal of Management* 30 (1): 123-147.

Schoenberg, R. 2006 “Measuring the Performance of Corporate Acquisitions: An Empirical Comparison of Alternative Metrics.” *British Journal of Management* 33 (6): 361-370.

Shapiro, C. 1982. “Consumer Information, Product Quality and Seller Reputation”, *Bell Journal of Economics*, 13 (1): 20-35.

Shapiro, C. 1983. “Premium for High Quality Products as Returns to Reputation.” *Quarterly Journal of Economics*, 98 (4): 659-680.

Stern, I., J. M. Dukerich and E. Zajac. 2014. “Unmixed Signals: How Reputation and Status Affect Alliance Formation.” *Strategic Management Journal*, 35 (4): 512-531.

Stuart, T. E. 1998. “Network Positions and Propensities to Collaborate: An Investigation of Strategic Alliance Formation in a High-technology Industry.” *Administrative Science Quarterly* 43 (3): 668-698.

Sudarsanam, S. 2010. *Creating Value from Mergers and Acquisitions: The Challenges*, 2nd ed., Harlow: Prentice Hall.

UNCTAD. 2014. *World Investment Report 2014*. New York/Geneva: United Nations Conference on Trade and Development.

Vazirani, N. 2012. “Mergers and Acquisitions Performance Evaluation: a Literature Review.” *SIES Journal of Management*, 8 (2): 37-42.

Walker, K. 2010. “A Systematic Review of the Corporate Reputation Literature: Definition, Measurement, and Theory.” *Corporate Reputation Review*, 12 (4): 357-387.

Wernerfelt, B. 1984. “A Resource-Based View of the Firm.” *Strategic Management Journal*, 5 (2): 171-180.

Wilson, R. 1985. “Reputations in Games and Markets.” In *Game-theoretic Models of Bargaining*, ed A. E. Rothe, 27-62. Cambridge, UK: Cambridge University Press.

Yu, T., R. H. Lester, and M. Sengul. 2002. “Reputation Spillover: How Changes in Corporate Reputation Affect Competitive Action.” *Academy of Management Proceedings* 1: H1-H6.