

**ACQUIRING FIRM PERFORMANCE: THE IMPACT OF GOVERNANCE,
MARKET MOMENTUM AND METHOD OF PAYMENT**

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ABSTRACT

A substantial amount of research has examined the post-bid performance of acquiring firms. The overall consensus is that acquiring companies perform poorly after successful acquisitions. In this study we focus on examining the impact of corporate governance characteristics on the short-term performance of acquiring firms. We find that independent boards have a positive impact on performance over the two month period after the bid announcement but do not impact on performance in the three day announcement period itself. We find negative interaction effects for executive ownership and market momentum on the three day announcement returns. External blockholder ownership has a positive impact on performance. We also find that firms with a low standard deviation of executive ownership tend to experience negative abnormal returns. Hence, executive ownership concentration does not appear to be harmful as long as the role of the chairman and the CEO are separate. There is some evidence that more benefits to target shareholders in terms of a larger premium or more discretionary choice for the payment method have a negative impact on bidder performance.

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