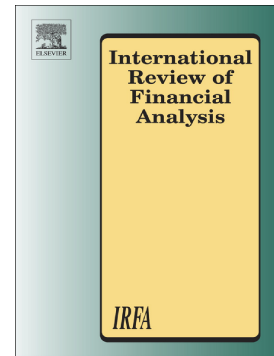


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Target Country's Leadership Style and Bidders' Takeover Decisions

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Abstract

This study provides evidence on how takeover decisions are influenced by the target country's leadership style. Using a sample of failed and completed deals across 45 countries from 1992 to 2015, we show that takeover likelihood and acquisition premiums are significantly related to the target country's leadership style. Specifically, firms located in countries embedded with higher charismatic, participative or human-oriented leadership style are more likely to receive higher premiums and thus be potential targets. These effects are more pronounced in countries embedded with higher charismatic leadership style. This study points out the role of the target country's leadership style, as a valuable asset, on the bidders' decisions that could have a direct effect on the post-M&A outcomes. Our findings are robust to controls for alternative techniques and for selection bias.

Keywords: Mergers and acquisitions (M&As), Takeover likelihood, Leadership style, Takeover premium.

JEL Classification: G34, L2, C33

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