Business & Economics articles Links (February 2013)

1.

Title: Controlled Dismantlement of the Eurozone: A Strategy to Save the European Union and the Single European Market
Authors: Kawalec, Stefan and Pytlarczyk, Ernest
Source: German Economic Review; February 2013, Volume 14, Issue 1, Pp. 31–49
Abstract: The problems with a single currency in Europe are neither temporary nor curable. Any persistent defence of the euro will result in a long-lasting recession and high unemployment in countries using fiscal austerity to pursue 'internal devaluation'. It may lead to a revival of populist and nationalist movements, political collapse and disorderly eurozone break-up. This article argues for a controlled segmentation of the eurozone via the exit of the most competitive countries and an agreement on a new European currency coordination system.
Database: *Wiley Online Library*

2.

Title: When fairtrade contracts for some are profitable for others
Authors: Chambolle, Claire and Poret, Sylvaine
Source: European Review of Agricultural Economics; Advance Access for 30 January 2013.
Abstract: We analyse a vertical chain with perfectly competitive farmers who offer raw products on a spot market to manufacturers who resell the finished goods to a distributor. Absent Fairtrade, the entire raw product is sold on the spot market. A Fairtrade organisation can offer to part of farmers a contract consisting of a guaranteed minimum price and a direct relationship with a distributor. A snowball effect arises when farmers who are not involved in Fairtrade benefit from a higher spot price. This article highlights several mechanisms, either linked to the demand or the market structure, that may explain this snowball effect.
Note: *Advance Access.*
Database: *Oxford Journals Online*

3.

Title: The Political Economy of British Social Democracy after New Labour
Authors: Rogers, Chris
Source: The British Journal of Politics & International Relations; February 2013, Volume 15, Issue 1, Pp. 1–5
Abstract: This section examines the reasons why New Labour's political economy failed to insulate Britain from the recent economic crisis, and what the basis for building sustainable social democracy in the UK might be moving forward.
Note: *Special Section: The Global Financial Crisis and the Political Economy of British Social Democracy*
Database: *Wiley Online Library*

4.

Title: Flows, funds and the complexity of deprivation: Using concepts from ecological economics for the study of poverty
Authors: Scheidel, Arnim
Source: Ecological Economics; February 2013, Volume 86, Pp. 28–36
Abstract: Poverty has been increasingly conceptualized as being multidimensional, involving deprivation in many dimensions of life. This paper discusses issues and implications of

multidimensional poverty by adopting concepts commonly used in ecological economics. In particular, poverty is approached as an irreducible, complex phenomenon for which many legitimate, but non-equivalent descriptions exist. Issues of social and technical incommensurability are illustrated for different meanings and measurement types of poverty. Georgescu-Roegen's flow/fund framework is interpreted, informed by the capability approach of Amartya Sen. The paper argues that a predominant focus on flows as a proxy to analyze poverty represents rather a short-term perspective on access to satisfiers to fulfill particular needs. Contrary to that, focusing on valued funds may provide useful information for the analysis of capabilities that persons and societies might pursue in the long term. Furthermore, it is argued that strong poverty alleviation needs to adopt analytical tools that can deal with non-trade-off cases: improvements in one poverty dimension cannot always compensate for the deterioration of other poverties. This implies to rethink the usefulness of aggregate multidimensional poverty indices, as well as the predominant use of income measures.
Database: *ScienceDirect*

5.

Title: Is corporate governance relevant during the financial crisis?
Authors: Gupta, Kartick, Krishnamurti, Chandrasekhar and Tourani-Rad, Alireza
Source: Journal of International Financial Markets, Institutions and Money; February 2013, Volume 23, Pp. 85–110
Abstract: We study the impact of internal corporate governance on performance during the current financial crisis for a comprehensive cross-country sample of 4046 publicly traded non-financial firms from the U.S. and 22 developed countries. Using a broad-based index of corporate governance quality, we find that well governed firms do not outperform poorly governed firms. We explore three potential explanations for the lack of significant impact of corporate governance quality on performance. First, we examine whether cross-country differences in institutional development have an impact on the effect of corporate governance on performance. Second, we investigate whether a narrowing down of the informationally efficient segment of the stock markets during the crisis can explain the results. We do not find support for either of these conjectures. Finally, we examine whether stock markets generally became less efficient in incorporating firm-specific information into stock prices during the crisis. Our empirical evidence is consistent with the latter view that during the crisis stock markets in developed countries became less efficient in incorporating firm-specific information into prices.
Database: *ScienceDirect*

6.

Title: Commonalities in investment strategy and the determinants of performance in mutual fund mergers
Authors: Namvar, Ethan and Phillips, Blake
Source: Journal of Banking & Finance**;** February 2013, Volume 37, Issue 2, Pages 625–635
Abstract: This paper examines the determinants of cross-sectional variation in post-merger mutual fund performance. Mergers between funds with similar management objectives, as reflected by average portfolio book-to-market ratio, price–earnings ratio, beta and market capitalization values, outperform mergers between funds with dissimilar strategies. This superior performance transcends lower portfolio rebalancing costs which might be realized between merging funds which hold more assets in common. These results suggest that mutual fund mergers create collaborative benefits between funds with similar strategies. We also examine if fund governance structures influence the fund pairing process, testing if stronger fund oversight mitigates pairing mismatches. We find that less independent boards of trustees and boards with higher compensation are related to greater strategic mismatches between funds. These results

suggest that more entrenched boards are more tolerant of fund mismatches which benefit the investment company, yet are not in investor's best interests.

Database: *ScienceDirect*

7.

Title: **Government intervention and firm investment: Evidence from international micro-data**

Authors: Wong, Chen Lin and Man-lai, Sonia

Source: Journal of International Money and Finance; February 2013, Volume 32, Pp.637–653

Abstract: Building on the important study by Beck et al. (2005), we examine how government intervention in firms' decision-making is related to their investment and sales growth. Using the unique World Bank dataset (WBES) covering 6500 firms in 70 countries, we find strong evidence that the extent of government intervention in firms' investment, employment, sales, pricing, dividend, and merger and acquisition decisions is negatively related to their investment and sales growth, with the effect being more profound in foreign owned firms and less significant in state-owned firms. The empirical results are robust to a series of robustness tests and instrumental variable regressions.

Database: *ScienceDirect*

8.

Title: **Exports and FDI motivations: Empirical evidence from U.S. foreign subsidiaries**

Authors: Franco, Chiara

Source: International Business Review; February 2013, Volume 22, Issue 1, Pp. 47–62

Abstract: Foreign direct investments (FDI) are supposed to bring into the host countries indirect benefits, usually referred as productivity spillover effects. However, an emerging literature analyses the effect with regard to the export performance of local firms finding inconclusive results. This literature is affected by two main shortcomings: firstly, the role played by FDI motivations is largely disregarded and, secondly, it is difficult to generalise results valid across countries. For these reasons, the aim of the paper is that of testing the effects of U.S. FDI on export intensity at the sectoral level in 16 OECD countries over the period 1990–2001 by bringing together international economics and international business perspective on FDI motivations. Through our data, we disentangle asset seeking and asset exploiting FDI motivations distinguishing also the channels through which the effect is going to occur. The findings show that asset exploiting motivations, and in particular market seeking FDI, are those that affect export intensity to a greater extent.

Database: *ScienceDirect*

9.

Title: **Globalisation issues and consumers' purchase decisions for food products: evidence from a laboratory experiment**

Authors: Disdier, Anne-Célia and Marette, Stéphan

Source: European Review of Agricultural Economics; February 2013, Volume 40, Issue 1, Pp. 23-4

Abstract: A laboratory experiment is conducted to evaluate the impact of globalisation on consumers' willingness to pay (WTP) for food products. Successive messages on the products' origin and the multinational firm's strategy are delivered to participants. Interestingly, the significant decrease in WTP resulting from negative messages about foreign sourcing and the closure of processing facilities is reversed after the revelation of positive information linked to the multinational firm's new products/services and investments made in the domestic country. The

experiment also studies the effects of two labels (geographic indication and fair trade). The introduction of labels increases the consumer surplus.
Database: *Oxford Journals Online*

10.

Title: Consumer choices for nano-food and nano-packaging in France and Germany
Authors: Bieberstein, Andrea, Roosen, Jutta, Marette, Stéphan, Blanchemanche, Sandrine and Vandermoere, Frederic
Source: European Review of Agricultural Economics; February 2013, Volume 40, Issue 1, Pp. 73-94.

Abstract: An experiment with different information treatments was conducted in France and Germany to evaluate consumers' willingness to pay (WTP) for food nanotechnology focusing on two applications: nano-fortification with vitamins and nano-packaging. Results show that many consumers in both countries are reluctant to accept nanotechnology in food. Being confronted with general information on nanotechnology, econometric estimations of WTP reveal that French consumers are more reluctant to accept nano-packaging, whereas German consumers are less inclined to accept nano-fortification compared with the respective other application. More detailed information on nanotechnology has a negative impact when voluntary access to relevant information is assured.
Database: *Oxford Journals Online*

11.

Title: Predicting severe simultaneous recessions using yield spreads as leading indicators
Authors: Christiansen, Charlotte
Source: Journal of International Money and Finance; February 2013, Volume 32, Pp. 1032–1043
Abstract: Severe simultaneous recessions are defined to occur when at least half of the countries under investigation (Australia, Canada, Germany, Japan, United Kingdom, and United States) are in recession simultaneously. I pose two new research questions that extend upon stylized facts for US recessions. One, are the occurrences of simultaneous recessions predictable? Two, does the yield spread predict future occurrences of simultaneous recessions? I use the indicator for severe simultaneous recessions as the explained variable in probit models. The lagged yield spread is an important explanatory variable, where decreasing yield spreads are a leading indicator for severe simultaneous recessions. Both US and German yield spreads act as leading indicator for severe simultaneous recessions.
Note: *Original Research Article*
Database: *ScineceDirect*

12.

Title: Unconditional and conditional exchange rate exposure
Authors: Chaieb, Ines and Mazzotta, Stefano
Source: Journal of International Money and Finance; Volume 32, February 2013, Pp. 781-808
Abstract: We re-examine the relationship between exchange rate movements and firm value. We estimate the exchange rate exposure of U.S. firms to two currency indices. Firms are clustered into eleven industries. The sample includes exporters and non-exporters. Using a panel approach, we uncover statistically significant and sizable unconditional exposure. We also examine the dynamics of exchange rate exposure modeled as a function of business cycle indicators and firm characteristics. We find that exposure varies over time with macroeconomic and financial variables

and increases during economic contractions. Deviations from the unconditional measure of exposure driven by the macroeconomic variables are economically meaningful.
Note: *Original Research Article*
Database: *ScienceDirect*

13.

Title: **International business research and risky investments, an analysis of FDI in conflict zones**
Authors: Driffield, Nigel, Jones, Chris and Crotty, Jo
Source: International Business Review; February 2013, Volume 22, Issue 1, Pp. 140–155
Abstract: The purpose of this paper is to examine the determinants of a firm's strategy to invest in a conflict location. To the best of our knowledge, this has not been done before. We examine this using a standard model of international business, overlaid with the fundamental approach to corporate social responsibility. We start with the population of multinationals who have chosen to invest in low income countries with weak institutions. We then split this sample in order to distinguish between firms that have invested in conflict regions compared to those that have not. Our analysis then proceeds to explain the decision of those firms to invest in conflict locations using a simple Probit model. We find that countries with weaker institutions and less concern about corporate social responsibility (CSR) are more likely to invest in conflict regions. Finally, firms with more concentrated ownership are more likely to invest in such locations.
Database: *ScienceDirect*

14.

Title: **The effect of prior alliance experience on acquisition performance**
Authors: Shao-Chi Chang and Ming-Tse Tsai
Source: Applied Economics; 2013, Volume 45, Issue 6, Pp. 765-773
Abstract: Information asymmetry usually results in acquiring a target where post-acquisition performance is often disappointing. In this study, we examine whether previous bidder–target alliances mitigate the negative effect of information asymmetry. Further, in cases when the target firms in an acquisition are from the high technology or service industries or privately held firms, whereby the firms are composed of unique knowledge, intangible assets and less disclosed information, respectively, we test whether there are significantly more acquisitions when prior bidder–target alliances exist, as it is assumed that these alliances reduce the level of information asymmetry. We find on average the post acquisition stock performance is better when the purchasing firm acquires a prior alliance partner. Furthermore, when acquiring privately held target firms, the target firms are more likely to be previous alliance partners. Finally, when the target firms are 'more informed' (i.e. high technology, service or privately held firms), the post acquisition performance is disappointing. However, bidder–target alliances reduce the amount of value destroyed.
Database: *Taylor & Francis*

15.

Title: **Rethinking underemployment and overqualification in organizations: The not so ugly truth**
Authors: Thompson, Katina W, Shea, Thomas H, Sikora, David M, Perrewé, Pamela L. and Ferris, Gerald R.
Source: Business Horizons; January–February 2013, Volume 56, Issue 1, Pp. 113–121
Abstract: What comes to mind when you hear the term *underemployment*? Does a slight, disapproving frown purse your lips? Does pity flood your heart? Or do forgotten mental notations to study the topic permeate your brain? Although we are intimately familiar with unemployment

and its effects, we are much less aware of underemployment and its impact on people and organizations. According to the U.S. Bureau of Labor Statistics, in January 2012, underemployment was estimated to affect more than 10 million people in the American civilian labor force. Its magnitude suggests that underemployment is a significant issue for all involved. By combining practical experiences from an outplacement firm (Right Management, headed by our second author) and what we have learned from academic research, we herein describe five types of underemployment, discuss widely held assumptions about the issue, and offer suggestions regarding ways that organizations might harness the power of this economy-wide phenomenon.
Note: *Original Research Article*
Database: *ScienceDirect*

16.

Title: **The divestiture of acquired subunits: A resource dependence approach**
Authors: Jun Xia, Sali Li
Source: Strategic Management Journal; February 2013, Volume 34, Issue 2, Pp. 131–148
Abstract: Resource dependence theory has been widely applied to explain interindustry acquisitions, but little is known about how external and internal dependence conditions affect the divestiture of formerly acquired subunits. We argue that subunit divestiture may be a strategic response to mutual dependence and subunit power following acquisition. Our results, based on a sample of divested subunits by U.S. public firms, show that mutual dependence and increased subunit power both reduce the hazard of subunit divestiture. However, the negative effect of mutual dependence diminishes to the extent that subunit power increases, suggesting that increased subunit power may shift away from the mutual-dependence logic. We discuss the implications of these findings to advance the theory of interindustry divestiture.
Database: *Wiley Online Library*

17.

Title: **Why Didn't They See it Coming? Warning Signs, Acceptable Risks and the Global Financial Crisis**
Authors: Hindmoor, Andrew and McConnell, Allan
Source: Political Studies; 2013, Early Access January 2013.
Abstract: In the immediate aftermath of a crisis, one of the most damning and penetrating questions asked of political leaders and senior state officials by the media, opposition parties and other actors is: 'why didn't they see it coming?' The question is often rhetorical, the implication being that warning signs were clear and should have been acted upon. In this article we identify the assumptions underpinning the 'why didn't they see it coming?' narrative as it has been expounded in relation to the global financial crisis in the UK and US. Since 2008 commentators have routinely argued that warning signals of an impending financial crisis were ignored by political elites, treasury officials and financial regulators. Such arguments are made in hindsight and we refer to them as backward mapping perspectives. In this article we advance a counter-narrative, from a forward mapping perspective, where the focus is on placing such 'failures' in the context of the time, without foreknowledge of the crisis that would happen. Accordingly, we argue that warning signals that, with the benefit of hindsight, now seem obvious, were actually ambiguous and fragmented because they were received and interpreted within a very different ideational environment.
Note: *First published online*
Database: *Wiley Online Library*

18.

Title: **Does "Good" Corporate Governance Help in a Crisis? The Impact of Country- and Firm-Level Governance Mechanisms in the European Financial Crisis**
Authors: van Essen, Marc, Engelen, Peter-Jan and Carney, Michael
Source: Corporate Governance: An International Review; 2013. Early view.
Abstract:
Research Question/Issue
We examine the effects of firm- and country-level "good" corporate governance prescriptions on firm performance before and during the recent financial crisis, using a large sample of 1,197 firms across 26 European countries.

Research Findings/Insights
We propose a contextualized agency perspective suggesting that firm- and country-level good governance prescriptions designed to assure managerial oversight may not hold in a financial crisis. This is because firms can benefit from broadening managerial discretion so as to facilitate the exercise of initiative and decisive leadership. Overall, our firm- and country-level findings support this argument. In a crisis, CEO duality is associated with better performance. We also find that the use of incentive compensation and the existence of a wedge between ownership and control rights negatively impacts on firm performance in a crisis. Hierarchical linear modeling shows that 25 percent of the heterogeneity in firm performance is among countries, indicating the importance of including country-level institutions in our analyses. In a crisis, we find that the general quality of the legal system and creditor rights protection are positively related to firm performance, but protection for equity investors is not.

Theoretical/Academic Implications
The findings challenge the universality of good governance prescriptions and contribute to the growing body of work proposing that the efficacy of governance mechanisms may be contingent upon organizational and environmental circumstances.
Database: *Wiley Online Library*

19.

Title: **Global Sourcing of Services: Risk, Process, and Collaborative Architecture**
Authors: Jensen, Peter D. Ørberg and Petersen, Bent
Source: Global Strategy Journal; February 2013, Volume 3, Issue 1, Pp. 67–87,
Abstract: The global sourcing of services offers high returns but is also associated with high risks. The extent to which firms engage in 'transformational' global sourcing (i.e., global sourcing implying considerable changes in the home organization) chiefly depends on management's comfort zone which, in turn, is determined by managers' risk perceptions, risk tolerance, and ability to employ risk-reducing measures. Many firms move into transformational global sourcing more or less deliberately. However, as the human asset specificity of the global sourcing operation increases, managers find themselves out of their comfort zones and a desire for a new collaborative architecture arises. An illustrative company case exemplifies the process of establishing such a collaborative architecture.
Note: *Special Issue: Strategic Modularity and the Architecture of Multinational Firm.*
Database: *Wiley Online Library*

20.

Title: **Critical Success Factors through the Mergers and Acquisitions Process: Revealing Pre- and Post-M&A Connections for Improved Performance**
Authors: Gomes, Emanuel, Angwin, Duncan N., Weber, Yaakov and Tarba, Shlomo Yedidia

Source: Thunderbird International Business Review; January/February 2013, Volume 55, Issue 1, Pp. 13–35
Abstract: The mergers and acquisitions (M&A) literature is vast, spanning over half a century of research endeavor and drawing upon multiple disciplinary perspectives. Despite this wealth of material, the field suffers from a lack of connectedness. There is limited and compartmentalized understanding of the complexities of the M&A process, as the various streams of M&A research are only marginally informed by one another. As a result, the existing body of knowledge on M&A research remains fragmented. There is a need to establish links between existing approaches to M&A and the critical success factors they each promote. In this article, the need for a pluralistic and holistic explanatory framework that reflects the multidisciplinary nature of M&A is highlighted. The article shows that dynamic relationships between different perspectives on M&A and critical success factors matter. Identifying these relationships may help to further our understanding about M&A performance outcomes. Thus, the paper focuses on both relationships within each stage and between stages of the M&A process. © 2013 Wiley Periodicals, Inc.
Database: *Wiley Online Library*

21.

Title: **U.S. Firms: Still Too Much Cash?**
Authors: Marcum, Bill, Martin, Dale R. and Strickland, Deon
Source: Journal of Corporate Accounting & Finance; January/February 2013, Volume 24, Issue 2, Pp. 27–34
Abstract: U.S. firms have been accumulating cash fairly steadily since the 1980s. Has this changed four years after the "official" end of the recession? And are both large and small firms continuing to retain cash? © 2013 Wiley Periodicals, Inc.
Database: *Wiley Online Library*

22.

Title: **Public capital in resource rich economies: is there a curse?**
Authors: Bhattacharyya, Sambit and Collier, Paul
Source: Oxford Economic Papers; Advance Access First published online: January 15, 2013
Abstract: As poor countries deplete their natural resources, for increased consumption to be sustainable some of the revenues should be invested in other public assets. Further, since such countries typically have acute shortages of public capital, the finance from resource depletion is an opportunity for needed public investment. Using a new global panel dataset on public capital and resource rents covering the period 1970 to 2005 we find that, contrary to these expectations, resource rents significantly reduce the public capital stock. This is more direct evidence for a policy-based 'resource curse' than the conventional, indirect evidence from the relationships between resource endowments, growth and income. The adverse effect on public capital is mitigated by good institutions. We also find that rents from the depletion of non-renewable (mineral) resources reduce the public capital stock whereas rents from sustainable (forestry and agriculture) sources do not.
Database: *Oxford Journals Online*

23.

Title: **How to evaluate creative destruction: reconstructing Schumpeter's approach**
Authors: **Schubert**, Christian
Source: Cambridge Journal of Economics; Advance Access. First published online: January 22, 2013
Abstract: Economic change, while promoting innovation and growth, at the same time generates 'gales of creative destruction'. It is still largely unclear what this concept implies for the task of

assessing welfare (and, correspondingly, the need for and the scope of policy making) in a novelty-generating, knowledge-based economy. Is novelty desirable *per se*? Is a rise of living standards due to innovation always worth the risks involved? Standard welfare economics is inherently incapable of answering these questions. By examining Joseph Schumpeter's explicit and implicit reasoning on welfare and linking his thoughts to recent ideas, within normative economics, on how to redefine 'well-being' when preferences are variable and inconsistent, we argue that in an evolving economy, well-being should not be conceptualised in static preference-satisfaction terms, but rather in partly procedural terms of 'effective preference learning'.
Note: *Advanced Access*
Database: *Oxford Journals Online*

24.

Title: Research collaboration in universities and academic entrepreneurship: the-state-of-the-art
Authors: Bozeman, Barry**,** Fay, Daniel and Slade, Catherine P.
Source: The Journal of Technology Transfer; February 2013, Volume 38, Issue 1, Pp 1-67
Abstract: There is abundant evidence that research collaboration has become the norm in every field of scientific and technical research. We provide a critical overview of the literature on research collaboration, focusing particularly on individual-level collaborations among university researchers, but we also give attention to university researchers' collaborations with researchers in other sectors, including industry. We consider collaborations aimed chiefly at expanding the base of knowledge (knowledge-focused collaborations) as well as ones focused on production of economic value and wealth (property-focused collaborations), the latter including most academic entrepreneurship research collaborations. To help organize our review we develop a framework for analysis, one that considers attributes of collaborators, collaborative process and organization characteristics as the affect collaboration choices and outcomes. In addition, we develop and use a "Propositional Table for Research Collaboration Literature," presented as an "Appendix" to this study. We conclude with some suggestions for possible improvement in research on collaboration including: (1) more attention to multiple levels of analysis and the interactions among them; (2) more careful measurement of impacts as opposed to outputs; (3) more studies on 'malpractice' in collaboration, including exploitation; (4) increased attention to collaborators' motives and the social psychology of collaborative teams.
Database: *Springer Link*

25.

Title: Corporate control and underinvestment
Authors: Thomas Poulsen
Source: Journal of Management & Governance; February 2013, Volume 17, Issue 1, pp 131-155
Abstract: This paper reports a study of how the benefits that large shareholders derive from their control of a firm affect the equity issue and investment decisions of the firm. I introduce an explicit agency cost structure based on the benefits of control of the largest shareholder. In a simple extension of the model developed by Myers and Majluf (J Financial Econ 13:187–221, 1984), I show that underinvestment is aggravated when there are benefits of being in control and these benefits are diluted if equity is issued to finance an investment project. Using a large panel of US data, I find that the concerns of large shareholders about the dilution of ownership and control cause firms to issue less equity and to invest less than would otherwise be the case. I also find that it makes no significant difference whether new shares are issued to old shareholders or *new shareholders.*
Database: *Springer Link*

26.

Title: **Conservation and employment creation: can privatizing natural resources benefit traditional users?**
Authors: Baland, Jean-Marie and Bjorvatn, Kjetil
Source: Environment and Development Economics; FirstView Article, Published online: 29 January 2013, Pp 1-17
Abstract: The establishment of a private property regime is often proposed as a solution to the degradation of natural resources. While arguably more efficient than open access, private property often comes at a distributional cost (Weitzman, M. (1974), 'Free access vs private ownership as alternative systems for managing common property', *Journal of Economic Theory* 8(2): 225–234) as traditional users of the resource lose income and employment in the process. The present paper demonstrates that, in the case of renewable resources, traditional users may gain from privatization even if they are denied ownership of the resource. Indeed, a private owner maximizing profits tends to preserve the resource, which results in long-term increases in employment. We derive the conditions under which these long-term gains more than compensate traditional users for the short-run fall in labor demand and resource rents.
Database: *Cambridge Journals Online*

27.

Title: **CEO Overconfidence and International Merger and Acquisition Activity**
Authors: Ferris, Stephen P., Jayaraman, Narayanan and Sabherwal, Sanjiv
Source: Journal of Financial and Quantitative Analysis , Accepted Manuscripts February 2013, pp 1-53
Abstract: This study examines the role that CEO overconfidence plays in an explanation of international mergers and acquisitions during the period 2000-2006. Using a sample of CEOs of *Fortune* Global 500 firms over our sample period, we find that CEO overconfidence is related to a number of critical aspects of international merger activity. Overconfidence helps to explain the number of offers made by a CEO, the frequencies of non-diversifying and diversifying acquisitions, and the use of cash to finance a merger deal. Although overconfidence is an international phenomenon, it is most extensively observed in individuals heading firms headquartered in Christian countries that encourage individualism while deemphasizing longterm orientation in their national cultures.
Database: *Cambridge Journals Online*

Selected by P. Akvanich, Research Support Services,
Chulalongkorn University