

> Wednesday, December 9th, 2020

14:00 - 15:30

INENT RESEARCH SEMINAR



EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY

“CORPORATE POLITICAL RESOURCES IN DIVERSIFIED FIRMS: THE ROLE OF INDUSTRY RELATEDNESS”

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ABSTRACT

We study the use corporate political resources (CPR) as a lever to gain competitive advantage in multiple industries for diversified firms and we investigate the impact of an acquirer’s corporate political resources (CPRs) on the post-acquisition performance of a target. We argue that the impact of CPR will depend on up to what point the target industry represents a core industry to the acquirer. Contrary to the well-known positive impact of related diversification on performance, we argue that if CPRs are non-scale free resources, then relatedness between target and acquired industry could negatively moderate the impact of CPR on performance. With a sample of 3,780 acquisitions during 2000-2014, this study reveals the post- integration performance of targets across 13,918 firm-year observations. A matching methodology that compares the sales growth of targets in successful acquisitions versus the growth rates of targets in announced but incomplete acquisitions helps alleviate endogeneity concerns. The empirical findings are consistent with the view of CPRs as non-scale-free resources, implying a case of resource-driven, unrelated diversification.