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When do Firms with New CEOs Engage in M&A? Understanding the Timing of New CEOs' First M&A Announcements

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ABSTRACT New CEO appointments can create strategic uncertainty for stakeholders, potentially undermining the CEO's position. While the stakeholder uncertainty perspective suggests CEOs may act boldly to clarify their strategic intentions during early tenure, the CEO life cycle perspective proposes that CEOs avoid such moves during early tenure, as they still need to learn. This study integrates these views to examine whether and when new CEOs under high strategic uncertainty make bold strategic choices during early tenure. Focusing on first acquisitions – especially large and cross-border deals – we argue that new CEOs have a higher hazard of announcing an acquisition under high strategic uncertainty, namely, outsider CEOs and those whose appointments were more negatively received. Leveraging the time CEOs spend in their role as a conceptual bridge between the two perspectives, we argue that the acquisition hazard under high strategic uncertainty increases over early tenure, as CEOs gather information and learn. Analysing 873 new US CEOs (2004–2020) with an extended Cox hazard model, we find a generally higher hazard of first acquisition announcements for outsider CEOs and those with more negative appointment reactions, especially for bolder deals. Evidence on time dependence is mixed, but more pronounced for outsider CEOs and large acquisitions.

Keywords: acquisition hazard, boldness, CEO turnover, M&As, new CEOs, strategic uncertainty, time dependence, upper echelons

INTRODUCTION

The appointment of a new CEO can reshape a firm's strategic trajectory (Busenbark et al., 2016; Hambrick and Mason, 1984) and thereby introduce substantial strategic uncertainty for boards, shareholders, and other stakeholders, who do not know

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(yet) the new CEO's strategic intentions (Bochkay et al., 2019; Pan et al., 2015; Weisbach, 1995). This strategic uncertainty, or inability to predict accurately the future direction of a firm and its viability in its environment (Bordia et al., 2004), has major implications for new CEOs (e.g., Pan et al., 2014). However, the literature remains ambiguous about whether – and if so, when – new CEOs engage in strategic actions that reveal their strategic intentions in their early tenure. On the one hand, the literature on stakeholder uncertainty suggests that new CEOs may take bold strategic actions in their early tenure that can reveal the new CEO's strategic intentions and shape stakeholder perceptions (e.g., Pan et al., 2015). Bold strategic decisions stand out and can be particularly informative about new CEOs' strategic intentions (e.g., Pan et al., 2015). On the other hand, the literature on the CEO life cycle (e.g., Hambrick and Fukutomi, 1991) suggests that new CEOs may refrain from bold strategic actions in their early tenure because they need to gather information, learn, and adjust to their new role (Boal and Hooijberg, 2000; Graf-Vlachy et al., 2020). Integrating these two perspectives, this study aims to understand whether and when new CEOs, and especially those appointed amid high strategic uncertainty, make bold strategic decisions at the outset of their tenure.

Our theoretical framework leverages the time CEOs spend in their new role during early tenure as a conceptual bridge between the two perspectives. Following the stakeholder uncertainty perspective, we first argue that the hazard, or instantaneous risk, of announcing a first bold action – and specifically an M&A, especially if large or cross-border – during the early phase of a CEO's tenure is relatively higher in situations of high strategic uncertainty, because the need for new CEOs to reveal their strategic intentions is higher. Bold strategic actions, such as M&As, can help stakeholders learn about the new CEOs early in their tenure (Pan et al., 2015), which in turn facilitates collaboration, which is crucial for value creation (Barney, 2018; Harrison et al., 2010; McGahan, 2021). But, integrating the CEO life cycle perspective, we also propose that the relative hazard associated with situations of high strategic uncertainty is time-dependent: At the outset of their tenure, new CEOs need time to overcome a lack of information and knowledge specific to their new role before engaging in bold strategic decisions (Graf-Vlachy et al., 2020). We, therefore, expect the relative hazard associated with high strategic uncertainty to increase over early tenure time. In other words, during early tenure, time acts as a boundary condition, shaping the relationship between strategic uncertainty at appointment and bold strategic decision-making.

As bold strategic decisions, we examine specifically first M&As because these deals are especially bold and informative about new CEOs' strategic intentions. First, boldness is typically associated with greater risks (e.g., Li et al., 2015), and M&As are inherently risky (for a review, see Haleblian et al., 2009). Second, M&As are visible, at the discretion of CEOs, and can indicate the new CEOs' vision for growth and value creation (Pan et al., 2015). Thus, the first M&As, in particular cross-border and large M&As, that a new CEO announces can inform a firm's stakeholders about the new CEO's strategic intentions. But, at the same time, M&As usually require substantial information that new CEOs typically can only gather and understand through exposure to – or time in – their new role (e.g., Boal and Hooijberg, 2000).

We study CEO appointments under heightened strategic uncertainty because these situations provide a critical context for integrating the two competing theoretical perspectives on new CEOs' strategic decisions in early tenure. We focus on two situations where the strategic uncertainty surrounding the new CEOs is greater: when the new CEO is from outside the firm (e.g., Berns and Klarner, 2017; O'Riordan et al., 2019) and when the appointment of the new CEO is surrounded by more negative stock market reactions (e.g., Graffin et al., 2013). These two situations amplify both the stakeholders' need for information about the new CEO's strategic intentions and the new CEO's lack of information and knowledge. As a result, the new CEOs' need to reduce stakeholder uncertainty may be heightened, but so too are the risks associated with making bold decisions.

To test our hypotheses, we use a sample of 873 newly appointed CEOs of publicly listed firms in the USA in the 2004–2020 period. Applying an extended Cox hazard model, we examine the hazard of a first acquisition within new CEOs' first 3 years in their tenure. We find partial support for our hypotheses. We find that the relative hazard of announcing first acquisitions is usually higher for outsider CEOs and those with more negatively received appointments, particularly when announcing their first large and cross-border deals. Evidence on time dependence is mixed, with a stronger effect for the outsider CEO effect and for those cases involving large deals.

Our study expands current conversations on the timing of strategic decisions made by new CEOs and on M&As. In fact, although time is a fundamental aspect of CEO tenure, it is often overlooked or not explicitly studied in the early stages of their tenure, hindering the development of time-dependent theories about early CEO tenure (e.g., Darouichi et al., 2021). Acknowledging the CEO's early tenure time explicitly allows us to integrate the two so-far divergent theoretical perspectives on new CEOs' strategic decision-making and to synthesize the opposing causal mechanisms. Our insights about the actions of new CEOs advance upper echelons research, especially regarding CEO appointments surrounded by strategic uncertainty, such as appointments of outsider CEOs or CEOs whose appointment triggered negative stock market reactions (Finkelstein et al., 2009; Hambrick and Fukutomi, 1991; Keil et al., 2022). We offer a better understanding of *when* new CEOs may start to shape firms' strategies. Our findings indicate that time dependency varies across uncertain CEO appointments, being more pronounced for outsider CEOs and less so for CEOs facing more negative shareholder reactions upon their appointment. This implies that CEO life cycle and learning mechanisms may not be relevant to the same degree in different strategic uncertainty situations.

Our focus on a CEO's first M&As allows us to contribute to prior works on acquisition timing, which did not examine first deals and mostly focused on explanations at the firm level (Iyer and Miller, 2008; Kim et al., 2015). By accounting for time as an integrating factor between the two theoretical perspectives, we uncover an explanatory mechanism for the hazard of first acquisitions during early CEO tenure. We also find a difference between bold and less bold deals, as well as between the two bold deal types we focus on, large and cross-border acquisitions, suggesting that CEO life cycle factors seem to play a significant role in the timing of large deals but are less influential for the timing of cross-border M&As. Thus, our findings challenge

the general idea (e.g., Haleblian et al., 2009) that all M&A deals are equally suitable throughout the early stage of new CEOs' tenure.

THEORETICAL BACKGROUND

The Strategic Uncertainty Ensuing from the Appointment of a New CEO

A firm's strategic choices are the reflection of its CEO (e.g., Hambrick and Mason, 1984; Neely Jr et al., 2020). CEOs are placed at the top of the organizational hierarchy, and as such, they are the main strategic decision-makers in the firm. They shape the strategic direction of their firms because they possess ultimate control and decision-making power in the firm (Busenbark et al., 2016).

A change in a firm's leadership, therefore, represents a significant shift for both stakeholders and the newly appointed CEOs themselves. Stakeholders often lack information about the CEO's strategic intentions and leadership style, while new CEOs need to learn more about the firm to make effective decisions and succeed in their new position. This difference in the type of information asymmetry triggered by CEO turnover leads to competing conclusions between the CEO life cycle perspective and the stakeholder uncertainty perspective regarding whether, and if so, when new CEOs may take bold strategic actions in their early tenure.

The Stakeholder Uncertainty Perspective

The literature on stakeholder uncertainty about new CEOs highlights that boards, shareholders, and other stakeholders face information asymmetries about a CEO early in their tenure (Bochkay et al., 2019; Graffin et al., 2013) and may struggle to accurately predict the firm's future direction and viability within its environment (Bordia et al., 2004; Bushee et al., 2018). The CEOs' lack of history in their new leadership position makes the new CEOs' strategic intentions (still) private knowledge and their actions (yet) unobservable. The firm's stakeholders may not know how new CEOs will define their objectives and fulfil their responsibilities in their firms (Bochkay et al., 2019; Pan et al., 2015; Weisbach, 1995). Even if new CEOs are appointed with a specific mandate or purpose or are expected to execute a specific strategy, the firm's stakeholders may lack information about whether and how the new CEOs will initiate their mandated or expected strategy.

These information asymmetries are important for a new CEO, as they can hinder interactions between the new CEO and various stakeholders: for instance, managers and employees may worry about potential changes in the firm and their job security (Bordia et al., 2004; Bushee et al., 2018). Similarly, uncertainty surrounding a CEO change can strain relationships with customers and suppliers (Intintoli et al., 2017). Furthermore, this uncertainty may influence assessments by banks and investors, increasing the firm's cost of capital (Pan et al., 2014).

Since firms create value through collaboration with stakeholders (Barney, 2018; Harrison et al., 2010; McGahan, 2021), new CEOs have a strong incentive to address stakeholders' information gaps, thereby facilitating collaboration and value creation

with stakeholders. Bold strategic actions like M&As help investors (and other stakeholders) update their beliefs, or learn, about the CEO, particularly in their early tenure, and do so much more than, for instance, business expansion investments (Pan et al., 2015).

Thus, according to the stakeholder uncertainty perspective, new CEOs may choose to engage in strategic actions to reveal their strategic intentions early in their tenure to facilitate collaboration with stakeholders. The hazard of announcing such strategic actions should increase with the magnitude of stakeholders' information gaps.

Engaging in First M&As to Inform about the New CEOs' Strategic Intentions

We focus on M&As as bold strategic decisions in which new CEOs may engage. Boldness is typically associated with greater risks (Li et al., 2015; Quigley et al., 2019), and M&As are inherently risky, offering the potential for considerable gains but also for significant losses: acquisitions, if successful, can have substantial upsides for the firm that the new CEO leads, offering for instance an increase in market power, potential for resource deployment, and other types of synergies (for a review, see Haleblian et al., 2009). However, the difficulties inherent in M&A implementation may make the potential benefits of these deals emerge only in the long run and with little certainty. As they tend to be complex deals, M&As are not easily reversible (Lehn and Zhao, 2006; Pan et al., 2015; Rindova and Fombrun, 1999; Shapiro, 1983; Siegel and Simons, 2010), and the initial investments needed for M&As may reduce a firm's financial returns in the short run (Siegel and Simons, 2010). Finally, boards can discipline CEOs who destroy shareholder value through acquisitions by replacing them (Lehn and Zhao, 2006). Thus, M&As can damage the careers of the CEOs involved in them, endangering especially new CEOs early in their tenure when limited information about them is available.

M&As are very informative about the CEO's strategic intention. M&As are visible and are closely tied to a firm's wider strategy. Thus, M&As can also indicate the firm's and CEO's broader readiness to pursue a specific growth trajectory beyond M&A activities (Pan et al., 2015; Rindova and Fombrun, 1999; Shapiro, 1983). In general, an M&A is more informative about the CEO than other business expansion announcements, as M&As are rarely delegated to other managers and require the CEO's judgement and discretion (Graham et al., 2015; Pan et al., 2015).

We then posit that *first* M&As can provide salient information about the new CEO's strategic intentions to the firm's stakeholders for two main reasons. First, the firm's stakeholders typically observe the CEO's first strategic actions to develop their first assessments (Gioia and Chittipeddi, 1991; Greiner and Bhambri, 1989), which then shape their subsequent attitudes toward and expectations about the new CEO (Fiske and Taylor, 1991; Kahneman and Tversky, 1979). Usually, the first pieces of information are more salient than those that come later, as they set expectations and are not fully adjusted later on (Fiske and Taylor, 1991; Tversky and Kahneman, 1974). Second, as the firm's stakeholders observe the first actions of new CEOs, first bold strategic decisions, and thus M&A, can be crucial. Bold decisions stand out (Bowers

et al., 2014), attract more attention, and thereby enhance the salience of information that they convey (Bowers et al., 2014; Fiske and Taylor, 1991). They are also usually associated with leadership effectiveness (Offermann et al., 1994; Petrenko et al., 2019).

The CEO Life Cycle Perspective

A range of CEO life cycle models in management research offer a contrasting perspective (Hambrick and Fukutomi, 1991). For new CEOs, these models emphasize the learning phase, where CEOs gradually acquire the necessary information and knowledge – and thus learn – to make effective decisions (Boal and Hooijberg, 2000; Hambrick and Fukutomi, 1991). More specifically, the models highlight that new CEOs, in their early tenure, usually focus on gathering information by exploring and exploiting diverse information sources, for instance, employees or customers, to build their knowledge base (Hambrick and Fukutomi, 1991; Luo et al., 2014). Also, new CEOs still have limited expertise, or CEO role-specific knowledge in the firm, and thus a limited ability to process the information and handle complex situations in their new job, which can hamper strategic decision-making (Graf-Vlachy et al., 2020). As CEOs gain experience over time, their expertise and, consequently, their ability to handle complex situations grow (Graf-Vlachy et al., 2020).

All CEOs experience these hurdles at the outset of their new position. Even if the CEOs were insiders, that is, appointed from within the firm's ranks, they may lack information and knowledge specific to the job of a CEO (Andrews, 1987). For instance, a new CEO needs to learn about organization-wide facts, trends, or processes, that is, about how the different stakeholders, or parts of the organization, are linked to or in contradiction with each other (Gabarro, 1987; Greiner and Bhambri, 1989). A new CEO needs time to connect to the firm's stakeholders, both inside and outside the firm, to access and understand information across different levels (Boal and Hooijberg, 2000; Grusky, 1969). Even when new CEOs are insiders, they need to (re)establish contacts with their colleagues and access (and understand) information that they might not have had access to in their former role. As a consequence, only when CEOs manage to reduce their own information asymmetries, get acquainted with their new job, and learn 'the ropes to skip and the ropes to know' (Boal and Hooijberg, 2000: 520), they may be able to reveal their strategic intentions and reduce the strategic uncertainty faced by a firm's stakeholders.

Thus, according to the CEO life cycle perspective, CEOs should avoid announcing strategic actions that reveal their strategic intentions early in their tenure, as they still need to learn. The hazard of announcing such strategic actions should be lower when the need – or the difficulty – to gather information and knowledge, and thus learn, is greater.

The Role of Time in Engaging in First M&As

To engage in M&As, CEOs must thoroughly understand not only potential targets but also their own firm and its stakeholders. During the due diligence process, acquirers must assess both the risks and benefits of the deals by examining the strategic and organizational

alignment between the target and their firm, and by planning for post-merger integration. This is especially challenging for new CEOs, as they may not yet possess a comprehensive understanding of their firm's processes and key stakeholders, often due to the limited time they have had to establish key contacts, which restricts their access to essential information (Graf-Vlachy et al., 2020; Hambrick and Fukutomi, 1991). As a result, while M&A due diligence is inherently complex for all CEOs, requiring extensive data collection and leading to organizational resource consumption and slowed decision-making (Reuer and Sakhartov, 2021), this complexity is even more pronounced for new CEOs.

For new CEOs, the time spent in their new role enables a deeper understanding of their firm and its stakeholders, leading to the accumulation of CEO-specific expertise essential for evaluating M&A viability. Time is crucial for two reasons: First, as CEOs close information gaps over time, they can build a broader knowledge base (Luo et al., 2014), which supports their assessment of strategic and organizational fit, as well as post-merger integration feasibility. Second, their growing expertise over time enhances their cognitive ability to synthesize and process this information more effectively (Graf-Vlachy et al., 2020). Ultimately, the experiences gained during early tenure significantly strengthen a CEO's decision-making capacity in M&A contexts.

HYPOTHESES

Situations of Strategic Uncertainty

While the stakeholder uncertainty perspective suggests that CEOs might have an incentive to announce bold strategic moves in their early tenure to reduce stakeholder information asymmetries, the CEO life cycle model emphasizes that CEOs may need time due to their own lack of information and knowledge, and therefore avoid the announcement of bold strategic decisions during early tenure. We bring together these two opposing perspectives in our theoretical model. In line with the stakeholder uncertainty perspective, we first argue that the hazard, or instantaneous risk, of announcing first acquisitions during the early phase of a CEO's tenure is relatively higher in situations of high strategic uncertainty. But integrating the CEO life cycle model, we propose that the effect of appointments under heightened strategic uncertainty on the hazard of first bold strategic decisions during the early phase of a CEO's tenure is positively dependent on the CEO's time in their role. In other words, the time CEOs spend in their position can help understand and mitigate the risks associated with first bold decisions, in particular M&A.

CEO appointments during periods of heightened strategic uncertainty provide an ideal context for examining the competing theoretical views. These situations amplify the information asymmetries faced by stakeholders and, accordingly, the need to reveal strategic intentions for new CEOs. At the same time, the information and knowledge gaps faced by new CEOs are greater as well, which may reduce their ability to announce complex decisions, such as first M&As. We examine two specific situations of higher strategic uncertainty surrounding the appointment of CEOs: when the new CEO is appointed from outside the firm (i.e., an outsider CEO) and when the new CEO's appointment is more negatively perceived by the market.

Outsider CEO. Following the stakeholder uncertainty perspective, the appointment of an outsider CEO is surrounded by higher strategic uncertainty and is associated with higher information asymmetries for a firm's stakeholders than the appointment of an insider CEO. For outsider CEOs, strategic change expectations are greater than for insider CEOs (for a review, see Berns and Klarner, 2017; O'Riordan et al., 2019). In general, firms appoint outsider CEOs when change is needed (e.g., Zhang and Rajagopalan, 2010). Outsider CEOs can bring a fresh eye and move more boldly and quickly to challenge the status quo (Dewar and Strovink, 2023). Thus, outsider CEOs are typically expected to carry out more strategic changes than insider CEOs. In addition, compared to insider CEOs, outsider CEOs have no prior history in the firm that can be used to extrapolate how exactly they will carry out the change.

For these reasons, the need to inform about strategic intentions toward the firm's stakeholders, and accordingly the benefits from engaging in first M&As, are higher for outsider than insider CEOs at the outset of their tenure. Engaging in an M&A during their early tenure may be more important for unlocking opportunities for joint value creation. Therefore, we propose that compared to insider CEOs, outsider CEOs have a higher hazard of announcing M&As at the outset of their tenure. Hence, we predict:

> *Hypothesis 1a: (hazard of doing a first M&A)* In new CEOs' early tenure, the hazard of announcing a first acquisition for outsider CEOs compared to insider CEOs is higher.

However, according to the CEO life cycle perspective, new CEOs need time to overcome initial information and knowledge gaps before they can engage in an M&A. Given their lack of experience in the firm, outsider CEOs face greater information asymmetry than insider CEOs during their early tenure. As outsider CEOs know less about the past strategy of the firm, its culture, and its operations, they will also find it more difficult to process new information than insider CEOs. Additionally, stakeholders may hold more reservations toward outsider CEOs than toward insider CEOs (Keil et al., 2022). These difficulties may translate into a lack of access to necessary information from internal and external stakeholders (Gabarro, 1987; Shen and Cannella, 2002; Vancil, 1987) that the new CEOs would need to obtain to be able to assess the benefits and risks of M&A to be able to engage in these deals. Thus, in their early tenure, outsider CEOs may need to invest more time than insider CEOs to interact with employees, managers, and other firm stakeholders and learn about the firm's operations and culture (Mintzberg, 1973). These factors may hamper the ability of new outsider CEOs to announce M&A deals sooner to inform about their strategic intentions.

Thus, we expect the effect of an outsider CEO on the hazard of announcing a first M&A to be time-dependent and not proportional over early tenure time. Specifically, as new CEOs progress in their tenure, the hazard of announcing a first acquisition increases for outsider CEOs compared to insider CEOs.

> *Hypothesis 1b: (time dependency effect)* As the new CEOs' early tenure progresses, the hazard of announcing a first acquisition for outsider CEOs compared to insider CEOs increases.

Negative market reactions to the appointment of a new CEO. From a stakeholder uncertainty perspective, the appointment of a new CEO perceived negatively by the market exacerbates strategic uncertainty and intensifies information asymmetries between the new CEO and the firm's stakeholders. The stock market's initial reaction to a CEO appointment reflects shareholders' expectations regarding the new CEO's prospective influence on firm performance (Chang et al., 2010). This initial reaction can represent for many stakeholders the first piece of information about the new CEO and can bias their perceptions throughout the CEO's early tenure (Graffin et al., 2013). Negative reactions are particularly important, because stakeholders typically ascribe greater weight to negative information, which tends to dominate positive assessments (Rozin and Royzman, 2001). Consequently, when a CEO's appointment is met with a more negative market response, stakeholders are likely to perceive greater uncertainty regarding the CEO's capacity to pursue growth opportunities and generate firm value (Pan, 2017).

The more negative the market reaction to a new CEO's appointment, the greater the benefits for the CEO in engaging in first M&As, as these moves reveal strategic intentions and provide valuable information to the firm's stakeholders, especially about the CEO's ability to seize growth opportunities. This, in turn, could facilitate collaboration with stakeholders. Therefore, we expect the hazard of announcing first M&As to be higher for CEOs who have more negative stock market reactions at their appointment than for CEOs who have less negative stock market reactions at their appointment:

> *Hypothesis 2a: (hazard of doing a first M&A)* In new CEOs' early tenure, the hazard of announcing a first acquisition for CEOs whose appointment receives more negative stock market reactions is higher than for CEOs whose appointment receives less negative stock market reactions.

However, from the CEO life cycle perspective, when the initial market reaction to the new CEO's appointment is less favourable, the information asymmetries faced by new CEOs are greater as well. First, with more negative reactions, new CEOs will need additional time to gather and interpret information to reassess if prior information and understandings of their new role in the firm, and a possible M&A deal, need to be updated (Gabarro, 1987; Shen and Cannella, 2002; Vancil, 1987). In addition, with more negative reactions, it will be harder for new CEOs to succeed in their interaction with other stakeholders (Khurana, 2002a, 2002b). As a result, it will be more difficult for the more negatively perceived new CEOs to get access to information (Khurana, 2002b). The time that CEOs with more negative stock market reactions spend in their new position allows learning processes to unfold and permits the CEOs to better assess the potential benefits and risks of M&As.

Thus, we expect the effect of negative stock market reactions to the new CEO's appointment on the hazard of announcing a first M&A to be time-dependent and not proportional over early tenure time. Specifically, as they progress in their tenure, for

CEOs who experienced more negative market reactions, the hazard of announcing a first acquisition increases.

> *Hypothesis 2b: (time dependency effect)* As the new CEOs' early tenure progresses, the hazard of announcing a first acquisition increases for CEOs whose appointment receives more negative stock market reactions.

Acquisition Boldness

New CEOs may choose to engage in first M&As in their early tenure because M&As are bold strategic actions that can be especially informative about a new CEO's strategic intentions to a firm's stakeholders. However, M&As vary in their level of boldness and risk. We expect our earlier mechanisms to be more pronounced for very risky acquisitions, namely acquisitions of large size or of cross-border character.

Large deals. The boldness of an acquisition is greater for large deals than for small ones (Chatterjee and Hambrick, 2007; Nadkarni and Herrmann, 2010). A large deal represents a more 'significant component of corporate strategy' (Sirower, 1997: 198) than a small deal. Large deals require more resources and limit further growth options (Rabier, 2017). Thus, they are less reversible than small deals and lock firms into a given growth path (Brouthers and Dikova, 2010), and consequently entail greater risks (Sirower, 1997).

For these reasons, from the stakeholder uncertainty perspective, large deals tend to receive more attention from a firm's stakeholders (Haleblian et al., 2009) and can represent a better means for the new CEOs to indicate their strategic intentions to stakeholders. As a result, the benefits of announcing a large acquisition for CEOs under strategic uncertainty should be greater than for announcing a small deal. Thus, we expect that during the new CEOs' early tenure, the hazard of announcing a first acquisition for outsider CEOs (compared to insider CEOs) or for CEOs subject to more negative stock market reactions at their appointment is higher for large than for small deals:

> *Hypothesis 3a: (hazard of doing a first M&A)* In new CEOs' early tenure, the hazard of announcing a first acquisition for outsider CEOs compared to insider CEOs (or for CEOs with more negative stock market reactions at their appointment) is greater for large than small deals.

However, from a CEO life cycle perspective, the information asymmetries for the CEOs are also greater in large than in small deals. Large acquisitions involve the participation of a broad range of business units and departments, whereas small acquisitions can usually be relatively precisely defined and involve only a restricted set of executives and departments (Ellis et al., 2011). The expanded scope increases information demands, in particular the number of sources to consult, and the information processing complexity. As a result, new CEOs in situations of strategic uncertainty, who usually have difficulties in accessing and understanding information because they are outsiders or questioned at

their appointment announcement, would need relatively more time to assess the risks and viability of in particular large M&As than CEOs not in situations of high strategic uncertainty. Thus, we expect the positive effect of outsiderness and of more negative stock market reactions to the new CEO's appointment on the hazard of announcing a first M&A to be time-dependent and not proportional over early tenure time – particularly for large deals compared to small ones. We expect that as they progress in their tenure, for outsider CEOs and CEOs who experienced more negative market reactions, the increase in the hazard of announcing a first acquisition is greater for large deals than for small deals:

> *Hypothesis 3b: (time dependency effect)* As the new CEOs' early tenure progresses, the increase in the hazard of announcing a first acquisition over time for outsider CEOs compared to insider CEOs (or for CEOs with more negative stock market reactions at their appointment) is greater for large than small deals.

Cross-border deals. Similarly, cross-border deals are bolder than domestic acquisitions (for a review, see Shimizu et al., 2004). Cross-border deals can offer more growth potential within a given strategic direction than a domestic deal. Cross-border deals allow growth that is associated with opening up to larger markets and a global expansion that leverages and reinforces a firm's unique position and identity (Porter, 1996). But cross-border acquisitions are typically considered riskier than domestic ones, because they expose the acquiring firm to the liability of foreignness (Keil et al., 2022; Shimizu et al., 2004).

Therefore, from the stakeholder uncertainty perspective, CEOs whose appointments are surrounded by higher strategic uncertainty should prefer to time first cross-border deals, as compared to domestic ones, earlier because cross-border deals are more informative about the future strategic direction of the firm to the firm's stakeholders than domestic ones. We expect that during the new CEOs' early tenure, the hazard of announcing a first cross-border acquisition for outsider CEOs (compared to insider CEOs) or for CEOs subject to more negative stock market reactions at their appointment is higher than announcing a first domestic deal:

> *Hypothesis 4a: (hazard of doing a first M&A)* In new CEOs' early tenure, the hazard of announcing a first acquisition for outsider CEOs compared to insider CEOs (or for CEOs with more negative stock market reactions at their appointment) is greater for cross-border than domestic deals.

However, from a CEO life cycle perspective, it might take longer to access and understand relevant information for cross-border than domestic deals. First, in cross-border deals, there are usually additional barriers, for example, relating to cultural differences (Bergh et al., 2019; Shimizu et al., 2004). In addition, cross-border M&As require a deep understanding of multiple economic environments, regulatory frameworks, and market dynamics (Xie et al., 2017). As a result, in situations of strategic uncertainty for new CEOs, it would be more time-consuming to assess, for instance, a possible cultural or strategic fit or clash

between the foreign target and their new firm due to their greater difficulties in accessing and processing information because of their limited familiarity with their new role. They would need more time to assess the benefits and risks, and the overall viability of the cross-border M&A deal. Therefore, we expect the effect of outsiderness and of negative stock market reactions at the new CEO's appointment on the hazard of announcing a first M&A to be time-dependent over early tenure time, and more so for cross-border deals than domestic deals. We expect that as they progress in their tenure, for outsider CEOs and CEOs who experienced more negative market reactions, the increase in the hazard of announcing a first acquisition will be greater for cross-border deals than for domestic deals:

> *Hypothesis 4b: (time dependency effect)* As the new CEOs' early tenure progresses, the increase in the hazard of announcing a first acquisition over time for outsider CEOs compared to insider CEOs (or for CEOs with more negative stock market reactions at their appointment) is greater for cross-border than domestic deals.

DATA AND METHODS

Data Set-up and Estimation Methodology

To test our hypotheses, we used a sample of newly appointed CEOs of publicly listed firms in the USA. We identified the CEOs using Boardex North America and ExecuComp. We only kept those CEOs that had CEO announcement information in Boardex, that could be matched with corresponding information in both databases, and that were also included in the database built by Gentry et al. (2021). The latter database provided us with information on CEO turnover. Data availability on equity returns at the time of CEO announcements (Source: CRSP) and on quarterly financial firm information (Source: Compustat North America) further reduced our sample. Our final sample, with information on all explanatory variables, consists of 873 new CEOs of publicly listed firms between 2004 and 2020. Although the data matching and cleaning process significantly reduced our sample size, this refined sample enhances the validity of our findings. The CEOs in our sample lead visible firms, where CEO and M&A announcements are publicly accessible and closely monitored by stakeholders, which aligns with the key assumptions underlying our study.

We assessed the hazard, or instantaneous risk, of a first acquisition occurring at a given point in time during the early phase of a CEO's tenure, given that it has not yet occurred. To do so, we used an event history modelling approach (Iyer and Miller, 2008). We constructed our dataset such that a new CEO is at risk of announcing an acquisition deal each day after the new CEO is appointed (based on the initial appointment information from the ExecuComp database). Our results remain unaffected if we scale the time dimension to the quarterly or monthly level (results are available on request). As in prior works (Kozhikode and Krishnan, 2022), we used a three-year tenure (i.e., 1095 days) in our base set-up to capture early tenure. Following extant literature (Iyer and Miller, 2008; Kozhikode and Krishnan, 2022), we made no assumptions on the baseline hazard rate and used the extended Cox hazard model as our base estimation model. The Cox hazard model captures the time elapsing from one moment until the occurrence of the event of

interest. It is more versatile than other event history methods for testing time dependencies of the independent variables (Allison, 2014; Woo et al., 2023).

In addition, following Iyer and Miller (2008), in our estimations, we stratified our results by industry (by the two-digit SIC industry codes), introducing an industry-specific baseline hazard ratio to capture industry-specificities, and we included year indicators to control, for instance, for M&A wave activity. We clustered our standard errors based on the CEO-firm combination. Our results are robust to other forms of clustering, such as clustering based on firms or CEOs (results are available on request). All our statistical tests are two-tailed.

To allow for time dependence, that is, for the fact that the effect of a variable can depend on the time elapsed since the CEOs started their job, we relaxed the assumption of time proportionality (Box-Steffensmeier et al., 2003; Royston and Lambert, 2011). To understand if the time proportionality assumption for the individual covariates included in the model was violated, we first predicted the scaled Schoenfeld residuals and then tested if the correlation between them and a function of time was statistically significant or not (Box-Steffensmeier et al., 2003; Grambsch and Therneau, 1994). A significant correlation indicates that the time proportionality assumption is violated and that an interaction term with time can be introduced in the model (Box-Steffensmeier et al., 2003; Woo et al., 2023). Consequently, when the correlation was significant, to test formally the proportional hazard assumption, we examined whether the coefficient of the interaction variable was statistically significantly different from zero or not in our estimation model (Royston and Lambert, 2011). Thus, by fitting interactions between the explanatory variable and the variable that accounts for the effect of time in the Cox model, we were able to capture the relative effects of explanatory variables that vary over time and thus test our hypotheses (Royston and Lambert, 2011; Woo et al., 2023). The time trend in our models is based on quarters to reflect the mandatory quarterly reporting requirements for firms (and their CEOs) in the USA. Switching to a monthly time trend did not change our results (see Table AIII Model 5 in the Appendix).

Variables

Dependent variable. To study the hazard of a new CEO announcing a first acquisition, we defined its timing as the day of the announcement of the first acquisition under the new CEO (Source: SDC-LSEG, former Refinitiv Eikon). Because we are interested in first acquisitions that are informative about a new CEO's strategy and represent a commitment by the acquiring firm (and thus the new CEO), we only considered the announcement of majority acquisitions (i.e., a minimum of 50% ownership of the target). While minority stake acquisitions are often considered as a way to remain flexible and learn about possible targets (or their industries), without committing to them (e.g., Folta and Miller, 2002), majority or control acquisitions allow the acquiring firm to realize synergies, such as redeploying assets from one firm to the other or gaining scale economies (Bradley et al., 1988). All the 873 new CEOs that we identified were at risk of making 256 first M&A announcements. And almost one-third of the CEOs in our sample announced at least one majority acquisition within the first 3 years of their tenure. To capture the size of the M&As that are announced (Hypothesis 3a and

3b), we restricted large M&A announcements to those deals with a value of more than US$100 million (Ellis et al., 2011). To account for the geographic nature of the M&As (Hypothesis 4a and 4b), we restricted cross-border M&A announcements to those deals where the home country of the target firm was outside the USA.

Independent variables. Our first independent variable is *Outsider CEO*. *Outsider CEO* takes on the value of one if the CEO had less than 2 years of prior service within the firm, and zero otherwise (Source: Boardex) (Cannella and Lubatkin, 1993; Graffin et al., 2013). Outsider CEOs often join a firm some time before assuming their new role to facilitate their integration (Cannella and Lubatkin, 1993; Karaevli and Zajac, 2013). Of the 322 CEOs classified as outsider CEOs, 295 had no prior employment with the focal firm before their CEO appointment, and 27 had less than 2 years of tenure at the firm.

We calculated the negative stock market reactions to CEO appointment, captured by our second independent variable, *Negative CEO CARs*, as the absolute value of the cumulative abnormal stock market returns (CARs) (Source: CRSP) at the time of the announcement of the appointment of a new CEO (Source: Boardex) when they are below zero. To calculate the CARs, we performed an event study (e.g., MacKinlay, 1997; Wade et al., 2006). We used the market model to calculate the abnormal returns (AR), where $AR_{it} = R_{it}\text{-}R_{pt}$, with R_{it} = the return of a firm *i* at time *t*, and R_{pt} = the predicted return for firm *i* at time *t*. We obtained the predicted returns R_{pt} based on a beta calculated during 200 trading days, ending 40 days prior to the date of the announcement of the CEO change. For calculating the beta, we used the return on the CRSP value-weighted market portfolio as the market return. We then aggregated the abnormal returns AR_{it} for each firm *i* over a three-day window (−1 day before to +1 after the announcement of the new CEO) to form the CAR_i. Event studies assume that the financial market immediately incorporates news into the stock price when the news on the event appears (MacKinlay, 1997). As such, a short window around the CEO appointment ensures that we only capture the effect linked to this event. The variable *Negative CEO CARs* takes the value zero when it is above or equal to zero. We used the three-day [−1, +1] CARs in our base model (e.g., Mulherin and Boone, 2000). Alternative estimation windows do not change our main findings (see Table AII Models 5 and 6 in the Appendix).

Control variables. Following the extant literature on the hazard of doing an M&A (Gomez-Mejia et al., 2018; Iyer and Miller, 2008; Kozhikode and Krishnan, 2022), we included several variables to control for the possible confounding effects at the firm, CEO turnover event, and CEO level (for a detailed explanation, see Table AI in the Appendix (Carlson and Wu, 2012; Cinelli et al., 2022)).

At the firm level, we included the above- and below-industry return on assets of a firm (*Firm ROA – below (above) Industry*) to examine the effect of positive or negative performance attainment discrepancies in the hazard to acquire (Gomez-Mejia et al., 2018; Iyer and Miller, 2008). To capture a firm's financial resources for M&As, we added *Firm Leverage* (ratio of short- and long-term debt to total assets), *Firm Liquidity* (ratio of the difference between current assets and inventories to current liabilities), and *Firm Size* (natural log of the total assets) (Iyer and Miller, 2008). We calculated these variables using quarterly data (Source: Compustat North America), and we lagged them by one quarter, as a CEO may rely on past

information when announcing an M&A. We also controlled for *Firm Acquisition Experience*, measured as the number of M&A deals of the firm during the 3 years prior to the CEO appointment (natural logarithm transformed) (Ellis et al., 2011).

We also accounted for other aspects of the CEO turnover that could influence the degree to which strategic change might be expected, thereby raising the new CEO's M&A hazard. *Prior CEO Dismissal* is equal to one if the old CEO was forced to resign from the position and zero otherwise (Kozhikode and Krishnan, 2022) (Source: Gentry et al. (2021)). Similarly, we controlled for top management team (TMT) changes around the CEO turnover. We measure *TMT Change* as the change of a CFO (chief financial officer) and/or COO (chief operating officer) around the CEO turnover date. It takes a value of zero when there was no change in the TMT, one when either the CFO or the COO was changed, and two if both the COO and CFO were changed (Source: Boardex).

We then controlled for elements of a CEO's profile that could impact the CEO's need or ability to announce a deal. We controlled for the positive stock market reaction to the CEO appointment, *Positive CEO CARs*, calculated like the *Negative CEO CARs*. This variable takes on the value of the 3-day [−1, +1] CARs when the CARs are above 0 – and 0 otherwise (Source: BoardEx, CRSP). We controlled for *CEO Acquisition Experience* as the number of prior acquisitions (natural logarithm transformed) that the new CEO undertook as a CEO in another firm. We controlled for *CEO Age*, the dichotomous variable *Female CEO* (Hall and Kehoe, 2013; Levi et al., 2014), and *CEO Academic Background* (one if the CEO has a Ph.D. and/or an MBA and zero otherwise (Jung and Shin, 2019; Wang and Yin, 2018)). Given that embeddedness in board networks can facilitate deal-making for CEOs (Malhotra et al., 2018), we controlled for the *CEO Non-Executive Board Positions* (natural logarithm transformed) prior to their focal appointment. We also added *CEO-Chairman Duality*, which takes on the value one once the new CEO is announced to be also a chairman of the firm, and zero otherwise (Source: Boardex) (Finkelstein and D'aveni, 1994; Krause et al., 2014). Finally, we added *CEO Heir Apparent Experience*, calculated as the number of years (natural logarithm transformed) in a COO, president, CEO-designate, or CFO position prior to taking on the CEO role (Bigley and Wiersema, 2002).

RESULTS

Main Findings

Table I reports the descriptive statistics and the correlations of our variables. There is no evidence of multicollinearity. The average VIF factor is 1.12; the maximum VIF factor is 1.38.

We report our main findings in Table II. Model 1 presents the results with the control variables only. We then add the main variables of interest: *Outsider CEO* and *Negative CEO CARs* (Model 2). Both variables are positive and statistically significant ($p = 0.004$ and $p = 0.007$, respectively), indicating that the hazard of announcing M&As is higher in situations of higher strategic uncertainty (our Hypothesis 1a and 2a). A one standard deviation change in *Negative CEO CARs* (which corresponds to 2.6% more negative CARs at the CEO's announcement) leads to a 14.4% higher hazard to acquire, whereas a one standard deviation change in *Outsider CEO* leads to

Table I. Descriptive statistics

		Mean	*S.D.*	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*	*(14)*	*(15)*	*(16)*	*(17)*	*(18)*
(1)	Outsider CEO	0.347	0.476	1																	
(2)	Negative CEO CARs	0.014	0.026	0.051	1																
(3)	Positive CEO CARs	0.018	0.036	0.069	−0.273	1															
(4)	CEO Acquisition Experience	0.021	0.158	0.186	−0.017	0.077	1														
(5)	CEO Non-Executive Board Positions	0.147	0.399	0.052	0.018	−0.029	0.073	1													
(6)	CEO Heir Experience	0.056	0.278	−0.084	0.002	−0.005	−0.027	−0.020	1												
(7)	TMT Change	0.150	0.403	−0.087	−0.062	0.006	−0.050	0.032	0.077	1											
(8)	Prior CEO Dismissal	0.198	0.398	0.313	0.074	0.161	0.094	−0.020	−0.071	−0.005	1										
(9)	Female CEO	0.057	0.231	0.009	−0.031	−0.023	−0.025	0.002	−0.012	0.110	−0.086	1									
(10)	CEO Academic Background	0.463	0.499	0.070	0.023	0.025	−0.002	0.027	0.064	−0.077	0.027	−0.027	1								
(11)	CEO Age	54.252	5.272	0.074	0.005	−0.019	0.076	0.145	0.023	−0.021	0.025	−0.013	−0.023	1							
(12)	CEO-Chairman Duality	0.115	0.319	−0.079	−0.046	−0.011	0.011	0.030	−0.030	−0.001	−0.036	−0.006	0.085	0.151	1						
(13)	Firm ROA – below Industry	0.007	0.024	0.132	0.065	0.081	0.030	−0.002	−0.021	0.003	0.121	−0.017	−0.014	0.005	−0.019	1					
(14)	Firm ROA – above Industry	0.013	0.023	−0.005	0.011	−0.043	−0.023	0.060	−0.025	−0.052	0.001	−0.029	0.058	0.000	0.025	−0.148	1				
(15)	Firm Liquidity	1.450	1.453	0.035	−0.009	−0.012	0.002	0.028	0.008	−0.037	−0.044	−0.035	0.021	−0.028	−0.042	0.037	0.185	1			
(16)	Firm Size	8.163	1.581	−0.245	−0.110	−0.077	0.062	0.066	−0.045	0.047	−0.010	−0.012	−0.063	0.152	0.167	−0.136	−0.112	−0.266	1		
(17)	Firm Leverage	0.282	0.196	0.059	0.032	0.087	−0.026	0.020	0.094	0.049	0.007	−0.063	−0.012	0.071	−0.035	0.064	0.010	−0.172	0.183	1	
(18)	Firm Acquisition Experience	0.642	0.707	−0.072	−0.025	−0.010	0.071	0.073	−0.087	−0.061	−0.023	−0.084	−0.009	−0.009	0.054	−0.031	0.010	−0.044	0.176	−0.019	1

Table II. Main results

	Model 1	*Model 2*	*Model 3*	*Model 4*
Time × Outsider CEO			0.114	0.123
			(0.008)	(0.004)
Time × CEO Acquisition Experience				−0.925
				(0.093)
Time × CEO Non-Executive Board Positions				0.086
				(0.220)
Time × CEO-Chairman Duality				0.229
				(0.002)
Time × Firm ROA – above Industry				−1.961
				(0.038)
Outsider CEO		0.432	−0.056	−0.083
		(0.004)	(0.820)	(0.740)
Negative CEO CARs		5.188	5.449	5.385
		(0.007)	(0.004)	(0.006)
Firm ROA – below Industry	−32.691	−35.200	−35.213	−34.111
	(0.002)	(0.002)	(0.002)	(0.003)
Firm ROA – above Industry	4.536	5.125	5.054	13.038
	(0.115)	(0.074)	(0.075)	(0.005)
Firm Leverage	−0.653	−0.854	−0.849	−0.838
	(0.112)	(0.044)	(0.043)	(0.050)
Firm Liquidity	0.094	0.093	0.090	0.094
	(0.013)	(0.011)	(0.009)	(0.004)
Firm Size	0.046	0.099	0.104	0.111
	(0.370)	(0.066)	(0.054)	(0.038)
Firm Acquisition Experience	0.631	0.654	0.653	0.645
	(0.000)	(0.000)	(0.000)	(0.000)
Prior CEO Dismissal	−0.366	−0.542	−0.524	−0.511
	(0.061)	(0.007)	(0.010)	(0.012)
TMT Change	0.247	0.336	0.338	0.368
	(0.127)	(0.039)	(0.036)	(0.023)
Positive CEO CARs	1.609	2.538	2.910	2.346
	(0.483)	(0.224)	(0.176)	(0.312)
CEO Acquisition Experience	0.089	−0.243	−0.225	1.718
	(0.923)	(0.789)	(0.816)	(0.006)
CEO Age	−0.021	−0.023	−0.025	−0.024
	(0.128)	(0.099)	(0.081)	(0.087)

(Continues)

Table II. (Continued)

	Model 1	*Model 2*	*Model 3*	*Model 4*
Female CEO	0.706	0.666	0.691	0.655
	(0.008)	(0.012)	(0.009)	(0.015)
CEO Academic Background	0.253	0.236	0.236	0.265
	(0.059)	(0.077)	(0.077)	(0.049)
CEO Non-Executive Board Positions	−0.585	−0.642	−0.689	−1.170
	(0.021)	(0.011)	(0.006)	(0.035)
CEO-Chairman Duality	0.021	−0.001	0.028	−1.424
	(0.929)	(0.997)	(0.905)	(0.021)
CEO Heir Experience	0.175	0.185	0.227	0.216
	(0.394)	(0.366)	(0.273)	(0.291)
χ^2	114.6	133.5	138.5	195.6
Pseudo-R^2	0.106	0.113	0.117	0.130
Log likelihood	−666.0	−660.3	−657.3	−647.7

Note: p-values are in parentheses. 873 new CEOs are at risk for 569,254 days in 256 first acquisitions. All models include year fixed effects and are stratified by industry.

a 22.8% higher hazard to acquire. Our results are economically relevant; that is, the effects are not only statistically significant but also large enough in magnitude at the population-level to be meaningful, regardless of sample size). When translating our effects into Cohen's *d as* a standardized, scale-free effect size measure (Azuero, 2016), the effect of *Negative CEO CARs* counts as a small effect, and the effect of *Outsider CEO* as a small-medium effect.[1] Both effects are non-trivial in management, where effects are usually small (Ellis, 2010; Mazen et al., 1987; Meyer et al., 2020). The effect of *Negative CEO CARs* is comparable to the effect of, for instance, *Firm Liquidity* (14.5%) or *TMT Change* (14.5%) and is greater than *CEO Academic Background* (12.5%). The effect of *Outsider CEO* is greater than all but two of the other explanatory variables in the model. These effects are also similar in size to the effects implied by the results of Kozhikode and Krishnan (2022).

Using the Schoenfeld residual-based test to identify non-proportional time effects for the individual variables based on Model 2, we find evidence for a linear time trend for *Outsider CEO* ($p = 0.013$). We do not find a similar trend effect for the *Negative CEO CARs* ($p = 0.4502$), suggesting that the effect is time invariant and thus rejecting Hypothesis 2b.

In Model 3, we add the time interaction with *Outsider CEO* only. The main effect of *Outsider CEO* is insignificant ($p = 0.820$). The time interaction effect is positive and statistically significant ($p = 0.008$), thus indicating that the hazard is not proportional across time (Royston and Lambert, 2011). The time interaction remains statistically significant when, in Model 4, we also add time interaction effects for those variables for which the Schoenfeld residual-based tests based on Model 2 were statistically significant, that is, *CEO Acquisition Experience* ($p = 0.0107$), *CEO Non-Executive Board Positions* ($p = 0.0837$),

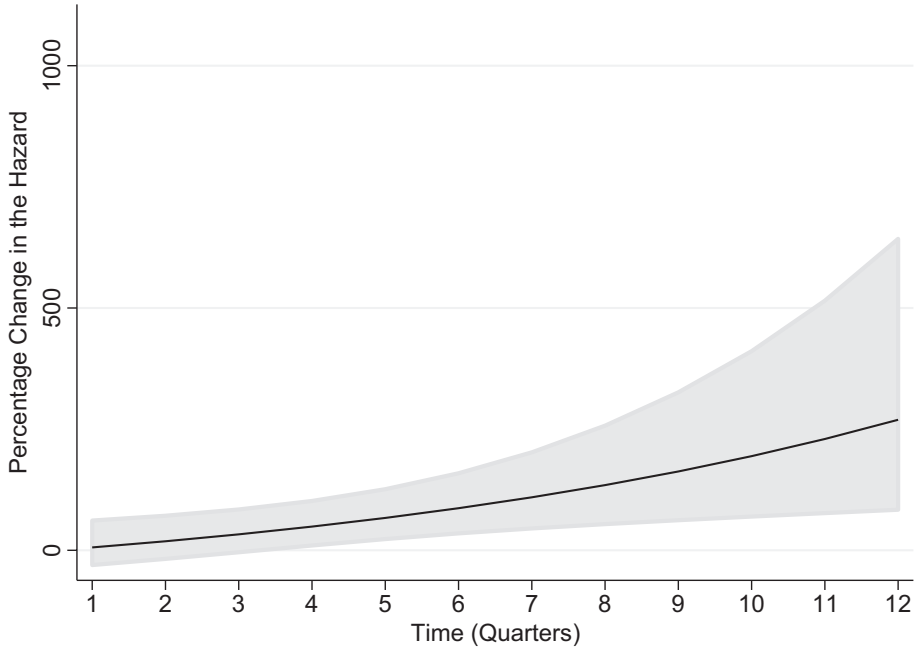

Figure 1. Percentage change in the acquisition hazard for *Outsider CEO* over time. The figure plots the change in the estimated hazard for Outsider CEO in the non-proportional model with a 95% confidence interval.

CEO-Chairman Duality (p = 0.0034), and *Firm ROA – above Industry* (p = 0.0136).[2] Thus, we find support for time dependency (our Hypothesis 1b).

Furthermore, to understand the increase in the effect of *Outsider CEO* over time (Hypothesis 1b), we plot the joint hazard ratio (Figure I, with a 95% confidence interval). In the graph, we observe that new CEOs have a similar hazard of acquiring as insider CEOs until about the end of the third quarter of their tenure. As predicted in Hypothesis 1b, the hazard ratio increases over time. In the fourth quarter, when the effect turns significant, a one standard deviation change in *Outsider CEO* leads to a 20.87% higher hazard of acquiring; an outsider CEO is then 48.90% more likely to acquire than an insider CEO. By the end of year 3 (or the 12th quarter), the hazard ratio reaches a value of 3.69; that is, the hazard of acquiring for an outsider CEO is 269.32% higher than for an insider CEO. A one standard deviation change in *Outsider CEO* then leads to an 86.24% higher hazard of acquiring. In terms of economic significance, the *Outsider CEO* effect is very relevant as it represents a large Cohen's *d* (Azuero, 2016). Hence, the hazard of announcing M&As for outsider CEOs is only higher than that of insider CEOs later in the early tenure, starting with the 4th quarter, which offers partial support for Hypothesis 1a.

Tables III and IV report the results for large (vs. small) and cross-border (vs. domestic) deals (Hypothesis 3 and 4). In the case of large deals (Table III), the main variables of interest, *Outsider CEO* and *Negative CEO CARs* (Table III Model 1), are positive but statistically insignificant (p = 0.186 and p = 0.667, respectively), suggesting that the hazard of announcing large M&As is not different in situations of higher strategic uncertainty.

Table III. Deal size

	Model 1	*Model 2*	*Model 3*	*Model 4*
	Large deals	*Large deals*	*Other deals*	*Other deals*
Time × Outsider CEO		0.156		0.110
		(0.035)		(0.025)
Time × Negative CEO CARs		2.369		
		(0.025)		
Time × CEO Acquisition Experience		−0.459		
		(0.016)		
Time × CEO-Chairman Duality		0.124		0.273
		(0.352)		(0.002)
Time × Prior CEO Dismissal		−0.293		
		(0.044)		
Time × Firm ROA – above Industry				−2.568
				(0.043)
Outsider CEO	0.367	−0.370	0.465	0.018
	(0.186)	(0.472)	(0.009)	(0.947)
Negative CEO CARs	1.974	−9.326	4.806	5.317
	(0.667)	(0.306)	(0.035)	(0.020)
Firm ROA – below Industry	−18.747	−17.935	−39.198	−40.610
	(0.220)	(0.198)	(0.005)	(0.004)
Firm ROA – above Industry	6.653	7.095	3.133	13.673
	(0.099)	(0.075)	(0.452)	(0.034)
Firm Leverage	−0.219	−0.325	−0.948	−0.944
	(0.714)	(0.579)	(0.062)	(0.068)
Firm Liquidity	0.146	0.141	0.051	0.067
	(0.000)	(0.000)	(0.412)	(0.229)
Firm Size	0.158	0.196	0.032	0.042
	(0.095)	(0.041)	(0.615)	(0.505)
Firm Acquisition Experience	0.890	0.896	0.644	0.651
	(0.000)	(0.000)	(0.000)	(0.000)
Prior CEO Dismissal	−0.776	0.542	−0.460	−0.430
	(0.075)	(0.431)	(0.043)	(0.062)
TMT Change	0.076	0.096	0.336	0.352
	(0.772)	(0.722)	(0.107)	(0.086)
Positive CEO CARs	2.287	3.626	2.139	2.273
	(0.516)	(0.304)	(0.365)	(0.380)
CEO Acquisition Experience	−0.124	1.956	0.258	0.271
	(0.925)	(0.065)	(0.686)	(0.617)

(Continues)

Table III. (Continued)

	Model 1	*Model 2*	*Model 3*	*Model 4*
	Large deals	*Large deals*	*Other deals*	*Other deals*
CEO Age	−0.008	−0.009	−0.022	−0.022
	(0.710)	(0.709)	(0.194)	(0.199)
Female CEO	−0.711	−0.795	1.023	1.055
	(0.310)	(0.274)	(0.000)	(0.000)
CEO Academic Background	0.309	0.302	0.271	0.304
	(0.199)	(0.215)	(0.087)	(0.056)
CEO Non-Executive Board Positions	−0.281	−0.330	−0.677	−0.648
	(0.361)	(0.284)	(0.037)	(0.050)
CEO-Chairman Duality	0.023	−0.714	−0.148	−1.817
	(0.958)	(0.457)	(0.602)	(0.012)
CEO Heir Apparent Experience	0.350	0.390	0.224	0.231
	(0.334)	(0.278)	(0.341)	(0.314)
χ^2	113.3	147.8	91.52	111.1
Pseudo-R^2	0.181	0.203	0.111	0.124
Log likelihood	−197.7	−192.4	−481.5	−474.2

Note: p-values are in parentheses. 873 new CEOs are at risk for 569,254 days in 84 large and 187 other first acquisitions. All models include year fixed effects and are stratified by industry.

However, the Schoenfeld residual-based tests suggest a linear time trend for both *Outsider CEO* (p = 0.0822) and *Negative CEO CARs* (p = 0.0020). When we add the interaction with time for both variables to our model, the interaction terms *Time* × *Outsider CEO* (p = 0.035) and *Time* × *Negative CEO CARs* (p = 0.025) are both statistically significant, with the main effect of both variables remaining insignificant (Table III Model 2).[3] We observe that until the 6th quarter, the hazard of announcing a large M&A is similar for insider and outsider CEOs. In the 7th quarter, the *Outsider CEO* effect turns significant: A one standard deviation change in *Outsider CEO* leads to a 40.77% higher hazard of acquiring a large target; an outsider CEO is then 100.05% more likely to make a large acquisition than an insider CEO. At the end of the first three-year tenure, on average, the outsider CEO has a 346.40% higher hazard than an insider CEO of announcing a large acquisition. A one standard deviation change in *Outsider CEO* then leads to a 103.83% higher hazard of acquiring a large target. For *Negative CEO CARs*, we observe that the effect turns significant in the new CEO's 8th quarter. Then, a one standard deviation change in *Negative CEO CARs* (which corresponds to 2.6% more negative CARs at the CEO's announcement) leads to a 28.45% higher hazard of acquiring a large target. At the end of the three-year tenure, a one standard deviation change in *Negative CEO CARs* leads to a 64.35% higher hazard of acquiring a large target. The effects represent medium-large effect sizes, based on Cohen's *d* (Azuero, 2016), and are thus economically very meaningful.

Table IV. Deal geography

	Model 1	*Model 2*	*Model 3*	*Model 4*
	CB deals	*CB deals*	*Domestic deals*	*Domestic deals*
Time × Outsider CEO				0.128
				(0.015)
Time × Positive CEO CARs				−1.289
				(0.128)
Time × Prior CEO Dismissal		0.354		
		(0.003)		
Time × Firm ROA – above Industry		−4.219		
		(0.022)		
Time × Firm Acquisition Experience		−0.101		
		(0.056)		
Time × CEO Acquisition Experience				−0.587
				(0.007)
Outsider CEO	0.626	0.667	0.240	−0.296
	(0.034)	(0.027)	(0.205)	(0.365)
Negative CEO CARs	6.345	6.639	5.462	4.784
	(0.040)	(0.034)	(0.048)	(0.093)
Firm ROA – below Industry	−44.585	−45.277	−33.346	−31.296
	(0.053)	(0.078)	(0.009)	(0.009)
Firm ROA – above Industry	2.581	20.355	6.282	6.133
	(0.625)	(0.019)	(0.063)	(0.075)
Firm Leverage	−2.305	−2.460	−0.878	−0.866
	(0.010)	(0.004)	(0.079)	(0.079)
Firm Liquidity	0.151	0.156	0.094	0.092
	(0.007)	(0.005)	(0.001)	(0.001)
Firm Size	0.376	0.392	0.033	0.038
	(0.000)	(0.000)	(0.597)	(0.543)
Firm Acquisition Experience	0.516	0.925	0.594	0.603
	(0.003)	(0.001)	(0.000)	(0.000)
Prior CEO Dismissal	−0.524	−2.423	−0.519	−0.491
	(0.169)	(0.013)	(0.035)	(0.050)
TMT Change	0.311	0.305	0.263	0.276
	(0.275)	(0.284)	(0.178)	(0.157)
Positive CEO CARs	4.578	4.323	2.991	7.359
	(0.337)	(0.303)	(0.225)	(0.011)
CEO Acquisition Experience			0.395	1.794
			(0.419)	(0.000)

(Continues)

Table IV. (Continued)

	Model 1 *CB deals*	*Model 2* *CB deals*	*Model 3* *Domestic deals*	*Model 4* *Domestic deals*
CEO Age	−0.016	−0.014	−0.029	−0.032
	(0.558)	(0.603)	(0.068)	(0.044)
Female CEO	0.522	0.684	0.538	0.508
	(0.325)	(0.180)	(0.095)	(0.122)
CEO Academic Background	0.290	0.347	0.184	0.157
	(0.260)	(0.169)	(0.267)	(0.339)
CEO Non-Executive Board Positions	−0.878	−0.825	−0.363	−0.421
	(0.071)	(0.057)	(0.198)	(0.143)
CEO-Chairman Duality	−0.329	−0.177	0.167	0.216
	(0.396)	(0.612)	(0.563)	(0.460)
CEO Heir Apparent Experience	0.263	0.394	0.005	0.008
	(0.373)	(0.203)	(0.986)	(0.975)
χ^2	20,467	81.73	12,690	136.6
Pseudo-R^2	0.164	0.203	0.101	0.112
Log likelihood	−197.7	−188.5	−444.6	−439.1

Note: p-values are in parentheses. 873 new CEOs are at risk for 569,254 days in 81 cross-border and 175 domestic first acquisitions. All models include year fixed effects and are stratified by industry.

When studying the hazard of small deals, we observe a similar pattern as in our main base analysis (Table II).[4] We find a time-invariant positive effect of *Negative CEO CARs* ($p = 0.020$), indicating that a one standard deviation increase in *Negative CEO CARs* leads to a 13.3% higher hazard of acquiring a small target all over the initial tenure period (Table III Model 3). We observe a time-varying effect for *Outsider CEO*, with an insignificant main effect ($p = 0.947$) and a significant time interaction ($p = 0.025$) (Table III Model 4). *Outsider CEO* becomes significant in the fourth quarter; a one standard deviation change in *Outsider CEO* then leads to a 24.32% higher hazard of acquiring; an outsider CEO is then 58.00% more likely to make a small acquisition than an insider CEO. On average, by year three, an outsider CEO has a 280.01% higher hazard of announcing a small transaction. A one standard deviation change in *Outsider CEO* then leads to an 88.80% higher hazard of acquiring a small target.

We expected the effect of *Outsider CEO* and *Negative CEO CAR*s for announcing a first acquisition to be greater for large than for small deals (our Hypothesis 3a). Our results suggest that this is only the case at the later stages of a new CEO's early tenure: the effect of *Outsider CEO* (*Negative CEO CAR*s) on the hazard of announcing a large deal over a small deal only becomes greater in the seventh (eighth) quarter of the CEO's tenure.[5] We, therefore, have partial support for Hypothesis 3a. For the time dependency of the effects, we obtain empirical support (Hypothesis 3b). For *Negative CEO CARs*, the

Schoenfeld residuals and the time interaction effect are only significant in the case of large deals. For *Outsider CEO*, the time interaction effects are significant for both the large and the small deal samples, but the time interaction is more pronounced for large deals than for small deals.[6]

When turning to cross-border deals (Table IV Models 1 and 2), we observe that the variables *Outsider CEO* and *Negative CEO CARs* (Table IV Model 1) are positive and statistically significant ($p = 0.034$ and $p = 0.040$, respectively). The Schoenfeld residual-based tests suggest that there is no time trend for the two variables; that is, there is no time dependency ($p = 0.987$ and $p = 0.445$, respectively).[7] All over the initial tenure period, a one standard deviation increase in *Outsider CEO* (*Negative CEO CARs*) leads, on average, to a 34.7% (17.9%) higher hazard of acquiring a foreign target.

For the hazard of a first domestic deal (Table IV Models 3 and 4), we observe a similar pattern as in the joint sample: In the model with the main effects only (Table IV Model 3), *Negative CEO CARs* have a positive and significant effect ($p = 0.048$), with a one standard deviation increase leading to a 15.3% higher hazard of acquiring a domestic firm, whereas *Outsider CEO* is insignificant ($p = 0.205$). The Schoenfeld residual-based tests suggest a time trend for *Outsider CEO* ($p = 0.0145$). When adding the *Time* × *Outsider CEO* interaction term to the model (Table IV Model 4), the interaction is significant ($p = 0.015$), confirming the time dependency of the *Outsider CEO* effect.[8] We observe that *Outsider CEO* becomes statistically significant in the 6th quarter: A one standard deviation change in *Outsider CEO* leads to a 25.32% higher hazard of acquiring; an outsider CEO is then 60.68% more likely to make a domestic acquisition than an insider CEO. By year three, a one standard deviation change in *Outsider CEO* leads to a 97.04% higher hazard of acquiring a domestic target; on average, an outsider CEO has a 247.16% higher hazard of announcing a domestic transaction.

We expected the effect of *Outsider CEO* and *Negative CEO CAR*s for announcing a first acquisition to be greater for cross-border than domestic deals (our Hypothesis 4a). Our results suggest that the effect of *Negative CEO CARs* on the hazard of announcing a cross-border deal is indeed greater than the effect on the hazard of announcing a domestic deal all over the early tenure of the CEO. The results for *Outsider CEOs*, however, are more complex: There seems to be a larger effect of *Outsider CEOs* on cross-border than domestic deal-making at the very beginning of their tenure only. In the 8th quarter, the hazard of announcing a domestic deal by an Outsider CEO becomes higher than that of a cross-border deal (respectively, 107.7% and 87%).[9] We, therefore, have partial support for Hypothesis 4a. We reject Hypothesis 4b, which suggests a higher time dependency for cross-border than domestic deals, as there is no time dependency in the effect of *Negative CEO CAR* and *Outsider CEO* on the hazard of announcing a cross-border deal.

Robustness Tests

Alternative empirical design choices. To understand the sensitivity of our results to our empirical design choices, we performed various robustness tests (see Tables AII and AIII in Appendix). Overall, the results of these additional analyses remain like those of our main models. First, given that a large part of the reduction of CEO uncertainty about shareholders may happen in a shorter time span, for example, within the first year (Pan

et al., 2015), we estimated separately the hazard of a first acquisition during the first year of a CEO's tenure (i.e., 365 days) (Table AII Models 1 and 2).

Second, we used alternative measures for our two main independent variables. For *CEO Outsider*, we used a narrower definition: we considered outsiders as those CEOs who had no prior employment in the focal firm prior to their appointment as CEOs (Keil et al., 2022) (Table AII Models 3 and 4). For the *Negative CEO CARs*, we used a 5-day event window [2,2] instead of a three-day window [1,1] (Table AII Models 5 and 6). We make the same changes for *Positive CEO CARs*.

Third, we changed our estimation method and time parameter. We used alternative methods to the non-parametric Cox model, such as the Weibull (Table AIII Models 1 and 2) or an exponential specification (Table AIII Models 3 and 4). Additionally, instead of measuring time in quarters, we measured it in months (Table AIII Model 5).

Fourth, we examined the sensitivity of our models' specification of the dependent variable. Instead of limiting the sample to majority acquisitions only (i.e., acquisitions of a minimum of 50% ownership of the target), we included all acquisitions (Table AIII, Models 6 and 7).

Potential endogeneity problems. Importantly, we investigated potential endogeneity problems linked to a possible omitted variable bias. First, the negative CEO CARs, the outsider CEO nomination, and the acquisition hazard could be co-determined by other factors. We attempted to find the right balance between including a large number of control variables to control for possible confounding factors in our base model and increasing the risk of including 'bad controls' (Cinelli et al., 2022). Moreover, to evaluate if there is an omitted variable bias, we implemented the Robustness of Inference to Replacement method, which 'provides insight into the percentage of a parameter estimate that would need to be biased in order to invalidate causal inference' (Busenbark et al., 2022: 23). We find that for CEO Outsider (Negative CEO CARs) about 42.7% (39.48%) of our estimate would have to be due to bias to invalidate the causal inference. These thresholds are high, as ratios of around 25% are considered to provide very robust estimates (Saw et al., 2017; Xu et al., 2019). This suggests that the risk of omitted variable bias should be relatively low in our setting.

Nevertheless, we carried out further checks. First, we conducted a placebo test to determine the potential spuriousness of our empirical findings (e.g., Allen et al., 2020; Döring et al., 2021). We replaced the true values of *Outsider CEO* (*Negative CEO CARs*) with randomly drawn values of *Outsider CEO* (*Negative CEO CARs*) from the sample distribution. As a result, the mean and standard deviation of the newly randomly assigned values of *Outsider CEO* (*Negative CEO CARs*) are the same as the original observation values. We no longer observe a significant relationship between *Outsider CEO* ($p = 0.849$), *Negative CEO CARs* ($p = 0.674$), or the *Time* × *Outsider CEO* ($p = 0.739$) with the acquisition hazard, implying that our findings are likely not the result of a spurious relationship (in the Appendix, Table AIV Models 1 and 2).

Second, we applied a control function (or two-stage residual inclusion) approach to deal with the potential endogeneity of *Outsider CEO* and *Negative CEO CARs*. Here, transformed residuals from the auxiliary, or first stage, regressions are added as regressors to the second stage – and this second stage still includes the focal, possibly endogenous,

independent variables (Liu, 2023; Wooldridge, 2015). Control function methods are especially suitable when a potentially endogenous variable is interacted with other variables (Keil et al., 2022; Wooldridge, 1995). We applied the control function methodology of Liu (2023) and Palmer (2024), which is based on the Prentice and Gloeckler (1978) discrete-data proportional hazards model, considered analogous to Cox's (1972) model, our main estimation model. Control function approaches rely on the use of instrumental variables. In our case, it is very difficult to find suitable external instruments that are correlated with the possibly endogenous variables, *Outsider CEO* and *Negative CEO CARs*, but not correlated with the error of the outcome equation. For such cases, it has been recommended to use (synthetic) instruments that can be derived by transforming the endogenous variables. Specifically, in the presence of heteroscedasticity, moment conditions of the endogenous variables can be used as instruments, as they are unrelated to the error term (Lewbel, 1997, 2018). Following Lewbel (1997), we, therefore, relied on the second and third moment conditions of *Outsider CEO* and *Negative CEO CARs* as instruments (for applications, see, for instance, Rudra (2005) or Gamso and Yuldashev (2018a, 2018b)).[10] Our findings are consistent with the main results: *Outsider CEO* has a coefficient of 0.5390 ($p = 0.001$) and *Negative CEO CARs* a coefficient of 5.5900 ($p = 0.022$) in the main model (Table AIV Model 3); *Time* × *Outsider CEO* has a coefficient of 0.118 ($p = 0.007$) in the time interacted model (Table AIV, Model 4). The transformed residuals from the two auxiliary regressions that are included as regressors, in addition to the *Outsider CEO* and *Negative CEO CARs* variables, in our second stage of the estimation, are insignificant ($p = 0.468$ and $p = 0.108$), suggesting that a control function approach is not needed.

DISCUSSION AND CONCLUSION

This study investigated the timing of new CEOs' bold strategic actions at the outset of their tenure, with a focus on M&A announcements. We sought to integrate two theoretical perspectives on a CEO's early tenure that offer differing predictions about the hazard of new CEOs engaging in their first bold strategic actions. We used time to bring these two theoretical perspectives together, answering a recent call for more research to use time dependence as a theory-development opportunity in management (Woo et al., 2023). We found that outsider CEOs and those CEOs whose appointments were more negatively received tended to have a higher relative hazard of announcing their first M&A in their early tenure, in particular the especially bold large and cross-border deals. Evidence on time dependence was mixed, but it was noticeable for outsider CEOs and large deals. As a result, our study enabled us to contribute to scholarly conversations on both new CEOs and M&As, while also offering practical insights for decision-makers.

Contributions to the Literature on New CEOs and the Timing of their Strategic Decisions

Our first contribution is about the role of time and the temporal dynamics during the early CEO tenure period. Prior works on the upper echelons (e.g., Hambrick and Mason, 1984; Neely Jr et al., 2020) have argued that a firm's strategic choices are the reflection of the priorities of its top managers and, in particular, of its CEO (Hambrick and Mason, 1984).

In this context, these works have noted that the stages of CEO tenure can influence the predispositions and actions of CEOs (Darouichi et al., 2021; Hambrick and Fukutomi, 1991; Hambrick and Mason, 1984). However, this literature has remained ambiguous about bold strategic action making in *early* CEO tenure, a period shaped by substantial uncertainty for stakeholders and for the CEOs themselves, and the role of time in this context.

We argued – and provided some empirical evidence – that situations of strategic uncertainty influenced the hazard of engaging in a bold strategic action, like an M&A, differently over time during the early CEO tenure. According to the stakeholder uncertainty perspective, one might expect that in situations of heightened strategic uncertainty surrounding their appointments, CEOs would initiate their first bold strategic decisions, such as M&A, immediately upon their appointment (Pan et al., 2015). In fact, the practitioner literature has brought forward that 'the best CEOs *boldly* make big strategic moves *early* […] during their tenure' (Dewar et al., 2022: 31) [italics added]. By combining the CEO life cycle with the stakeholder uncertainty perspective, we offered a more nuanced understanding of how a CEO's evolving experience in their new role shapes the timing of bold strategic decisions, such as M&As, early in their tenure.

In this context, our study helped extend the CEO life cycle perspective (Hambrick and Fukutomi, 1991), as we proposed that new CEOs, beyond their own information gaps or learning needs, might also need to consider those of stakeholders. This underscores the value of simultaneously considering CEO- and stakeholder-centric theoretical perspectives when examining the early stages of CEO tenure (Keil et al., 2022). Empirically, we found that the role of time in shaping the effect of strategic uncertainty on acquisition hazard varied depending on the specific situation new CEOs face. Notably, the time dependence of the effect was more pronounced for outsider CEOs than for CEOs with more negative shareholder reactions at their appointment. This could imply that new CEOs who experience strong negative shareholder reactions may often not have the time to wait to overcome information gaps and to learn about their job and the firm itself. Negative reactions might create implicit time constraints, or pressure (Chen et al., 2025), prompting swift, bold actions to reduce stakeholder uncertainty. In contrast, outsider CEOs, despite the strategic uncertainty surrounding their appointments, might have more latitude from stakeholders to delay bold moves, giving them time to address information and knowledge gaps. Building on our theorization and findings, future research could better integrate the stakeholder uncertainty perspective into research on the early CEO tenure life cycle (Luo et al., 2014). Doing so would enable us to explore more directly how, why, and when stakeholders influence CEOs' strategic decisions, thereby complementing at the CEO level existing work on differences in the importance of stakeholders for organizational needs across the organizational life cycle (Jawahar and McLaughlin, 2001). For instance, qualitative or experimental studies involving stakeholders could examine the conditions under which early bold first actions reduce stakeholder uncertainty and could positively influence stakeholder engagement at different points in time over a CEO's early tenure.

Our novel insights into the timing of a new CEO's strategic actions post-succession (Hutzschenreuter et al., 2012) and the time dependence of these decisions also contribute to the literature on CEO turnover (see, e.g., Burchard et al., 2021; Chen and Hambrick, 2012). In this study, we examined the hazard of first bold actions, especially

first M&As, as they can reveal especially salient information about new CEOs and their strategic intentions. We built on a small, but growing literature that, like ours, views a firm's strategic actions as indicators that a firm's stakeholders interpret and act upon (Bergh et al., 2014). As information about new CEOs is limited, unlike information about seasoned CEOs (Graffin et al., 2013), the informative value of strategic decisions for various stakeholders is greater in the early part of the CEO's tenure than in later stages (Pan et al., 2015). Our arguments and findings about first bold strategic actions, in particular M&A, are not necessarily generalizable to other, less bold strategic actions, such as alliances, which usually have a lower commitment and lower immediate impact than M&As (Balakrishnan and Koza, 1993; Pan et al., 2015). Thus, more research is needed to investigate, for instance, the informative value of alliances, that is, if new CEOs under strategic uncertainty exhibit a higher hazard for their first alliances in their early tenure, if they seek to inform, for instance, about prudence in their future growth strategy.

Moreover, we focused on the presence of a first bold action. However, the absence of early actions could also provide information to stakeholders, as highlighted in consultant observations: 'Some CEO talked about the importance of setting the metabolic rate for who you will be as CEO within that first year. He […] was hesitant to make big changes […]. By year two or three, however, the organization wasn't ready to follow him in a new direction because people saw him as slow and steady in the first year and didn't perceive a *bold* vision or a radical pivot coming' (Dewar and Strovink, 2023) [italics added]. Future research could investigate a possible causal asymmetry associated with the presence of the outcome, that is, the bold action, as compared to the absence of the outcome, that is, no bold action, during early tenure using a qualitative comparative analysis (Fiss, 2011).

Our study also offers novel insights about CEO turnover by framing CEO selection as a strategic risk-taking decision made by the board (Quigley et al., 2019). CEO appointments associated with high strategic uncertainty – especially outsider CEOs – have been linked to more extreme performance outcomes, both positive and negative, and thus to greater CEO risk-taking. For example, Quigley et al. (2019) considered early strategic decisions by CEOs as potential key factors influencing performance outcomes and called for further research into these actions. We contribute to this conversation by examining the hazard of first bold strategic actions during a CEO's early tenure and by explaining how this hazard changes over time as a result of the strategic uncertainty associated with the CEO appointments. Future research could explore how the timing of first bold decisions during early tenure, under different uncertainty conditions, affects the occurrence of positive or negative (extreme) outcomes. As the decisions at the early stage of a CEO's tenure are consequential not only for the firm but also for the CEO's future career (Hutzschenreuter et al., 2012; Kunisch et al., 2017; Ma and Seidl, 2018), more research about the drivers of first strategic actions, or their absence, around CEO turnovers is necessary (Shi et al., 2012).

Contributions to Conversations on M&As

We contribute to the M&A literature by studying the hazard of CEOs' first M&As, in particular, those deals that are very bold, and, in this context, the time dependence of

CEO appointments effects under heightened strategic uncertainty. To our knowledge, prior works on acquisition timing have primarily focused on explanations at the firm level (Iyer and Miller, 2008; Kim et al., 2015). Exceptions are Kozhikode and Krishnan (2022) and Chen et al. (2025), which examined M&A within a CEO's (early) tenure. Yet, neither study focused on the drivers of the first M&A, nor did they consider the time dependence of the effects of their drivers.

More specifically, we relaxed the assumption that all M&As in a CEO's early tenure period are equally important (Chen et al., 2025; Kozhikode and Krishnan, 2022). Different from prior research, we analysed first M&As, excluding subsequent deals, as initial acquisitions are pivotal in setting the tone for the CEO's future M&A strategy. They offer a salient first glimpse into the new CEO's strategic intentions, resource allocation priorities, and vision for the firm's competitive and growth trajectory. In fact, the new CEO's judgement is apparent not only in first deals that depart from a firm's prior M&A strategy but also in deals that continue the firm's prior M&A strategy. Even if a deal is in the making before a new CEO is appointed, the new CEO still has the veto power to stop it, and conversely, if the deal goes through, it goes through with the approval of the new CEO. Thus, even those deals that were initiated under the aegis of the departing CEO (Greiner and Bhambri, 1989) can be associated with the new CEO's decision-making and indicate their intentions about the firm's strategic growth.

By considering first M&A as first bold actions that draw the attention of stakeholders and can help to communicate the new CEOs' strategic intentions, we have built on a vast literature that supports that M&As are a risky and thus bold way to grow the firm (Lehn and Zhao, 2006; Pan et al., 2015; Rindova and Fombrun, 1999; Shapiro, 1983; Siegel and Simons, 2010). However, given that not all acquisitions are equally bold, we zoomed in on large and cross-border acquisitions, as they represent especially bold actions (for a review, see Shimizu et al., 2004). Our findings revealed notable differences between these bold deals and those that are less bold, namely acquisitions with small or domestic targets. Our results also suggested that cross-border M&As were less influenced by CEO life cycle factors and could allow, especially outsider CEOs, to indicate their strategic intentions relatively quickly. While according to our theoretical framework, we differentiated first M&As based on their boldness, we did not account for differences in the strategic objective of those deals. Future research could extend this work by both theoretically and empirically distinguishing between first deals aimed at acquiring new capabilities versus extending existing ones (Maritan, 2001), offering deeper insight into how CEOs navigate the tension between personal learning and stakeholder expectations early in their tenure.

In general, existing M&A research has paid limited attention to the time-dependent nature of M&A determinants, specifically during the early phase of CEO tenure. We moved beyond the more common focus on how overall CEO tenure time, or advancement, shapes M&A decisions through long-term career horizons and incentive structures (Matta and Beamish, 2008). We, instead, highlighted how time within the early tenure specifically could act as a constraint, limiting CEOs' ability to make informed M&A choices. By foregrounding the early-stage temporal dynamic, our study offered a more nuanced understanding of how evolving CEO experience shapes M&A decision-making.

It calls for greater integration of the time-dependence of M&A drivers, in particular during the early CEO tenure. However, as our findings pointed to associations rather than causal relationships, future qualitative research could shed light on how CEOs reason through their first acquisition decisions, and how time, information gathering, and information processing factor into these decisions. Similarly, survey experiments could help to establish causality and more directly separate the different mechanisms at play over a CEO's early tenure (Bolinger et al., 2022).

Practical Implications and Conclusions

Our findings also carry important practical considerations. Both the academic (Kunisch et al., 2017) and the practitioners' communities (Birshan et al., 2017a, 2017b; Favaro et al., 2012; Hall and Kehoe, 2013) have highlighted the relevance of accounting for the temporality in the career and decisions of CEOs, as these decisions bear significant consequences not only for the CEOs' future trajectories but also for the firms they lead. Our study resonates with the practitioners' community, which has stressed the importance of early big moves, in particular acquisitions, for new CEOs to push through their growth strategy (Birshan et al., 2017a, 2017b; Favaro et al., 2012; Hall and Kehoe, 2013). 'Multiple CEOs, especially those taking over well-run institutions […] look for ways to signal *early* that they are willing to make strategic changes so if those materialize later, they don't surprise the organization' (Dewar and Strovink, 2023) [italics added]. Our research provides a novel explanation for the timing of a firm's bold strategic actions. This helps in understanding when to expect the first acquisitions by new CEOs to be made earlier or later, which can inform succession planning and corporate governance practices. For instance, to support new CEOs in timing their first M&As earlier – thereby helping to reduce strategic uncertainty during the transition – boards might decide to structure onboarding processes and advisory structures that enable new CEOs to make faster, more informed, and more strategically sound M&A decisions at the outset of their tenure.

Overall, this study provides theoretical arguments and empirical evidence on when new CEOs, especially those appointed amid strategic uncertainty, announce bold strategic actions, such as their first M&As. Given the central role of early CEO decisions in shaping firm trajectories and stakeholder perceptions, we hope this research encourages further work on the timing and boldness of early strategic actions by new CEOs.

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NOTES

[1] To calculate the effect sizes (Cohen's *d*), we follow Azuero (2016). The effect size for the indicator *Outsider CEO* is $d = \ln(1.54) * \frac{\sqrt{6}}{\pi} = 0.337$. [$\exp(0.432) = 1.54$ is the hazard ratio]. The value of 0.34 is between a small (0.2) and a medium (0.5) Cohen's *d*. We calculate the effect size for the continuous *Negative CEO CARs* by multiplying the predictor's coefficient by its standard deviation and converting it to a hazard ratio, $\exp(5.188 * 0.026) = 1.144$. Thresholds for small, medium, and large effects are 1.14, 1.47, and 1.9.

[2] In the Cox model, we include only the interaction with the time trend, not the time variable itself, as the dependent variable already captures time until M&A (see e.g., Box-Steffensmeier et al., 2003; Woo et al., 2023).

[3] Schoenfeld residual-based test statistics suggested including time interactions for the variables *Prior CEO Dismissal* ($p = 0.0115$), *CEO Acquisition Experience* ($p = 0.0590$), and *CEO-Chairman Duality* ($p = 0.0640$).

[4] Schoenfeld residual-based test statistics suggested including time interactions for the variables *CEO Outsider* ($p = 0.0557$), *CEO-Chairman Duality* ($p = 0.0021$), and *Firm ROA – above Industry* ($p = 0.0516$), but not for *Negative CEO CARs* ($p = 0.1567$).

[5] To test whether the effect of *Outsider CEO* and *Negative CEO CARs* is statistically significantly different between large and small deals, we combine the sample of large and small deals and conduct a Chow-type test (Gujarati, 1970). Specifically, we multiply the main effects and time interaction of our key independent variables *Outsider CEO* and *Negative CEO CARs* with a large deal indicator and then test for their statistical significance. We observe that the coefficients of the large deal variables are jointly statistically significant for *Outsider CEO* ($\chi^2 = 9.08$, $p = 0.011$) and *Negative CEO CARs* ($\chi^2 = 12.89$, $p = 0.002$), suggesting that the effects for large deals are different from those of the rest of the sample.

[6] When we test for the statistical significance of the difference of this effect in the joint sample (Chow-type test), we observe that the increase over time (i.e., the time interaction effect) is more pronounced for large deals than small deals ($\chi^2 = 4.14$, $p = 0.042$).

[7] Schoenfeld residual-based test statistics suggested including time interactions for the variables *Prior CEO Dismissal* ($p = 0.001$), *Firm ROA – above Industry* ($p = 0.053$), and *Firm Acquisition Experience* ($p = 0.011$).

[8] The Schoenfeld residual-based test statistics for *Negative CEO CARs* is insignificant ($p = 0.851$). Schoenfeld residual-based test statistics suggested including time interactions for the variables *Positive CEO CARs* ($p = 0.063$) and *CEO Acquisition Experience* ($p = 0.085$).

[9] When testing for the statistical significance of these results (Chow-type test), we find evidence that the effects are statistically different for *Negative CEO CARs* ($\chi^2 = 76.61$; $p = 0.000$) and *Outsider CEO* ($\chi^2 = 113.95$; $p = 0.000$).

[10] We use the second (one-digit SIC industry *j*) mean-centered moments $(x_{ij} - \overline{x}_j)^2$ and third (one-digit SIC industry *j*) mean-centered moments $(x_{ij} - \overline{x}_j)^3$ as instruments. Results also hold when applying the two-digit SIC category. The standard tests suggest that we can use the moment conditions as instruments: All standard tests for heteroscedasticity, such as the Pagan-Hall test ($\chi^2 = 173.64$; $p = 0.000$), indicate heteroscedasticity (Breusch and Pagan, 1979; Pagan and Hall, 1983). In the first stage regression, with *Outsider CEO* and *Negative CEO CARs* as the auxiliary dependent variables, the second and third moment conditions are highly significant ($p = 0.000$). In our hazard (outcome) estimation, however, the second and third moment conditions for Outsider *CEO* ($p = 0.287$ and $p = 0.244$ respectively) and the second and third moment conditions for *Negative CEO CARs* ($p = 0.999$ and $p = 0.939$ respectively) are insignificant. For the control function approach to provide fully consistent results when the main estimation (or second stage) is non-linear, like in our case, the variables that are being instrumented need to be continuous. As a result, the findings for our binary (possibly) endogenous variable *Outsider CEO* need to be considered as approximate only (Liu, 2023).

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APPENDIX A

Table AI. Control variables description

Name	*Purpose*	*Measurement*	*Source*
Firm level			
Firm ROA – below (above) Industry	Above- and below-industry performance of a firm and, thus, positive or negative performance attainment discrepancy (Gomez-Mejia et al., 2018; Iyer and Miller, 2008).	Quarterly return on assets (ROA) relative to the industry-level ROA. The two variables take on the absolute value of the variable if firm ROA is below (above) the industry ROA, and zero otherwise. We used the ROA average across the three-digit SIC code as a comparison group (Gomez-Mejia et al., 2018). When using the four-digit SIC code as the comparison group, the results remain similar (results on request). The variables are lagged by one quarter.	Compustat North America
Firm Leverage	A firm's potential slack and, thus, financial resources for making M&As (Iyer and Miller, 2008).	Ratio of short- and long-term debt to total assets (quarterly data). The variable is lagged by one quarter.	Compustat North America
Firm Liquidity	A firm's unabsorbed slack and, thus, financial resources for making M&A (Iyer and Miller, 2008).	Ratio of the difference between current assets and inventories to current liabilities (quarterly data). The variable is lagged by one quarter.	Compustat North America
Firm Size	Access to other types of resources, including scale-based advantages, for making M&A (Iyer and Miller, 2008).	Total assets, natural logarithm transformed (quarterly data). The variable is lagged by one quarter.	Compustat North America
Firm Acquisition Experience	A firm's prior M&A policy (Ellis et al., 2011).	Number of M&A deals of the firm during the three years prior to the appointment of the CEO (natural logarithm transformed).	SDC – Refinitiv Eikon
CEO turnover level			
Prior CEO Dismissal	Possible mandate for strategic change (Kozhikode and Krishnan, 2022).	Takes the value of one if the old CEO was forced to resign from the position, and zero otherwise.	(Gentry et al., 2021)

(Continues)

Table AI. (Continued)

Name	*Purpose*	*Measurement*	*Source*
TMT change	Possible mandate for strategic change.	Change of a CFO (chief financial officer) and/or COO (chief operating officer) around the CEO turnover date. It takes a value of zero if there was no change in the TMT, one if one of the two, CFO and/or COO, were changed, and two if both were changed. The results are robust when using a variable which takes the value one if at least one of them is changed (results on request).	Boardex
CEO level			
Positive CEO CARs	Reduced need to indicate the new CEO's strategic intentions.	Calculated similarly to the independent variable *Negative CEO CARs*. It takes on the value of the three-day [−1, +1] CARs when the CARs are above zero. In all other cases, this variable is equal to 0.	Boardex; CRSP
CEO Acquisition Experience	Possible mandate for or higher capacity to pursue acquisitions.	Number of prior acquisitions (natural logarithm transformed) that the new CEO was responsible for as a CEO in another firm.	Boardex; SDC – Refinitiv Eikon
CEO Age	Fewer information available and higher need to indicate strategic intentions (Pan et al., 2015).	Age of CEOs.	Boardex
Female CEO	Women are expected to be more risk-averse (Hall and Kehoe, 2013; Levi et al., 2014) and expectations towards bold strategies could be lower.	Value of one if the CEO is a woman and zero for male CEOs.	Boardex
CEO Academic Background	CEOs' ability towards acquisitions (Jung and Shin, 2019; Kallias et al., 2023; Wang and Yin, 2018).	Value of one if the CEO has a Ph.D. and/or an MBA, and zero otherwise.	Boardex

(Continues)

Table AI. (Continued)

Name	*Purpose*	*Measurement*	*Source*
CEO Non-Executive Board Positions	Board networks can facilitate deal-making (Malhotra et al., 2018), but can also represent status, a lack of which CEOs might wish to overcome (Kozhikode and Krishnan, 2022).	Number of CEO who held Non-Executive Board Positions (natural logarithm transformed) prior to starting their CEO job.	Boardex
CEO-Chairman Duality	Lower vulnerability of a new CEO with regard to the board, but also higher managerial discretion and thus ability to acquire (Finkelstein and D'aveni, 1994; Krause et al., 2014).	Value of one as soon as the new CEO is announced to be also a chairman of the firm, and zero otherwise.	Boardex
CEO Heir Apparent Experience	Reduced strategic uncertainty, but, at the same time, higher ability to announce an acquisition earlier, given that they could have prepared the stage for an acquisition announcement before their appointment.	Number of years (natural logarithm transformed) in a Chief Operating Officer (CCO), president, CEO-designate, or CFO position in the focal firm prior to CEO position (Bigley and Wiersema, 2002).	Boardex

Table AII. Robustness checks (I)

	Model 1 *One year sample*	*Model 2* *One year sample*	*Model 3* *Outsider CEO*	*Model 4* *Outsider CEO*	*Model 5* *Negative CEO CARs*	*Model 6* *Negative CEO CARs*
Time × Outsider CEO		0.412		0.128		0.124
		(0.012)		(0.004)		(0.004)
Time × CEO Acquisition Experience		−0.858		−0.928		−0.979
		(0.328)		(0.093)		(0.084)
Time × CEO Non-Executive Board Positions		0.200		0.065		0.085
		(0.502)		(0.314)		(0.223)
Time × CEO-Chairman Duality		0.402		0.230		0.229
		(0.332)		(0.002)		(0.002)
Time × Firm ROA – above Industry		−5.581		−1.762		−1.980
		(0.101)		(0.048)		(0.036)
Outsider CEO	0.329	−0.580	0.387	−0.159	0.433	−0.080
	(0.108)	(0.206)	(0.013)	(0.542)	(0.004)	(0.749)
Negative CEO CARs	7.484	7.014	5.580	5.512	3.885	4.297
	(0.000)	(0.001)	(0.004)	(0.005)	(0.021)	(0.013)
Firm ROA – below Industry	−28.103	−29.123	−36.114	−34.733	−34.667	−33.695
	(0.025)	(0.022)	(0.002)	(0.002)	(0.002)	(0.003)
Firm ROA – above Industry	9.076	20.082	4.237	11.510	5.371	13.332
	(0.010)	(0.010)	(0.136)	(0.013)	(0.064)	(0.004)
Firm Leverage	−0.764	−0.696	−0.843	−0.806	−0.856	−0.855
	(0.164)	(0.206)	(0.046)	(0.058)	(0.044)	(0.046)
Firm Liquidity	0.125	0.118	0.101	0.103	0.095	0.098
	(0.000)	(0.000)	(0.004)	(0.002)	(0.014)	(0.004)
Firm Size	0.149	0.149	0.093	0.102	0.095	0.109
	(0.031)	(0.034)	(0.080)	(0.054)	(0.076)	(0.043)
Firm Acquisition Experience	0.748	0.741	0.648	0.640	0.652	0.645
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Prior CEO Dismissal	−0.533	−0.548	−0.527	−0.500	−0.539	−0.509
	(0.053)	(0.045)	(0.010)	(0.015)	(0.008)	(0.012)
TMT Change	0.209	0.167	0.317	0.344	0.334	0.368
	(0.333)	(0.453)	(0.050)	(0.033)	(0.042)	(0.024)
Positive CEO CARs	3.737	4.303	2.850	2.324	2.199	2.148
	(0.122)	(0.088)	(0.169)	(0.282)	(0.197)	(0.251)
CEO Acquisition Experience	0.188	1.486	−0.215	1.761	−0.250	1.872
	(0.678)	(0.154)	(0.811)	(0.005)	(0.800)	(0.002)

(Continues)

Table AII. (Continued)

	Model 1	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*
	One year sample	*One year sample*	*Outsider CEO*	*Outsider CEO*	*Negative CEO CARs*	*Negative CEO CARs*
CEO Age	−0.018	−0.016	−0.025	−0.025	−0.024	−0.025
	(0.350)	(0.410)	(0.073)	(0.074)	(0.101)	(0.087)
Female CEO	0.934	0.911	0.657	0.643	0.657	0.646
	(0.003)	(0.005)	(0.013)	(0.016)	(0.014)	(0.017)
CEO Academic Background	0.338	0.339	0.238	0.263	0.247	0.271
	(0.046)	(0.047)	(0.073)	(0.048)	(0.064)	(0.042)
CEO Non-Executive Board Positions	−0.931	−1.438	−0.618	−1.016	−0.642	−1.163
	(0.050)	(0.170)	(0.011)	(0.045)	(0.011)	(0.035)
CEO-Chairman Duality	−0.745	−1.752	−0.007	−1.434	0.006	−1.416
	(0.128)	(0.202)	(0.976)	(0.018)	(0.978)	(0.022)
CEO Heir Apparent Experience	0.057	0.102	0.267	0.273	0.204	0.233
	(0.816)	(0.683)	(0.200)	(0.190)	(0.314)	(0.250)
χ^2	122.5	9268	128.6	188.4	132.5	184.9
Pseudo-R^2	0.142	0.153	0.112	0.128	0.113	0.130
Log likelihood	−410.5	−405.2	−667.9	−655.6	−660.8	−647.9

Note: p-values are in parentheses. All models include year fixed effects and are stratified by industry. In the three year sample, 873 new CEOs are at risk in 256 first acquisitions. In the one year sample, 850 new CEOs are at risk in 153 first acquisitions.

Table AIII. Robustness checks (II)

	Model 1	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*	*Model 7*
	Weibull	*Weibull*	*Exponential*	*Exponential*	*Monthly time trend*	*All acquisitions*	*All acquisitions*
Time × Outsider CEO		0.140		0.140	0.040		0.124
		(0.001)		(0.001)	(0.005)		(0.002)
Time × CEO Acquisition Experience		−0.869		−0.868	−0.242		−0.976
		(0.066)		(0.066)	(0.055)		(0.105)
Time × CEO Non-Executive Board Positions		0.118		0.118	0.028		0.117
		(0.129)		(0.129)	(0.253)		(0.089)
Time × CEO-Chairman Duality		0.211		0.211	0.076		0.262
		(0.002)		(0.002)	(0.002)		(0.000)
Time × Firm ROA – above Industry		−1.175		−1.175	−0.680		−2.210
		(0.139)		(0.138)	(0.032)		(0.010)
Time × Firm Acquisition Experience							−0.075
							(0.005)
Outsider CEO	0.449	−0.131	0.449	−0.130	−0.031	0.416	−0.090
	(0.003)	(0.592)	(0.003)	(0.592)	(0.896)	(0.004)	(0.705)
Negative CEO CARs	6.166	5.956	6.162	5.951	5.423	3.883	4.397
	(0.004)	(0.006)	(0.004)	(0.006)	(0.005)	(0.036)	(0.019)
Firm ROA – below Industry	−37.678	−38.305	−37.663	−38.288	−34.358	−16.508	−16.231
	(0.002)	(0.002)	(0.002)	(0.002)	(0.003)	(0.033)	(0.037)
Firm ROA – above Industry	5.503	9.994	5.504	9.993	12.671	7.186	16.208
	(0.062)	(0.023)	(0.062)	(0.023)	(0.004)	(0.003)	(0.000)
Firm Leverage	−0.513	−0.479	−0.513	−0.478	−0.845	−0.546	−0.560
	(0.210)	(0.242)	(0.210)	(0.242)	(0.048)	(0.150)	(0.143)
Firm Liquidity	0.109	0.106	0.109	0.106	0.094	0.083	0.087
	(0.000)	(0.000)	(0.000)	(0.000)	(0.005)	(0.014)	(0.004)
Firm Size	0.118	0.132	0.117	0.132	0.112	0.133	0.141
	(0.027)	(0.012)	(0.027)	(0.012)	(0.037)	(0.006)	(0.003)
Firm Acquisition Experience	0.712	0.698	0.711	0.697	0.644	0.580	0.891
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Prior CEO Dismissal	−0.431	−0.412	−0.431	−0.412	−0.515	−0.632	−0.605
	(0.037)	(0.050)	(0.037)	(0.050)	(0.011)	(0.001)	(0.002)
TMT Change	0.292	0.256	0.292	0.256	0.370	0.332	0.369
	(0.086)	(0.130)	(0.085)	(0.129)	(0.023)	(0.034)	(0.015)
Positive CEO CARs	3.023	3.334	3.020	3.332	2.389	1.605	1.699
	(0.220)	(0.201)	(0.220)	(0.200)	(0.301)	(0.424)	(0.446)

(Continues)

Table AIII. (Continued)

	Model 1	*Model 2*	*Model 3*	*Model 4*	*Model 5*	*Model 6*	*Model 7*
	Weibull	*Weibull*	*Exponential*	*Exponential*	*Monthly time trend*	*All acquisitions*	*All acquisitions*
CEO Acquisition Experience	−0.733	1.235	−0.732	1.234	1.288	−0.391	1.681
	(0.443)	(0.024)	(0.443)	(0.024)	(0.003)	(0.696)	(0.014)
CEO Age	−0.022	−0.024	−0.022	−0.024	−0.024	−0.020	−0.020
	(0.126)	(0.103)	(0.126)	(0.103)	(0.089)	(0.128)	(0.129)
Female CEO	0.771	0.801	0.769	0.799	0.657	0.470	0.530
	(0.006)	(0.004)	(0.006)	(0.004)	(0.014)	(0.079)	(0.045)
CEO Academic Background	0.211	0.198	0.210	0.197	0.265	0.202	0.228
	(0.135)	(0.154)	(0.135)	(0.154)	(0.048)	(0.110)	(0.068)
CEO Non-Executive Board Positions	−0.754	−1.470	−0.754	−1.470	−1.123	−0.752	−1.411
	(0.003)	(0.015)	(0.003)	(0.015)	(0.041)	(0.003)	(0.011)
CEO-Chairman Duality	−0.017	−1.315	−0.016	−1.314	−1.332	0.150	−1.475
	(0.948)	(0.024)	(0.951)	(0.024)	(0.023)	(0.471)	(0.009)
CEO Heir Apparent Experience	0.302	0.347	0.302	0.346	0.213	0.215	0.222
	(0.152)	(0.096)	(0.153)	(0.097)	(0.297)	(0.284)	(0.265)
Constant	−8.656	−8.596	−8.569	−8.482			
	(0.000)	(0.000)	(0.000)	(0.000)			
Log likelihood	−696.2	−681.9	−696.2	−681.9	−648.4	−756.4	−736.0

Note: p-values are in parentheses. Models 1–4 include year fixed effects, quarterly (time) fixed effects, and industry fixed effects. Models 5–7 include year fixed effects and are stratified by industry. 873 new CEOs are at risk for 569,254 days in 256 first acquisitions.

Table AIV. Endogeneity-related tests

	Model 1	*Model 2*	*Model 3*	*Model 4*
	Placebo	*Placebo*	*Control function*	*Control function*
Time × Placebo – Outsider CEO		0.014		
		(0.739)		
Placebo – Outsider CEO	−0.026	−0.082		
	(0.849)	(0.716)		
Placebo – Negative CEO CAR	−1.075	−1.428		
	(0.674)	(0.578)		
Time × Outsider CEO				0.118
				(0.007)
Outsider CEO			0.539	0.062
			(0.001)	(0.829)
Negative CEO CARs			5.590	5.375
			(0.022)	(0.029)
Time × CEO Acquisition Experience		−0.925		−0.859
		(0.133)		(0.066)
Time × CEO Non-Executive Board Positions		0.112		0.124
		(0.099)		(0.101)
Time × CEO-Chairman Duality		0.208		0.206
		(0.006)		(0.004)
Time × Firm ROA – above Industry		−2.044		−0.991
		(0.028)		(0.189)
Firm ROA – below Industry	−32.688	−32.011	−40.175	−40.131
	(0.002)	(0.003)	(0.001)	(0.001)
Firm ROA – above Industry	4.548	12.965	4.100	8.140
	(0.115)	(0.005)	(0.121)	(0.054)
Firm Leverage	−0.654	−0.648	−0.376	−0.359
	(0.112)	(0.123)	(0.337)	(0.360)
Firm Liquidity	0.094	0.097	0.108	0.104
	(0.014)	(0.007)	(0.000)	(0.000)
Firm Size	0.045	0.051	0.062	0.074
	(0.374)	(0.316)	(0.219)	(0.139)
Firm Acquisition Experience	0.632	0.623	0.688	0.687
	(0.000)	(0.000)	(0.000)	(0.000)
Prior CEO Dismissal	−0.366	−0.338	−0.499	−0.506
	(0.061)	(0.082)	(0.016)	(0.016)
TMT Change	0.246	0.264	0.305	0.284
	(0.126)	(0.102)	(0.042)	(0.057)

(Continues)

Table AIV. (Continued)

	Model 1	*Model 2*	*Model 3*	*Model 4*
	Placebo	*Placebo*	*Control function*	*Control function*
Positive CEO CARs	1.615	1.010	2.017	2.373
	(0.480)	(0.680)	(0.404)	(0.341)
Positive CEO CARs (Residuals)				
CEO Acquisition Experience	0.091	1.943	−0.772	1.208
	(0.921)	(0.004)	(0.415)	(0.031)
CEO Age	−0.021	−0.020	−0.035	−0.036
	(0.130)	(0.162)	(0.009)	(0.007)
Female CEO	0.704	0.688	0.499	0.503
	(0.008)	(0.010)	(0.044)	(0.042)
CEO Academic Background	0.252	0.286	0.139	0.131
	(0.060)	(0.035)	(0.295)	(0.319)
CEO Non-Executive Board Positions	−0.587	−1.220	−0.625	−1.379
	(0.021)	(0.026)	(0.010)	(0.020)
CEO-Chairman Duality	0.019	−1.321	0.106	−1.164
	(0.935)	(0.033)	(0.659)	(0.045)
CEO Heir Apparent Experience	0.178	0.169	0.356	0.370
	(0.386)	(0.409)	(0.068)	(0.051)
Residual from Auxiliary Regression *Negative CEO CARs*			−3.974	−3.574
			(0.468)	(0.515)
Residual from Auxiliary Regression *Outsider CEO*			−2.200	−1.991
			(0.108)	(0.170)
Constant			−5.882	−6.085
			(0.000)	(0.000)
Observations	569,254	569,254	569,252	569,252
χ^2	114.6	29539	106882	95913
Pseudo-R^2	0.106	0.118		
Log likelihood	−665.9	−656.6	−2090	−2076

Note: p-values are in parentheses. Models 1 and 2 (Placebo) include year fixed effects and are stratified by industry. Models 3 and 4 (Control function approach) include year fixed effects, quarterly (time) fixed effects, and industry fixed effects. In Models 1–4, 873 new CEOs are at risk for 569,254 days in 256 first acquisitions.