
An Examination of the Effectiveness of the Chairman and Chief Executive Officer in Mergers and Acquisitions in Australia

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Abstract

Mergers and acquisitions (M&A) continue to be value destroying for many acquiring firm shareholders, but value enhancing for the acquired firms' shareholders. Lack of continuity of tenure, agency problems and animal spirits in the acquiring and acquired firms may contribute to this loss of value. Best corporate governance practice proposes that the roles of Chairman and Chief Executive should be performed by different people and yet there is a limited amount of analysis linking these separate roles with firm performance. This study examines acquisitions in Australia between 1990 and 2006 and finds that the period of joint tenure, when the Chairman and CEO in the acquiring firm have been in their respective roles together, is a statistically significant contributor to acquiring firm shareholder value in M&A activity. A significantly negative correlation exists between CEO remuneration change and M&A outcomes indicating agency problems, whilst animal spirits are also in evidence around the time of an acquisition. A contribution to the debate about hubris in M&A suggests that narcissism may be more prevalent than hubris. Improvements in transparency for the remuneration and nominations committees are recommended to address some of the issues of corporate governance raised in this study.

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Declaration

I, Nigel Stephen Garrow, declare and certify that this thesis, presented to the Macquarie Graduate School of Management (MGSM), Macquarie University, is in fulfilment of the requirements for the Degree of Doctor of Philosophy in Management. The work presented in this thesis is, to the best of my knowledge and belief, original, except as acknowledged in the text. The material has not been submitted, either in whole or in part, for a degree at this or any other university. The document does also not contain material previously published to which due reference has not been made in the text.

A handwritten signature in black ink, appearing to read 'Nigel Stephen Garrow', is written over a horizontal dotted line. The signature is stylized and cursive.

Nigel Stephen Garrow

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