Extreme Actions of Incumbent CEOs To Frustrate Hostile Takeover Bids

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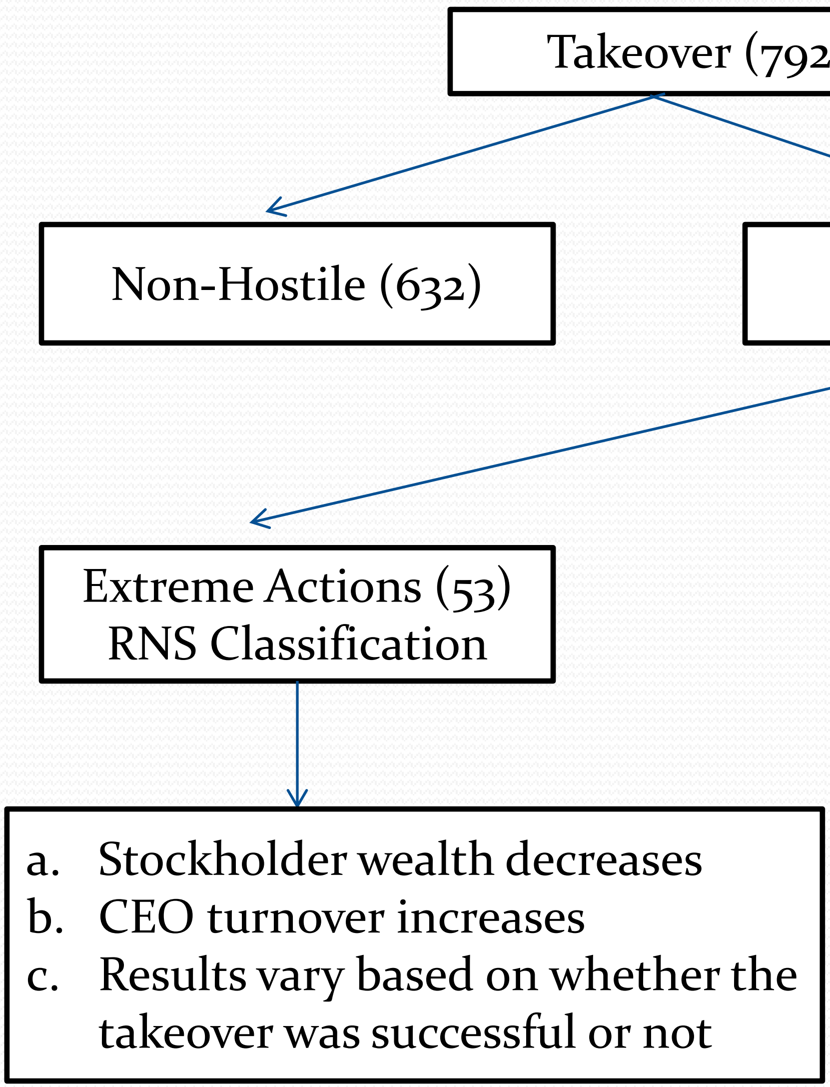
Empirical Setup of the Paper



Some Observations – Methodological

- Definition of extreme/frustrating actions: actions that make targets less valuable and more difficult to acquire

  → short run and long run effect of extreme actions → does the RNS classification take account of this?

  → does this definition presupposes the outcome?

  → motivation is still an interesting question

- Other actions: the complement of extreme actions
  - → what are the objectives of the other actions
  - → are these actions then "non-hostile" and then the choice is between extreme actions and all other actions? (53 versus 632 + 77)

- Can we compare extreme actions in hostile takeovers in UK and US
  - → effect in US should be stronger as statutes already incorporate takeover defence in firm charter

- Relatedly it means that selection bias is less of an issue in the UK which is consistent with the results

- Should we set the dummy variable to one for successful extreme actions (i.e. those that were able to actually frustrate the potential acquirer) and not all extreme actions?

Some Observations – Empirical

- Should both the equations be estimated simultaneously rather than in two steps?
- If in two steps then the should one have the estimated probability of frustrating actions rather than the variable itself in the outcome regressions?
- Should the selection equation for hostile takeover also have the CG variables and especially those related to CEO power as that was the motivation of the selection model?
- Table 2: It will be informative to have this table for non-hostile and hostile takeovers and within that for successful and failed attempts
- The interaction term "frustrating action x failed attempt" should be used consistently in all regressions
- Some coefficients, e.g. Cadbury Dummy (> 0); Incumbent CEO Stock Ownership (> 0) have alternative interpretations that do NOT support the hypothesis of CEO power

- Enjoyed reading the paper and hope to see it being published