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UNIVERSITY OF CALIFORNIA
RIVERSIDE

Antecedents & Consequences of Rhetorical Strategy in M&A

A Dissertation submitted in partial satisfaction
of the requirements for the degree of

Doctor of Philosophy

in

Management

by

Amanda A. Ishak

December 2019

Dissertation Committee:

Dr. Jerayr Haleblian, Chairperson

Dr. Marlo Raveendran

Dr. Timothy Gubler

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Amanda Ishak
2019

The Dissertation of Amanda A. Ishak is approved:

Committee Chairperson

University of California, Riverside

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For the cheer of Grad Division: you made the impossible seem possible.

Although I consulted several works over the past five years, four resources became invaluable to completing this dissertation. These are:

- Fama, E. F. (1998). Market efficiency, long-term returns, and behavioral finance. *Journal of Financial Economics*, 49(3), 283-306.
- Barnett, Jermier, & Lafferty (2006), "Corporate Reputation: The Definitional Landscape, *Corporate Reputation Review* Vol. 9(1), 30-31.
- Mitchell, Michael N. *Data Management Using Stata: A Practical Handbook*, Stata Press (2010).
- Long, J. Scott. *The Workflow of Data Analysis Using Stata*. Stata Press (2009).

For my parents, who taught me my ABC's, 1-2-3's, logic, wit, and the value of persistence: you have the patience of saints. I love you.

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And for the love of my life, who endured all the fun side effects of the PhD process with overwhelming understanding. You have been inspiring me since the day we met. This HAS to be worth three points.

DEDICATION

To my father,
for the inspirational legacy and love.

Knowledge is power.

ABSTRACT OF THE DISSERTATION

Antecedents and Consequences of Rhetorical Strategy in M&A

by

Amanda A. Ishak

Doctor of Philosophy, Graduate Program in Management
University of California, Riverside, December 2019
Dr. Jerayr Haleblian, Chairperson

Do well-established firms communicate differently with the market? If so, does this selection of rhetoric affect investor response? This two-part analysis uses a simple quantitative measure of the rhetorical characteristics of acquisition announcements to model the antecedents and consequences of the communication choices of firms around strategic events. I propose a cost-based theory of impression management, wherein firms seek to leverage reputational capital in place of most costly information. Using data from more than 3,500 acquisitions between 1997-2018, I examine how firms capitalize on a high level of reputational capital to a) limit the level of information released around an acquisition and b) increase the promotional components of acquisition press releases in order to close information asymmetries with investors while minimizing future competitive costs. I find limited support that firms with more reputational capital can substitute this asset for more concrete acquisition details. Then, I examine how the strategic selection of rhetoric in acquisition announcements affects abnormal returns to acquisition announcements. Overall, I find that investors do not respond to rhetorical strategies in press releases. Investor sophistication also does not attenuate these effects.

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EXHIBIT A

Cisco Systems to Acquire SignalWorks; Acquisition Advances Cisco's Leadership in High-growth IP Telephony Market

March 19, 2003 08:08 AM Eastern Standard Time

SAN JOSE, Calif.--(BUSINESS WIRE)--March 19, 2003--Cisco Systems, Inc., today announced a definitive agreement to acquire privately-held SignalWorks, Inc. of Mountain View, Calif., a developer of advanced software that delivers high-performance audio capabilities for IP telephony systems. The acquisition advances Cisco's leadership in the fast-growing global IP (Internet Protocol) telephony market, which is expected to increase from approximately \$900 million in 2002 to \$4.3 billion in 2006 (Synergy Research Group).

Under the terms of the agreement, Cisco common stock, worth an aggregate value of approximately \$13.5 million, will be exchanged for all outstanding shares and options of SignalWorks. The acquisition of SignalWorks is expected to close by the fourth quarter of Cisco's Fiscal Year 2003. The acquisition has been approved by the board of directors of each company and is subject to various closing conditions.

"The acquisition of SignalWorks reinforces Cisco's continued commitment to leadership in IP telephony," said Marthin De Beer, vice president and general manager of Cisco's Enterprise Voice and Video Business Unit. "The SignalWorks core technology team is comprised of seasoned industry veterans with many years of experience in voice and digital signal processing, and the integration of SignalWorks' voice technology with Cisco's market-leading IP telephony product portfolio will drive continued innovation and performance differentiation for Cisco. Ultimately, this acquisition will allow Cisco to attract new small business, enterprise and service provider customers."

SignalWorks' Acoustic Echo Canceller (AEC) software, which provides unparalleled voice clarity, is a digital full duplex, voice- processing algorithm that will drive continued product innovation and differentiation across Cisco's complete line of IP phones and IP softphones. Already deployed in Cisco IP phones used by several Fortune-500 companies, SignalWorks' AEC software delivers advanced audio features, such as multiple microphone capabilities, stereo sound, and PC-based softphones, providing the basis for the future expansion of Cisco's IP phone product line into new high-end markets. This advanced audio and speakerphone capability will allow Cisco to further penetrate the enterprise, small- and medium-sized business, and service provider managed services markets.

SignalWorks was founded in 1994. SignalWorks' employees will join Cisco's Voice Technology Group under the leadership of Don Proctor, vice president and general manager of Cisco's Voice Technology Group.

IP telephony allows data, voice, and video to be transmitted over a single network infrastructure, providing new capabilities and cost savings for enterprises, small- and medium-sized businesses

and service providers that offer managed services. With more than 6,000 IP communications customers worldwide and over 1.5 million IP phones shipped to date, Cisco continues its momentum in delivering IP Communications solutions. According to the Synergy Research Q4 2002 report, Cisco continues its leadership with the number-one market share position in the LAN Telephony market. Cisco is also number one in unit volume of IP phones shipped and enterprise voice gateways shipped.

About Cisco Systems

Cisco Systems, Inc. (NASDAQ:CSCO) is the worldwide leader in networking for the Internet. News and information are available at www.cisco.com.

Safe Harbor Statement

This release may be deemed to contain forward-looking statements which are subject to the safe harbor provisions of the Private Litigation Reform Act of 1995. These forward-looking statements include, among other things, statements regarding the potential growth of the market in which SignalWorks operates, the anticipated timing of closing, and the anticipated benefits of the combination of SignalWorks with Cisco on Cisco's product offerings and ability to penetrate specified markets. Readers are cautioned that these forward-looking statements are only predictions and may differ materially from actual future events or results. Readers are referred to the documents filed by Cisco with the SEC, specifically the most recent reports on Form 10-K and 10-Q, each as it may be amended from time to time, which identify important risk factors that could cause actual results to differ from those contained in these forward-looking statements.

Among the important factors or risks that could cause actual results or events to differ materially from those in the forward-looking statements in this release are: this acquisition may not close on a timely basis or at all, due to failure to satisfy closing conditions or otherwise; risks associated with the successful integration of SignalWorks' business; Cisco may not be able to retain key employees of SignalWorks; anticipated benefits of this acquisition may not be realized; competition and pricing pressure in the IP telephony industry; dependence on the introduction and market acceptance of new product offerings and standards; rapid technological and market change; Internet infrastructure problems and government regulation of the Internet; global economic conditions; uncertainties in the geopolitical environment; and possible disruption in commercial activities occasioned by terrorist activity and armed conflict. The information in this release is current as of the date of this release, but may not remain accurate as of any future date. Cisco does not undertake any duty to update the information provided in this release, except as otherwise required by law.

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EXHIBIT B

Apple to Acquire Beats Music & Beats Electronics

May 28, 2014 04:30 PM Eastern Daylight Time



CUPERTINO, Calif.--(BUSINESS WIRE)--Apple® today announced it has agreed to acquire the critically acclaimed subscription streaming music service Beats Music, and Beats Electronics, which makes the popular Beats headphones, speakers and audio software. As part of the acquisition, Beats co-founders Jimmy Iovine and Dr. Dre will join Apple. Apple is acquiring the two companies for a total of \$3 billion, consisting of a purchase price of approximately \$2.6 billion and approximately \$400 million that will vest over time.

“Music is such an important part of all of the lives and holds a special place within the hearts at Apple,” said Tim Cook, Apple’s CEO. “That’s why we have kept investing in music and are bringing together these extraordinary teams so we can continue to create the most innovative music products and services in the world.”

“I’ve always known in my heart that Beats belonged with Apple,” said Jimmy Iovine. “The idea when we started the company was inspired by Apple’s unmatched ability to marry culture and technology. Apple’s deep commitment to music fans, artists, songwriters and the music industry is something special.”

Iovine has been at the forefront of innovation in the music industry for decades, and he has been an instrumental partner for Apple and iTunes® for more than a decade. He has produced or collaborated with some of the most successful artists in the history of the iTunes Store®, helping make it the world's number one music retailer. Iovine and Dr. Dre are sound pioneers, artists and entrepreneurs.

Beats Electronics has brought the energy, emotion and excitement of playback in the recording studio back to the listening experience and has introduced an entirely new generation to premium sound entertainment. Beats Music was developed by a team of people who have each spent their entire career in music and provides music fans with an incredible curated listening experience.

"Music is such an important part of Apple's DNA and always will be," said Eddy Cue, Apple's senior vice president of Internet Software and Services. "The addition of Beats will make the music lineup even better, from free streaming with iTunes Radio to a world-class subscription service in Beats, and of course buying music from the iTunes Store as customers have loved to do for years."

In just five years since launch, the Beats "b" has become the brand of choice in the music and sports worlds, and is the market leader in the premium headphone market. Music superstars including Lady Gaga, Lil Wayne and Nicki Minaj have designed their own customized Beats headphones and speakers. Fashion designers and street artists such as Alexander Wang, Futura and Snarkitecture have collaborated on special limited products, while renowned athletes including LeBron James, Serena Williams and Neymar use Beats as a critical part of their training and game day process. Beats has quickly become part of pop culture in the US and with the acquisition the Beats product lineup will be offered in many more countries through the Apple Online Store, Apple's retail stores and select Apple Authorized Resellers.

Subject to regulatory approvals, Apple expects the transaction to close in fiscal Q4.

Formally established in 2008 as the brainchild of legendary artist and producer Dr. Dre and Chairman of Interscope Geffen A&M Records Jimmy Iovine, Beats Electronics (Beats) comprises the Beats by Dr. Dre family of premium consumer headphones, earphones, and speakers as well as patented Beats Audio software technology and streaming music subscription service Beats Music. Through these offerings, Beats has effectively brought the energy, emotion and excitement of playback in the recording studio to the listening experience and has introduced an entirely new generation to the possibilities of premium sound entertainment.

Beats Music is a subscription streaming music service that focuses on providing a personalized music experience for each user through a unique blend of digital innovation and musical passion. Programmed by a trusted team of well-respected music experts with over 300 years of experience across all genres, Beats Music delivers the right music for any situation, any time, and any preference, personalized to your tastes. The result is an artist-friendly digital music service that does more than simply offer access to music, but one that establishes an emotional connection to it as well.

Apple designs Macs, the best personal computers in the world, along with OS X, iLife, iWork and professional software. Apple leads the digital music revolution with its iPods and iTunes online store. Apple has reinvented the mobile phone with its revolutionary iPhone and App Store, and is defining the future of mobile media and computing devices with iPad.

CHAPTER 1: A COST-BASED THEORY OF IMPRESSION MANAGEMENT

INTRODUCTION TO THE TOPIC

When Cisco Systems, Inc. acquired SignalWorks, Inc. in a \$13.5 million transaction in March 2003, the corporation issued a press release detailing the acquisition deal. At just under two full pages of text (Exhibit A), the release included information on a range of topics: the global IP telephony market, SignalWorks' technology, plans for incorporating SignalWorks' voice IP with Cisco's portfolio, the firm's intention to integrate SignalWorks' staff, and Cisco's future plans to advance speakerphone services for enterprise, small-business, and service-provider managed markets. When Apple, Inc. acquired Beats Music and Beats Electronics for \$3 billion in May 2014, Apple also released a two-page press release on the acquisition deal (Exhibit B). It began with a ½-page promotional photo of Tim Cook, Dr. Dre, and Jimmy Iovine, and, over the next page or so, featured quotes from celebrity partners recounting the “innovative,” “world-class,” “premium,” and “incredible” achievements of the two companies. Apple's stock rose 2.5% on its announcement; Cisco's fell 4.8%.

Firms actively choose how to communicate with the market to manage investor perception, an activity known as impression management (IM) (Elsbach & Sutton 1992; Washburn & Bromiley 2014; Elsbach 2003, 2006; Graffin et al 2011; 2016). Press releases have become one of the main ways firms communicate to the market around major events. Designed to reach all stakeholders at one time, releases inherently hold a “dual informational-promotional nature” (Maat 2007), wherein they announce the event

and give managed insight into the intentions of the firm. Studies of press releases (Firth, Li, & Wang 2008; Ramesh 2009; Li 2010; Merkl-Davies, Brennan, & McLeay 2011; Elsbach & Sutton 1992; Graffin et al 2011) show that the types and levels of information and promotion in public announcements (aka, the rhetorical mix) vary from firm to firm. To date, the Impression Management (IM) literature has focused on the myriad ways managers seek to manipulate investor perceptions, with a focus on the benefits of information in mitigating information asymmetries between firms and constituents. Although these insights have formed the basis for an exciting breadth of work, they do not yet explain the observed differences in the level of information and promotion provided by firms in an otherwise rigid medium, that of press releases. Few IM studies have looked at the specific factors that affect a firm's level of information and promotion in announcements. How do we explain the choice of a more informational strategy, such as Cisco's, or a more promotional strategy, like Apple's? In more general terms: if the value of information is understood, why do we see such variation in levels of information provided from firm to firm? Expanding on IM's current focus on the benefits of information, I propose the answer could be in the long-term cost of information for firms.

Impression Management draws upon the Information Economics and Behavioral Finance disciplines, both in agreement that the goal of firm communication is to reduce information asymmetries to maximize firm performance. Extant literature suggests that benefits to information, however, are short-term, while long-term costs, in the form of feedback effects, persist (Bushee et al 2010; Firth et al 2008; Ober et al 1999; Hooghiemstra 2000; Merkl-Davies & Brennan 2007; Fama 1965, Samuelson 1965, Fama

1970). If the value of information is clear and unobstructed, then, according to current, benefits-based Impression Management theories, we should not see much variation in the level of information release. But we do. That is, current theories of IM do not explain observed variability in firm-produced informational content. I suggest that a cost-based theory of IM may explain such variations in firm communication strategy. In this dissertation, I examine how firms utilize information based on perceived costs, rather than benefits alone, to determine whether any theoretical basis exists for a cost-based theory of IM.

IMPRESSION MANAGEMENT AS A COST-BASED ACTIVITY

Information, such as the concrete facts, data, and details of Cisco's acquisition of SignalWorks, is one part of a larger IM toolkit firms use to close information asymmetries with investors when announcing a strategic action (Fama 1965; Bushee et al 2010; Firth et al 2008; Ober et al 1999; Tetlock 2011 and 2014). However, the cost of information to a firm varies. In public press releases, for example, firms simultaneously reveal information to all stakeholders. Investors may react to the information positively, prompting short-term gains, but competitors can counter the strategic information in the long-term, reducing future rents. This feedback effect (Riley 1975; Bhattacharya & Ritter 1983) attenuates short-term gains, since competitors are now aware of – and may exploit – the same competitive advantage in the long term. Indeed, when firms release strategic information, Guo et al (2019) point out: “a focal firm is likely to view a rival's negative... surprise as an opportunity to exploit its vulnerability.”

On the other hand, intangible resources, such as reputational capital, carry weight as informational signals without conveying strategically sensitive details to competitors. Firms of higher reputation, for example, can raise capital without disclosing proprietary information to investors and competing firms (Campbell 1979). Reputational capital suggests two key firm attributes to investors: capabilities and character (Mishina et al 2012). This implies that some intangible resource, like Apple's high reputation, can sway investor perception as well as, or perhaps better than, actionable and concrete information on which rivals can compete.

Reputations scholars have pointed out that, although we know reputation influences how managers perceive their decision-making power, "we know very little about how reputation influences managers' everyday decisions" (Parker, Krause, & Devers, 2019), including the strategic selection of firm rhetoric and IM strategy. At intersection of IM and reputation, we may find support for a cost-based theory of IM that helps explain observed variability in firm rhetorical strategies.

In this document, I outline the assumptions and hypotheses underlying the following proposed theory:

Firms seek to balance a loss of competitive rents (long-term) with short-term benefits of reductions in information asymmetries. Firms with more informational priors, such as reputational capital, in the market can rely on such signals. Therefore, established firms should release less information (and less concrete information) to the market in acquisition announcements, and instead adopt a more promotional approach.

APPROACH TO THIS DISSERTATION

In this dissertation, I take the reader through the foundational elements of this

proposed Cost-Based Theory of Impression Management. I also test tenets of the theory using a comprehensive, novel data set of more than 3,500 acquisition press releases. The findings indicate limited support for the hypothesis that firms manage the level of information within announcements to maximize short-term investor response while minimizing long-term competitive loss. In the subsequent analysis, I do not find evidence that these rhetorical differences elicit different market responses depending on the reputational capital of the firm, although I caution that these results are extremely limited and should be complemented by qualitative analysis for conclusive results.

The remaining chapters are presented as follows:

CHAPTER 2: Dissertation Overview

I provide a brief overview of the dissertation structure, including summary tables of the research positioning, and the research progression from January 2016 to December 2019.

CHAPTERS 3-5: The Literatures: What We Know

The goals of this research and dissertation are to a) enhance the theoretical story of the research, in terms of providing better context and to guide the reader toward an understanding of the specific research question; b) show expert-level understanding of the many contributing areas of study to Impression Management (IM); and c) lay the theoretical foundation for future studies in this area using the text analysis methodology,

which is just gaining popularity in publication and which has significance as an area of applied research as well.

First, this dissertation is inherently an Impression Management study, which makes it complex in terms of source theory. IM in itself draws upon three distinct areas to form its theoretical basis: Information Economics, Psychology, and Strategy. As a matter of course, a PhD-level understanding of IM must also hold expert understanding of these underpinnings, at least as they contribute to the understanding of how, why, when, and under what restrictive circumstances firms tend to communicate in particular ways. In **Chapter 3**, I outline the foundational theories of IM as a discipline, including the information economics theory of the Feedback Effect that strongly supports a measureable, cost-based theory of information. Next, I delve into the tenets of rhetorical analysis that has emerged in the space in the past decade. I provide an explanation of the choice to characterize the Information-Promotion (IP) construct as a series of co-measures, rather than a continuum, which is the major pillar of the theory. Then, I explicate the attributes of the Audience in IM to give the reader an understanding of the needs of the rhetorical receiver, as well as the sender. I conclude the chapter with a discussion of a few of the shortfalls IM faces in explaining observed differences in firm rhetoric, gaps which I hope to begin filling in the studies.

Second, one type of information of interest to the study is the notion of “reputational capital,” which is covered cursorily in the IM literature and which has its own home in the high reputation (HR) literature itself. In **Chapter 4**, I examine the components of reputational capital as they have been defined in the literature: age and

ranking. Because the definitions of reputation are well established, but the connections to rhetoric so nuanced, this necessitates a dedicated literature deep dive on reputation, which is also presented here. I review the benefits and costs of reputation, as well as the reconciliation between IM and the Reputation literatures' approach to information. Then, I map the sufficiency of current measures of reputation, including those as a function of age and external validation. These metrics underscore some of the analysis, and so are explicated here.

Finally, the context of mergers and acquisitions (M&A) is itself its own area of study, and some of the issues here deserve focus. In **Chapter 5**, I offer a deep-dive review of literature on M&A below to help the reader understand how this unique context a) differs from prior studies of rhetoric in IM, thereby expanding the knowledge of the phenomenon under study, and b) provides a suitable “nest” for this analysis. I begin with a review of research in context, followed by support for the use of text analysis as a logical next step in methodology in this area. I then explain how Fama (1998) set the stage for analysis, as the long-term effects of M&A announcements differ significantly from other strategic firm announcements. I conclude Chapter 5 with a slightly more detailed discussion of the specific audience for M&A announcements, which is divided (quite helpfully) into sophisticated and unsophisticated investor blocks. This contributes to our moderated analysis in Study 2.

CHAPTER 6: Novel Data: What We Need

This dissertation focuses on the antecedents to strategic choice and the outcome(s)

of these choices at the firm level. The primary analysis is the effect of intrinsic firm reputational capital on firm rhetorical strategy. The secondary analysis is on the effect(s) of this same rhetorical strategy on market response. Since the studies are conducted sequentially and with an assumption of independence, both a fixed- and random-effects panel and an OLS methodology are appropriate (this is expanded upon in Chapters 7 and 8). However, upon examining available data and the needs of the study, three limitations emerged that necessitated the creation of a new data set. We examine these in **Chapter 6**.

First, regarding the quantitative, firm-level data on reputations/returns and performance: while multiple sources, including Thomson SDC's Mergers & Acquisitions Database, Wharton's Research Data Services Event Study Interface, and COMPUSTAT's Domestic Firm Information portal, provided pieces needed for the two-part, continuous event analysis, no single database unified these factors. Second, quantitative controls, such as industry and macroeconomic trends, are in separate sources and are un-lagged for the purposes. Third, regarding the key qualitative data: no compendium or library of official, firm-originated, mergers & acquisitions press releases with extractable (and therefore analyzable) text existed. As this is key to the linguistic analysis, hand-gathering these releases became critical to the project. Thus, I embarked on developing a novel data set to unite firm and industry data and compile qualitative narratives for event analysis. A review of the data sources, explanation of the combination and cleanup procedures, and overview of text analysis methodology in strategy is presented in Chapter 6. I also provide baseline descriptive statistics of the data, including distributions and summaries of key metrics. More detailed statistics are

provided in Appendices A and B. Descriptive statistics related to specific hypotheses are also provided in the specific study chapters, **Chapters 7 and 8**.

CHAPTERS 7-8: Studies 1 & 2: What We Examine

Once I have established the larger theoretical underpinnings of the cost-based theory, I delve into two specific studies to test my theoretical assumptions. In **Chapter 7**, I detail the specific, testable hypotheses that may lend credence to the theory and test these hypotheses using the novel data. In **Chapter 8**, I take the analysis one step further, looking at the audience (market) response to such strategies and examining whether this may be considered an effective use of firm resources. These chapters also detail the findings. Specifically:

CHAPTER 7: Study 1: Reputational Capital and the Feedback Effect. IM shows that firms balance the informational and promotional approaches around strategic events in order to simultaneously inform and persuade investors. Similarly, the feedback effect suggests that firms seek an informational equilibrium to preserve future competitive rents. Therefore, given the choice of rhetorical strategy as a tactic of IM, firms face a decision: release more information for short-term gain that costs competitive rents in the long run, or sacrifice short-term gains to preserve competitive rents (incentivized to disclose a minimum level of information necessary). However, if firms can leverage information that renders short-term gains *without* sacrificing future rents, I suggest they will. I posit that firms with more reputational capital – as a costless

intangible resource – are less likely to divulge information that compromises a competitive position, instead relying on the information inherent in its established reputation to affect investor response. I find cautious support for the theory of reputational capital and the feedback effect, although the findings are extremely limited.

CHAPTER 8: Study 2: Rhetorical Strategy and Investor Response. Investors seek as much information as possible to evaluate firms, but not all information is of equal value to the market. In the absence of verifiable information about an acquisition, I have suggested that investors may look to other sources of information to indicate firm intent, including what information is provided (content) and promotional factors (tone) of the press release itself. While content analysis has been established in behavioral finance and impression management, the analysis of tone has only begun in earnest in the IM literature. Moreover, many recent studies suggest investors react to the sentiment conveyed by managers equally – if not more – than financial metrics. After testing rhetorical characteristics with financial controls, however, I find that the short-term market response of investors to firm action is not affected by the rhetorical strategies of firms. That is, I do not find direct evidence that the rhetorical choices of managers effectively manipulate investor response. Investor sophistication is also not shown to affect short-term investor reaction to rhetoric.

CHAPTER 9: Limitations Review: What Comes Next

The ability to make causal connections in this analysis is limited by data availability

and the methodology employed. In this chapter, I take a deeper look at what the results indicate, including the insufficiency of quantitative data within text analysis in examining rhetorical strategy. I then propose a qualitative, case-based approach, used by some in other areas of strategy, which may complement (not supersede) this work in future studies.

THEORETICAL CONTRIBUTIONS

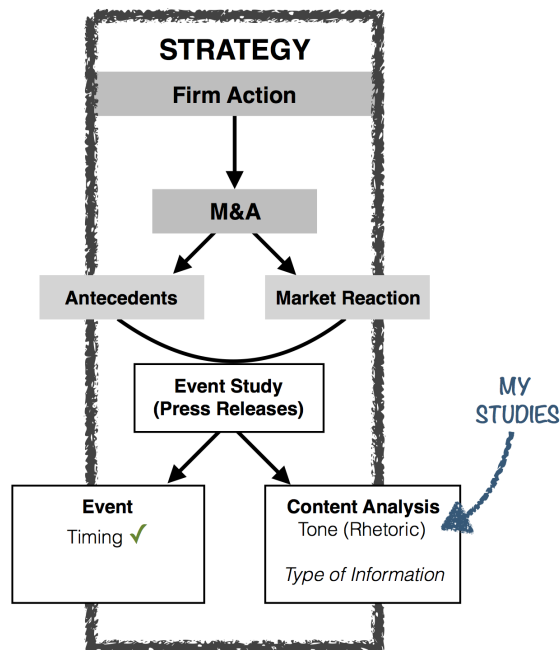


Fig 1: Studies 1 and 2, Positioning

My dissertation follows a logical evolution in the area of strategy, specifically related to the emerging area of content analysis as a subset of research on specific acquisition events. As shown in Figure 1, the domain of Strategy has been focused on the study of firm action, of which M&A is a main subcategory. Studies on M&A focus on either the antecedents to this firm action, the market's reaction to this firm action, or a

combination of both. All types utilize a standard event study methodology, where individual acquisition announcements (press releases) are the individual events under analysis. Within these analyses, two categories of exploration are possible. The first, the timing of the event as a whole, has been studied in several contexts. The second, detailed content analyses, is just emerging in the literature. The study focuses on one type of content analysis, the Tone (or Rhetorical Analysis) of acquisition press releases. A second content analysis, that on the Type of information in press releases, could make strong use of recent methodological adaptations in machine learning and is a logical next step after this dissertation.

This dissertation makes three contributions to the recent, growing body of work on antecedents and consequences of impression management. First, prior studies on managerial communication (Firth et al 2008; Ramesh 2009; Li 2010; Merkl-Davies, Brennan, & McLeay 2011; Merkl-Davies & Brennan 2011) focus on the effect of impression management as a generic tactic, and extensive work has been completed on backward-looking, report-style firm communiqués, such as annual reports and earnings announcements. This empirical analysis is intended to explicate the balance of information and promotion. I intend to show that the presence of reputational capital is a determinant of such rhetorical strategy. In addition, few studies have examined the role of information in a forward-looking, speculative announcement, despite it having significant consequences on long-term firm perception (see Fama 1998). This may provide valuable insights as to the mechanisms by which firms use reputational capital and concrete information to manipulate the market's perception of a future strategic action that has

ambiguous financial outcomes.

Second, as I will discuss, two divergent theories underscore the majority of IM work, each based on a strong form or weak form of market efficiency. Strong form indicates that more information is the only way to sway investors; weak form implies that some degree of promotion can capitalize on asymmetries. The empirical examination allows us to determine which assumption is more valid. If information is more effectual than promotion at eliciting favorable market response, markets are highly efficient; if promotion is highly effectual, then we have evidence of weaker efficiency mechanisms.

Third, several studies have examined the antecedents to managerial impression management, drawing on psychology to theorize at the level of individual (Merkl-Davis 2007). We elevate the analysis to the firm level and propose that a firm's goal is to reduce the cost of information, a motivation that is inherently economic rather than behavioral. The implication is that the firm is driven by competitive factors rather than by individualistic self-preservation. This difference in motivations may expand the understanding of the underlying mechanisms behind IM strategy in a macro sense. As opposed to benefit drivers, this cost-based theory of firm motivation may open new doors in impression management studies.

In addition, my two-part study framework contributes to prior works by identifying antecedents to firm selection of rhetorical strategy and consequences in terms of market reaction using the same sample and analysis of firms. This sequential study may enable a better understanding of the flow of information from firm to market, as this is a larger interest of both information economics and impression management.

Methodologically, I faced several limitations, which I discuss in the last chapter. I use the study outcomes as the bases for the suggestion that a qualitative approach may complement quantitative analysis in this nascent area of study, and I outline the benefits of this approach here. Finally, as the effect of reputation on managerial decision-making remains an area of interest for strategy and reputations scholars alike (Parker et al, 2019), this study may also contribute to the ongoing understanding of this phenomenon.

PRACTICAL CONTRIBUTIONS

Managers evaluate the efficacy of strategic tactics, especially high-cost activities such as marketing and PR. I suggest that returns to rhetoric could be of particular interest to practitioners. These professionals specialize in the specific crafting of messages. There is also an entire infrastructure dedicated to educating practitioners on tenets of management communication, which have been accepted as standard operating practice for nearly half a century. Is it time to change the rhetorical game? Are there alternative approaches to communicating? Are press releases still adequate to reach investors? In this series of analyses, I show that the effect of rhetoric – the manipulation of which is a foundational skill among marketing and public relations practitioners – is not as direct as commonly perceived. The development of rhetoric around strategic firm announcements exists in an extremely noisy informational environment, and the effect of rhetorical strategy on investor constituencies is not easily predicted. While press releases continue to grow in popularity, alternative communication strategies may also play a significant role in the ability of managers to manipulate investor reaction, or impression manage.

CHAPTER 2: DISSERTATION SUMMARY

RESEARCH SUMMARY

Antecedents and Consequences of Rhetorical Strategy in M&A

Theory Drivers

Impression Management, Information Economics, Behavioral Finance

Theoretical Contribution

- Proposes a cost-based theory of impression management, drawing on economic motivators and multidimensional definitions of reputation.
- Explores the feedback effect as a motivator/antecedent of anticipatory impression management (AIM) strategy.
- Applies rhetorical analysis to a new context: a forward-looking type of strategic announcement, revealing significant informational differences.

Primary Research Questions

- Do firms leverage informational signals to avoid significant and costly disclosures?
- Does the degree to which a firm is established (known) in the market affect its rhetorical strategy? Does this significantly affect market returns?
- Are more established firms less likely to release information to the market?

	Study 1: Reputational Capital and the Feedback Effect	Study 2: Rhetorical Strategy and Investor Response
Source Theory	Impression Management Information Economics	Impression Management Behavioral Finance
Perspective	Firm	Market
IV(s)	Firm Reputational Capital: 1. Firm Age 2. Firm Reputation (Ranking)	Level of Information (concreteness, brevity) Level of Promotion (positivity)
DV	Level of Information (concreteness, brevity) Level of Promotion (positivity)	Cumulative Abnormal Returns (FF 3-Factor, 3-day)
Moderator(s)		Investor Sophistication
Controls	(see full variables list, Chapter 6)	(see full variables list, Chapter 6)
Sample	Fortune 500 Firms, 1/1/1997 to 12/31/2018	Fortune 500 Firms, 1/1/1997 to 12/31/2018
Theoretical Logic	Firms seek to balance a loss of competitive rents (long-term) with short-term benefits of reductions in information asymmetries. Firms with more informational priors, such as reputation, in the market release can rely on such signals. Therefore, firms with more reputational capital should release less information (and less concrete information) to the market in acquisition announcements.	Investors seek as much information as possible to evaluate future firm value, but not all information is created equal. In the absence of concrete detail around a forward-looking event such as an acquisition, investors may look to other sources of information to indicate firm intent. Therefore, short-term market response may be manipulated by the rhetorical strategies of firms. This effect is moderated by investor sophistication.

RESEARCH PROGRESSION: JANUARY 2015 – DECEMBER 2019

This study began as a small research project of interest in January 2015. At that time, I collected randomized deal and firm data and extracted press release texts for domestic acquisitions announced between 1/1/1997 and 1/1/2015. The preliminary results were encouraging, in that there was some directional agreement with early hypotheses and measurable variability in both rhetoric and performance measures. On this basis, I gathered the preliminary sample of 2,000 deals in preparation of the dissertation proposal. The dissertation proposal was presented in June 2018 to a committee of five faculty members. All source theory and hypotheses had been developed and were approved. At the time, I presented preliminary results based on the expanded, but uncontrolled, sample. I approached significance on many measures and directionality was encouraging.

Upon completion and approval of the proposal, I commenced a larger data-gathering initiative. Over the subsequent six months, I hand-gathered more press releases for a total of 3,600 documents, extracted all text, and derived metrics for analysis. I also gathered market, industry, and firm-level data, including founding dates, IPO dates, Fortune 500 rankings, Fortune Most Admired rankings, Harris Poll rankings, and other controls. Analysis commenced in February 2019 and progressed through April 2019. After cleanup, the data set came to just more than 3,500 deals total.

This dissertation was defended in June 2019, at which time the committee recommended a provisional pass with revisions. Additional analysis and revision commenced through December 2019. The final dissertation was approved on December 4, 2019.

CHAPTER 3: UNDERSTANDING IMPRESSION MANAGEMENT

IMPRESSION MANAGEMENT AS A FIRM STRATEGY

Impression Management (IM) is the strategic initiative to change, protect, maintain, or create an external perception (Bozeman and Kacmar 1997). First studied as an interpersonal, individual strategy (Pittman and Jones 1982; Gardner and Martinko 1988; Bolino and Turnley 1999; Andrews and Kacmar 2001; Levashina and Campion 2007), the field has evolved to examine IM tactics within organizations and by organizations toward a larger audience (Organizational Impression Management, OIM - Elsbach, Sutton, and Principe 1998). Although IM may be an ongoing process within organizations, the phenomenon is most observed around events producing information that may affect the reputation and performance of the firm. Two streams of literature have emerged here: reactive impression management (Bolino et al 2008), where firms mitigate unforeseen negative responses to strategic events after the fact, and anticipatory impression management (AIM), where firms seek to mitigate potential negative responses before the event occurs (Graffin, Haleblan, and Kiley 2016).

Among the breadth of IM studies, the consequences of AIM strategies such as timing, confounding, and content have been well documented, but the antecedents of anticipatory strategies less so. What causes firms to select one preemptive strategy over another? Select studies have focused on the determinants of AIM behavior by managers, drawing on psychology to theorize on the individual actions of managers (Fandt & Ferris 1990; Snyder 1974; Turnley & Bolino 2001; Kacmar et al 2004; Barsness et al 2005).

This stream of research at the individual level has yielded many helpful insights on measurement of individual behavior, although this scale of activity is difficult to apply to the general firm level, where multiple actors are aggregated. It has been suggested that since strategy research, in which IM resides, tends to be archival in nature, the intentions of managers are harder to isolate quantitatively (Merkl-Davies & Brennan 2007).

Previous work in strategic management has shown that firms' public use of information can alter market returns (Staw, McKechnie, and Puffer 1983), and that firms typically manage their informational environment to the betterment of their stockholders (Puffer and Weintrop 1991; Zajac and Westphal 1995). This strategy has proven effective for many actors and events, including hospitals and high billing costs (Elsbach et al 1998), large public firms and the announcement of a new CEO (Graffin, Carpenter, and Boivie 2011), and, most recently, public firms and acquisition announcements (Graffin et al 2016). These organizational-level studies have shed light on the operation of impression management, and its sub-strategy earnings management (Davidson et al 2004), all from a single-actor's perspective.

At its heart, organizational impression management (OIM or IM) and anticipatory impression management (AIM) are simple concepts: an organized body attempts to affect the perception and actions of its key audiences. Definition of the space tends to agree that IM is the study of firms' strategic selection of information to distort perception of corporate achievements (Godfrey et al 2003). IM has been applied to every form of organization, from dyadic partnerships to international and regional governing bodies (Elsbach 2009). As a study of interpersonal communication, IM has been of interest to

many disciplines for nearly a century and beyond, with scholars examining a range of contexts from historical accounts of the Roman Catholic Church and the universities of ancient Greece to modern public relations efforts of the National Rifle Association, Exxon Mobile, and the federal government (ibid). One of the major contributions of IM is that, rather than focus on the quantity of factual information provided to an audience, it allows for a range of symbolic actions that affect, perhaps with more impact, the perceptions of audiences (ibid). IM posits that there is significant informational value within organizational actions, physical and symbolic artifacts, influence tactics, negotiation strategies, and elements other than simply stating facts. In more concrete terms, the study of IM focuses on three categories: the timing of information release, the goals of the managing organizations, and the tactics employed by these organizations (Elsbach 2009). This is consistent with much of the signaling theory literature out of information economics, which I cover later in this chapter.

In the context of strategy, the IM construct is especially relevant to modern firms. Management is seen as the primary source of information about its own firm, and so corporate disclosures are the first line of impression management in the modern world. The realities of IM in practice are summed best by Kearney and Liu (2014): in firm communications, "... it is unlikely that management reveals 'the truth, the whole truth, and nothing but the truth,' and it may be tempted to seek to manipulate investors' judgment" (8). The goal of firms is to manage the somewhat malleable perception of its value to the market, embodied by its perceived legitimacy, trustworthiness, and consistency as a creator of value (Sutton & Elsbach 1992; Gioia, Schultz, & Corley 2000;

Mayer, Davis, & Schoorman 1995; Ross & Staw 1993; Elsbach 2009). Firms choose carefully the elements and details they will include in announcements (Washburn & Bromiley 2014; Elsbach 2003, 2006). Sometimes, they flood the news cycle with multiple stories to cloud bad results (Graffin et al 2011; 2016), or release positive information at the height of market attention (ibid). These are effective strategies, as multiple studies have shown substantial variation in the information content of financial disclosures (Li 2007; Ramesh 2009; Li 2010) and annual reports (Merkl-Davies & Brennan 2007) that lead to differences in market reaction overall. Previous models have shown acquiring firms can mitigate anticipated negative acquisition returns through impression offsetting (Graffin et al 2016) and can alter other market reactions through strategic noise (Graffin et al 2011). These strategies, however, are not limited to one firm in the acquisition dyad. Indeed, Nathan and O'Keefe (1989) show that information leaks in the two to eight weeks before an acquisition announcement significantly distort target firm shares, so much so that acquisition premiums are generally calculated based on trading prices before that window (Nathan & O'Keefe, 1989). Subsequent studies have used windows of 14 to 90 days prior to an acquisition, with most converging around a 30-day benchmark (Haunschild 1994; Hayward and Hambrick 1997; Kim, Haleblan, and Finkelstein 2011).

Studies in IM and in AIM have successfully examined a range of tactics firms use to manipulate investor perception, including strategic noise (Graffin et al 2011) and promotional characteristics (see Bolino et al 2008). The rhetorical strategy of a firm – the persuasive words, phrases, and organization it uses in press releases (Suddaby &

Greenwood 2005) – is another anticipatory tactic I explore in this proposal. Manipulating both the informational content (concrete information) and promotional content (positive spin) of announcements is part of a larger toolkit that helps firms close information asymmetries with the market in a way that fosters support for its endeavors. Let us examine the foundations of these elements of IM next.

IMPRESSION MANAGEMENT: FOUNDATIONAL THEORIES

Research in impression management draws on two distinct research taxonomies: information economics and behavioral finance. Both assume that firms seek to close information asymmetries to better investor response, but they differ as to the exact mechanism of anticipatory impression management. The first, and somewhat dominant perspective in IM draws from information economics (Fama 1965, Samuelson 1965, Fama 1970), which assumes that information asymmetry between firms and investors prevents full market efficiency. Under this view, managerial communication is an attempt to overcome these asymmetries; communication includes only wholly useful information for investors in order to enhance understanding and increase market efficiencies. This approach is sometimes referred to as ‘incremental information’ in the literatures (Hooghiemstra 2000; Merkl-Davies & Brennan 2007). A second stream of research draws from behavioral economics to propose that managerial communication is inherently opportunistic. Rather than seek to close information asymmetries, managers seek to exploit them by engaging in biased reporting. In broad strokes, this is considered an ‘impression management’ approach. Several other disciplines have informed the

theoretical constructs of impression management, including social psychology and sociology. However, studies on the effect of managerial communications on investor response fall into one of these two divergent categories, “often implicitly and without discussion” (Merkl-Davies & Brennan 2007, 5).

The incremental information and impression management views draw from two distinct theoretical bases, one supporting a strong form of market efficiency and one a weak form of market efficiency. Incremental information is based on a strong form of market efficiency, where information is assessed in real-time and investors can see through any biased reporting (Hand 1990). As a result, any bias would reduce share price performance, so it is theorized that managers do not have incentives to engage in opportunistic reporting. In fact, proponents of incremental information question the very existence of impression management in practice, since biased reporting would seemingly reduce reputation and compensation for managers (Baginski et al 2000, 2004). On the other hand, opportunistic impression management is based on a weak form of market efficiency. Its proponents assume investors *cannot* assess biased reporting in the short term (long-term adjustments are allowed). Therefore, managers manipulate messages to influence the firm’s immediate share price reaction to their benefit (Adelberg 1979; Rutherford 2003; Curtis 2004). Incremental information, drawing on information economics, and impression management, drawing on behavioral economics, are thus defined by the anticipated benefits of an informational or promotional approach, and they constitute the majority of studies from accounting, finance, and strategy on the impact of managerial communication.

Research supports both theories: first information is of value to the market and managers are incentivized to disclose available information to reduce information asymmetries; second, we also observe that careful manipulations of managerial communications can affect positive investor response. How can we reconcile these findings? First, from a benefits perspective, incremental information and impression management agree: more information, or more positively spun information, helps solve agency problems between firms and investors. Managers are empowered by shareholders to make decisions in their best interest (Jensen and Meckling 1976), but asymmetric information between firms and the market and among firms limits the oversight capacity of shareholders (see: Laamanen 2007). This manager-shareholder conflict (Shleifer and Vishny 1988) has been reflected throughout the literature in a variety of managerial decisions, including acquisition. One of the main sources of agency-inspired tension is that of valuation, which is made even more difficult for acquirers and the market as firm resources can be hard to understand and value (Heeley, Matusik, and Jain 2007; Sanders and Boivie 2004). As non-impartial observers, efficient markets can only react to new information shared directly from the firm or implicit in managerial decisions (Fama et al 1969). Thus, information and promotion are both communicative links that reduce asymmetries to the benefit of both parties.

Second, both approaches agree that managerial communication is undertaken in the interest of maximizing future performance. In incremental information, firms are incentivized to close information asymmetries to bolster investor reaction; in impression management, firms are incentivized to exploit information asymmetries to bolster

investor reaction. The overarching benefit of information and promotion is the same in both theoretical approaches. However neither incremental information nor impression management provides adequate discussion of the costs of information in the long-term. In Study 1, I suggest that specific types of information bring with them different costs in terms of sacrificing future rents, and that firms intentionally balance the short- and long-term gains to information in a combined approach I call rent preservation.

Merkel-Davis & Brennan (2007) characterize a range of managerial motivations in impression management, all based at the individual manager's level. One such motivation is self-preservation, or the need to reduce the personal consequences of information. The authors frame this as a drive to manage impressions to limit negative market reaction that affects the manager personally, such as in end-of-year bonuses. This is a socio-psychological bias, where managers act individually, but on behalf of the firm. Rent preservation applies this general concept to the entire firm and suggests that the motivation is inherently economic. As opposed to self-preservation, which is focused on managers' personal consequences, firms seek to reduce the overall future costs of information. Therefore, the cost of information constitutes an economic, rather than socio-psychological, driver of firm rhetorical strategy.

How do we reconcile information, and reputational capital, as substitutes? Is information truly a resource to firms? According to the resource-based views epitomized in Impression Management: yes.

The resource-based view (RBV, Wernerfelt 1984) is a foundational theory in understanding the nature of competitive and cooperative dynamics. Drawing from more

than four decades of economic and management investigations of firm competencies, the concept was first formalized by Birger Wernerfelt in 1984 and has since gained prominence in virtually every aspect of strategic management. The underlying question in RBV research has been to explain the sustained competitive advantage observed in practice that ostensibly violates traditional economic theory on competitive markets (Wernerfelt 1984). RBV makes many of the same assumptions of traditional economic bases of incremental information: that firms and investors are rational and markets value resources based on expected utility (Barney 2001). However, RBV makes significant (yet underexplored) contributions to impression management as it defines a resource more broadly than traditional economics, which anchored strongly to land, labor, and capital. Rather, under RBV, a resource is “anything which could be thought of as a strength or weakness of a given firm” (Wernerfelt 1984: 172). More formally, a resource includes tangible and intangible assets, such as intellectual property, rhetoric, branding, reputation, skills, etc., which are owned or controlled by the firm.

Moreover, drawing from Penrose (1959), firm resources are distinct and heterogeneous. In her 1959 work “The Theory of the Growth of the Firm,” Edith Penrose was the first to unpack the administrative, opportunistic, and productivity elements of a firm in the context of the firm as an economic actor (Kor and Mahoney 2004; Penrose 1959). Her work drew upon organizational economics to establish that resources can vary among firms. The understanding of firm resource heterogeneity reinforced the broader definition of what constitutes a resource. It also helped expand the theory of the firm to include a balance between resource exploitation and development. Building on this work,

Nelson and Winter (1982) developed a more evolutionary theory of economics, wherein they examine the tenets of variation, selection, and retention of resources as the three pillars of business strategy (Barney 2001; Nelson and Winter 1982). Like Penrose, they injected analyses of management teams, employee skills, and general interpretations of resources more than had been previously seen in the literature. They suggested that the efficient routines - or operationalization - of resources was key to creating competitive advantage. Departing from both Ricardian and traditional economics, however, Penrosian approaches sought to demonstrate the mechanism by which routines create resource advantages (Nelson and Winter 1982). In doing so, they explicated that the routines themselves should also be considered a firm resource (ibid). Therefore rhetoric, as a standardized firm routine, falls within this category.

Penrose supports the argument that firms are inherently heterogeneous when it comes to intangible resources (Barney 2001). In the space of RBV, Richard Rumelt's 1991 work showing that firm level effects explain more variance in performance than either corporate or industry effects is often cited as the strongest evidence of RBV theory. However, it was his 1984 work "Toward the Strategic Theory of the Firm," presented in a book of readings from an annual conference, that added significant parameters to the RBV framework. In his piece, Rumelt draws from his 1974 work on diversification to put forth a strategic theory of the firm focused on the ability of firms to generate economic rents (Rumelt et al 1991; Barney and Arian 2001). He asserts that firms are merely bundles of competitive assets, the economic value of which depends on their intended use (Rumelt 1984; Barney 1991). He theorizes that even if firms begin as completely

homogeneous in terms of resources, they cannot perfectly imitate each other, and differences in capabilities will render performance advantages for select firms (ibid). Neither Wernerfelt nor Rumelt's works reference each other; they were released in the same year. Taken together, these bodies of work re-enforce both interpretations of the role of resources in firm competitive advantage. Information is indeed a resource and, as such, it grants certain benefits to a firm.

So, how does information cost a firm? The answer may lie in RBV's differentiation between economic rents and competitive advantage. In the economics literature, economic rents and competitive advantage are often presented as two sides of the same coin, but they encompass two distinct forms of advantage for firms. Resources in the RBV are acquired in strategic factor markets and include "tangible and intangible assets firms use to conceive of and implement their strategies" (Barney and Arikan 2001). The value of information is then the result of lowered net costs or an abnormal increase in firm revenues, although researchers have shown that value can also be derived from information that allows for the development of new strategies in the marketplace. Still, RBV makes an important, but nuanced, distinction between competitive advantage and economic rents - and of their durability. The best description comes from Barney and Arikan 2001:

"Economic rents (emphasis added) exist when firms generate more value with the resources they have acquired or developed than was expected by the owners of those resources; competitive advantages exist when a firm is implementing value creating strategies not currently being implemented by competing firms." (2001: 140)

The authors go on to differentiate between temporary and persistent rents and advantages based on their duration in the market. Here, we see that the value of resources such as information may be attenuated by competitor knowledge. That is, the exclusivity of information is positively related to its profitability; the more competitors know, the lower future economic rents. However, not all information faces this drawback. I take as axiomatic that quantitative measures of information (data, number of facts, etc) constitute one type of information provided to the market, and that the provision of concrete information may compromise competitive positioning. Consistent with works in impression management, however, two other types of informational capital may be in a firm's toolkit: reputational capital and rhetorical tone. These information types are readily available to firms and are immune from informational costs to future rents. I explore how reputational capital may help firms avoid costly disclosures in **Chapter 4**. Next, I discuss the tenets of rhetoric in the context of impression management.

RHETORIC AS AN OBSERVABLE IM STRATEGY

IM dictates that firms knowingly manipulate both the type of information and wording to convey it to manage audience perception, known together as rhetorical strategy. Rhetoric, or the art of persuasion, draws from the seminal treatise by Aristotle and has been applied in the study of almost every major social science. At its heart, it represents a tactic to persuade a general audience toward a certain conclusion, which is inherent to impression management and communications strategy. The three foundational tenets of persuasion, ethos (credibility), pathos (emotion), and logos (reasoning)

characterize the tools individuals – or firms – can use in crafting a rhetorical approach. Aristotle’s work shows that multiple elements combine to persuade an audience, from the words used to the type of information provided. In practice, this rhetorical strategy, therefore, is the “deliberate” selection of both content and lexicon to promote a firm’s goals to a constituency (Palmer, Simmons, & Mason 2014).

Rhetorical strategy – the approach one takes to making an argument – is rooted in narrative theories of human communication (Jameson 2000) that dominate the communications literature. The overarching logic is that individuals begin crafting stories, or narratives (Bal 1997), from childhood as a way to test the boundaries of their rational environment (Fisher 1987; Bruner 1990). Storytelling is “an instrument to make meaning,” (Bruner 1990, 97), which allows individuals to identify reactions, appropriateness, and definitions of rationality that underscore interpersonal relations. Scholars have applied narrative theory to a range of contexts, such as anthropology, philosophy, literature, business, and communication. Although rhetoric (argumentative) and literary (entertaining) genres are approached differently in the communications literature, they both draw on the analysis of the mechanism by which an individual tells a story and an audience interprets it.

A unifying assumption of narrative theory is that the way a story is told is as important as what it says (Jameson 2000). “Text” then becomes the realization of the many different ways an author can construct a story; that is, different authors will construct varying texts for the same story (Bal 1997; Chatman 1978). In this way, analysis of text is key to understanding not only the facts presented, but the intentions of

the author as well. Socio-psychologically, text also connects reader to author. Phenomenological narrative theory suggests that narratives elicit responses from readers as they encounter another interpretation of rationality and consciousness (Jameson 2000). Philosophically, this implies that text has no meaning until a reader interprets it (ibid), although more recent studies suggest that text accurately reflects the intention of the author as well.

Expanding upon phenomenological narrative theory, which focuses on the reader's experience, dialogism suggests that discourse between author and reader in a range of contexts creates narrative norms (Jameson 2000). In this way, everyday narration is an ongoing conversation that informs and reforms social context. This is one of the first suggestions in the narrative literature that information environments are continually changing. This complexity may underscore the cyclical nature of both reputations and impression management, although I do not address it directly in the studies presented.

IMPRESSION MANAGEMENT FOCI & STRATEGIES

	FOCUS		STRATEGY
CONCEALMENT	1. Reading Difficulty —————→ 2. Persuasive Language —————→ 3. Bias of Themes —————→ 4. Presentation and Location of Disclosures —————→ 5. Bias of Numbers —————→ 6. Selectivity of Numbers —————→		1. Syntax/Rhetoric 2. Rhetoric 3. Positivity/Negativity 4. Fonts, Order, Layout 5. Performance Comparison 6. Earnings Numbers
ATTRIBUTION	7. Internal vs. External Credit/Blame —————→		7. Performance Attributions

Fig. 2: IM Foci & Strategies

Measures of Rhetoric

The IM literature has identified seven main strategies used for managing perceptions in written materials (Merkl-Davies & Brennan 2007), but only three of them are applicable to the context of acquisition press releases: manipulating the ease of reading (brevity/clarity); persuasive language (concreteness); and thematic manipulation (emphasis on positive words). The remaining four strategies are structural/visual organization, performance comparisons, and choices of earnings numbers, and attribution of prior information; however, these are not applicable to this analysis due to the nature of press releases. Let us review the seven major strategies identified in the IM literature, including findings of specific studies in each area. Then, I will detail the rationale behind the selection of metrics for this specific study series.

In corporate narrative documents, documents prepared by firms and constituting firm-controlled information, managers seek to manipulate the perception of various audiences. This is a broad strokes definition of IM, but one that encompasses all strategies herein. Managers have two behavioral choices: concealment (Rubin et al, 2004), wherein firms obfuscate negative news or emphasize positive news; and attribution (Heider 1958; Jones & Davis 1965; Kelley 1967), which is a self-serving bias that causes managers to take defer the blame for bad news while taking credit for good news. To the extent that Impression Management is a conscious choice by managers (Clatworthy & Jones 2006; Staw et al 1983; Abrahamson & Park 1994), concealment could also be thought of as a choice of disclosure, whereas attribution constitutes more of a selective bias. It should be noted that attribution theory is taken directly from social psychology and has been the underpinning for several studies in this and related areas.

When we examine a range of studies in finance and accounting, which were two of the first management-related disciplines to study the effects of managerial IM on performance metrics, we see seven specific strategies that fall under either concealment (six strategies) or attribution (one strategy) (Merkl-Davies & Brennan 2007). These are presented in Figure 2.

Work examining IM has, to date, been completed on discretionary disclosure of financial facts, although some recent studies on forward-looking information have been completed. The majority of these have focused on the first manipulation and strategy, reading difficulty, in the contexts of financial and earnings statement footnotes (Adelberg 1979; Courtis 1986; Courtis 1995) or summary reports at the beginning of statements

(Parker 1982; Jones 1988; Baker & Kare 1992; Subarmanian et al 1993; Smith & Taffler 1992; Clatworthy & Jones 2001; Sydserff and Weetman 2002). Metrics here include measures of readability, including the Fog index and DICTION counts (two measures of how complex a body of writing is to read). Results in this area vary: some find that narratives of firms are less or more readable depending on performance (Subarmanian et al 1993), press coverage (Courtis 1998); earnings (Li et al 2006), and the nature of the news (Courtis 2004), while others do not find any significant difference between complexity and other independent variables (Rutherford 2003; Clatworthy & Jones 2001; Courtis 1995; Smith & Taffler 1992). As a body of work, studies on the reading difficulty manipulations validate the use of count-based (direct and derived) metrics of readability as one measure of a firm's rhetorical strategy.

The second manipulation (persuasive language) and third manipulation (bias of themes) have also garnered significant attention in this area, including Guillamon-Saorin 2006; Rutherford 2005; Jameson 2000; Sydserff & Weetman 2002; and Davis et al 2007. These studies were among the first in finance and accounting to engage in detailed content analysis, with a focus on rhetorical characteristics other than basic word counts and readability. Looking at full annual reports, operating reviews, or specific sections of financial data (ex, Chairman Letters, Welcome Letters, etc.), studies use measures of passive/active voice (Thomas 1997); legitimacy and sincerity (Yuthas et al 2002); positive and negative word use (Clatworthy & Jones 2003; Rutherford 2005; Guillamon-Saorin 2006; Henry 2006; Matsumoto et al 2006); and optimistic language (Davis et al 2007). This group also includes the first wave of research on press releases (Henry 2006;

Davis et al 2007; Guillamon-Saorin 2006). Studies here validate the use of keyword, length, complexity, and tone metrics, working with various performance- and abnormal returns-related DV's. Findings range widely. Some find that managerial manipulations to be effective on investors, while others find weak associations.

The remaining four manipulation strategies are visual and structural effects, performance comparisons, choice of earnings numbers, and attribution of organizational outcomes, and these have been the focus of studies over the years. Measures here include the ordering of news, use of color, font types, and spacing (Guillamon-Saorin 2006; Baird & Zelin 2000; Kelton 2006; Curtis 2004); stock return comparisons, prior performance benchmarks, and performance gaps (Cassar 2001; Schrand & Walther 2000; Krische 2005); GAAP and pro forma earnings numbers (Bowen et al 2005; Johnson & Schwartz 2005; Fredrickson & Miller 2004); and explanations of performance using technical and assertive language (Ogden & Clarke 2005; Clatworthy & Jones 2003; Aerts 2005; Hooghiemstra 2001). While these studies cover a range of contexts and findings, they are not applicable in the context of merger and acquisition announcement press releases. Let us look at each of the four rejected manipulations in turn.

First, the press release, which is the medium of communication under study in this body of work, is relatively uniform in terms of structural organization. All releases feature a byline, publication date, and contact information of the firm's press agent, and information is often written in a sequence similar to a news document. This is consistent with the idea that press releases are meant to simulate the news and make it easier for journalists covering the story to directly adopt the written language and sentiment. As a

result, photos are rare and fonts, spacing, and color are not manipulated between documents. Thus, examinations of visual and structural effects are not applicable.

Second, press release announcements of mergers and acquisitions include forward-looking strategy, not reports of backward-looking performance data. Thus, performance comparisons and choices of earnings numbers are nonexistent in the content. Examinations of these elements would not yield sufficient variability and statistical significance for the study. It should also be noted that this context has been well covered in the finance and accounting literatures.

Finally, because the releases of M&A announcements are forward-looking, and therefore contain strategic speculation, they can only (at best) contain conjecture as to the organizational outcomes of the acquisition. While firms do try to spin the acquisition as a “guaranteed success,” they do not have the official outcomes yet; therefore, attribution of organizational outcomes, the seventh strategy, is not available as a choice to managers. Whether we look from a preparer or user perspective, the visual and structural attributes, performance comparisons, choices of numbers, and attribution manipulations are not in a firm’s toolkit for M&A announcements, nor are they of relevance to the reader in this area. Therefore, I eliminate them from the metrics in the studies.

Specific Metrics

Foundational market efficiency theories (Fama 1965, Samuelson 1965, Fama 1970) assert that stock prices trade on the availability of new information only. As part of the market mechanism, prices change based on investors’ expectations of future firm

values. The amount of information provided (brevity) and definitive detail included in this language (concreteness) constitute more information for investors (and competitors) to act upon; thus, this information is more costly to the acquiring firm. On the other hand, scholars theorize that factors other than concrete information, such as positive sentiment or tone, also explain observed market activity (Tetlock 2014). Specifically, Roll's (1998) seminal work finds that the explanatory power of models of purely economic measures on firm returns is only 21%; the author concludes that sentiment-based information may play a significant role in trading behavior. Thus, consistent with the cost-based theory of IM, I expect that firms will utilize manipulations of readability, rhetoric, and theme to maximize the impact of the acquisition press releases while minimizing the feedback effect cost of releasing strategic intent. Before taking each metric in turn, let us examine some of the deeper foundations of this area of work.

Recall that the three manipulations of interest – readability, rhetoric, and theme – fall under a larger heading of concealment, where managers intentionally cloud bad news and emphasize successes (or potential successes). The presence of this theory in impression management is rooted in works in interpersonal relations, drawing from social psychology (Courtis 1998), which formalizes the obfuscation hypothesis as something that occurs in communication between any two individuals, an individual to a group, or an organization to a larger entity (such as shareholders). Since impression management regards discretionary disclosure strategies as opportunistic, that is managers act in their own interest to craft information that puts them in the best possible light (Abrahamson & Park 1994; Smith & Taffler 1992; Li et al 2006), managers are incentivized in IM to

obfuscate by presenting a non-neutral set of facts. In recent strategy literature, this behavior has been observed in studies on earnings calls and press releases of backward-looking, financial information. This is consistent with both agency theory (Jensen & Meckling 1976), which explains the obfuscation of bad performance metrics, as well as signaling theory (1973), which explains why well-performing firms tend to under-obfuscate (or become more transparent) in communications. However, the strategy is available to managers for forward-looking conjecture as well, and it is in this context I will apply it to three specific measures of rhetoric.

Reading Ease Manipulation
Metric: Brevity & Complexity

Studies in concealment and obfuscation attempt to measure the readability of information, looking for any indicator that managers are attempting to confuse, distract, or otherwise befuddle readers. The opposite of obfuscation could be considered a “straightforward approach,” in which facts are given without any sentence structure, such as in a bulleted list. Rutherford (2003) characterizes reading ease manipulation as “reducing clarity” (189). Although the text must remain reasonably readable, we observe significant variation in clarity even in structured materials such as press releases.

In financial and accounting studies focusing on backward-looking reports, the data under review are inherently complex, quantitative, and non-speculative (Shapiro, Buttner, & Barry 1994; Bies, Shapiro, & Cummings 1988). Although some interpretation may be provided, the majority of information is in the form of data, followed by brief commentary. By contrast, acquisition announcements are forward-looking with little

verifiable information. Indeed, aside from deal characteristics, there may be little verifiable information for the firm to present. Moreover, since press releases are more promotional than firm reports (Maat 2007), firms tend to capitalize on the opportunity to impression manage their constituents and tend to embellish in terms of market potential. This rhetorical strategy is characterized by more written detail and commentary than a straightforward presentation of facts. Therefore, the quantity of information may be determined by the amount of speculation firms provide, or the overall length of the text presented.

This is consistent with prior studies on annual reports, earnings announcements, and operating and financial reviews (Merkl-Davies & Brennan 2007). For example, Li (2006) uses length as a measure of readability, measuring it against IV's such as volatility, market-to-book ratios, and firm age. Sydserff and Weetman (2002) and Merkl-Davies & Brennan (2007) use similar measures, including the number of words per sentence and number of letters per word to examine this phenomenon. Findings are in agreement that large firms with lower earnings (ie, bad news) tend to release information that is longer, with higher words per sentence, and generally more difficult to read. I revisit these findings in the specific studies in subsequent chapters. However, these works have validated that, against performance measures, length metrics can accurately proxy the readability manipulations of managers in firm-controlled information. This shows that our measure of brevity, as measured by the total word count of the body text, is an accurate and vetted proxy for reading ease.

Rhetorical Manipulation
Metric: Concreteness

Here, I must caution the reader against misreading the word “rhetorical” in this context. Where IM classifies syntax, rhetoric, and tone as separate elements, they are actually unified under the heading of “rhetorical strategy” in many other analyses, including linguistic analysis and content analysis. While I will refer to “rhetorical manipulation’ separately here in order to follow the helpful framework of our source literature, I intend to merge these measures into measures of rhetorical strategy by firms in this study. This is also consistent with more recent works in linguistics and content analysis.

Recall that rhetorical manipulation also falls under the heading of concealment. By using certain rhetorical characteristics, such as the passive voice or types of vocabulary, managers are thought to emphasize positives and diminish negatives (Pennebaker et al 2001, Merkl-Davies & Brennan 2007). Items of interest here are the directness of language (Jameson 2000), the clarity of language (Yuthas et al 2002), and words that reinforce legitimacy (Merkl-Davies & Brennan 2007) in written firm communications. These map well on to the measurable construct of certainty, which has gained popularity as a measure in recent decades (Henry 2008; Davis et al 2012; Matsumoto et al 2006; Merkl-Davies & Brennan 2007).

Information theorists have referred to information as the “reduction of uncertainty” (Shannon & Weaver 1949). I define certainty as the level of concreteness conveyed by the language used, a type of persuasive method. The level of perceived credibility/legitimacy is directly related to concreteness and certainty provided to the

reader/listener. Concrete language enhances the credibility and therefore persuasiveness of a message (Hansen & Wanke 2010), as concrete terms are more believable than abstract (ibid). In linguistics, the concepts of certainty and ambiguity exist on a spectrum (Dulek & Campbell 2015); extreme words like “all,” “always,” and “every” convey 100% certainty, while more general phrases such as “we believe” convey less certainty (Griffin 1991; Ober et al 1999). The Linguistic Category Model (LCM, Semin & Fiedler 1988, 1991) categorizes several word classes in terms of concreteness and abstraction. Of these categories, more concrete terms include specific descriptions of actions or objects, numbers, or some interpretive action verbs related to specific actions. Less concrete terms include more general descriptions and basic abstract terms. In addition, With regard to structure, the passive voice (“Company X has been Acquired by Company Y”) is considered more abstract, whereas the active voice (Company Y acquired Company X) is concrete (Hansen & Wanke 2010). This is consistent with findings in several studies (Jameson 2000; Merkl-Davies & Brennan 2007).

With regard to performance, studies in IM and strategy show a positive relationship between firm stock returns and the concreteness of official firm information in earnings announcements (Larcker & Zakolyukina 2012; Price et al 2012; Rogers et al 2011). Earnings announcements are typically written as expanded financial tabulations accompanied by managerial insights on performance. This research verifies that investors base much of their assessment on the language – such as concrete words – that accompanies these numbers (Hales et al 2011), despite the presence of verifiable data on which to model and make financial judgments. A growing body of work in finance and

accounting has started using content analysis of other media, such as news coverage and social media postings, and key firm documents, such as announcements, to parse these elements into measurable categories. In this stream, Feldman et al (2010) and Loughran & McDonald (2011) show that information in 10-K and 10-Q filings affect future earnings and accruals. Davis et al (2012) show that earnings press releases convey signals of anticipated performance through linguistic devices, which the market reacts to. These studies suggest that text-based, concrete information can potentially provide more validity as a factor of market performance than quantitative measures, as linguistic measures are less highly correlated among each other (Li et al 2006).

Thematic Manipulation

Metric: Positivity

The use of promotional language is a thematic tactic within impression management, one that also falls under concealment. Although negative tone has been shown to have distinct effects on audience perception, I take as given that the promotional components of firm communications designed to persuade investors tend to employ more a positive tone. Positivity, as a promotional sentiment of a piece of writing or speech, is of particular interest to scholars in impression management and psychology, as it has significant effects on audience perception and action. When examining pieces written by firms themselves, textual sentiment, revealed by analysis of its linguistic characteristics, conveys managerial optimism in a firm's strategies (Kearney & Liu 2014). It has also been shown that quantifying language provided by firms reveals new information about firm action (Tetlock et al 2008).

The study of tone in corporate communications, dubbed the “corporation-expressed sentiment literature” (Engelberg 2008; Davis et al 2011; Demers & Vega 2011; Jegadeesh & Wu 2013; Price et al 2012; Elsbach 2006), has found that the tone that managers construct in corporate information is correlated with short-window market activities, including abnormal returns and changes in trading volume (Kearney & Liu 2014). Tetlock et al (2008) call out several studies that find that substantial movements in stock prices and accounting earnings do not reliably correspond to changes in quantitative firm fundamentals (Shiller 1980; Cutler, Poterba, & Summers 1989) alone. They posit that investors are gleaning some other, valuable information from the rhetorical strategy surrounding this information, and that these qualitative elements may partially contribute to patterns of returns around events (Tetlock et al 2008). With regard to the lexicon in modern English, there are more negative words than positive, a fact psychology scholars have pointed to in their assertion that bad is stronger than good (Baumeister et al 2001). However, there is also more variation in negative words, which indicates more nuance in the perception of negativity than positivity (ibid). Since acquisition announcements are promotional in nature (Maat 2007), I suggest that firms focus on a more positive tone in the written rhetoric.

Much of the impression management literature that shows official communication tends to include linguistic devices that create a positive firm image (Hyland 1998). Davis & Tama-Sweet (2012) find that managers increase use of positive or optimistic language in earnings press releases based on the quality of the returns metrics. There is also evidence that firms use positivity to mitigate negative investor response during times of

crisis or ambiguity (Prasad & Mir 2002). CEO's facing negative earnings situations tend to use more extreme positive emotion words in an attempt to obfuscate investors (Larker & Zakolyukina 2012). Understanding that investors seek concrete information, Bowen et al (2005) show that some firms even overemphasize positive metrics in text in order to skew market interpretation of financials.

The majority of sentiment-based works in finance and strategy have dealt with the specific level of positivity and negativity in direct, firm-originated investor communications. This is a narrow context, but one that has yielded the strongest insights from researchers. They confirm that promotional materials have a positive tone. Rutherford (2005) and Hildebrandt and Snyder (1981) find that promotional elements in annual reports tend to be more positive than negative, regardless of financial performance. The nature of positivity in announcement press releases, therefore, is of considerable interest, since these media have both an informational and promotional component. In the context of acquisitions, firms can choose to focus the content of the announcement on the strategic decision, promoting its benefits, its synergies, and its anticipated financial impacts. Firms can also use positive words to describe future opportunities and expected achievements. They may choose to provide positive content or positive descriptions of content. Both approaches serve to justify and promote the acquisition as a "good idea."

THE INFORMATION-PROMOTION CONSTRUCT: CONTINUUM OR COEXISTENCE?

Announcement press releases hold a “dual informational-promotional nature” (Maat 2007), wherein they both announce an event and give some (managed) insight into the thinking and direction of the acquiring firm. The mix of information and promotion is called the rhetorical strategy of a firm, and it is well represented in the press release context. However, is this a zero sum strategy? Does more promotion mean less information, as would be suggested by a continuum of rhetoric, or can the two approaches exist simultaneously? First, let’s look at the theoretical construct of Information and Promotion as resources with different effects and purposes. Then, I will examine how they coexist within press releases to act on investors in different ways.

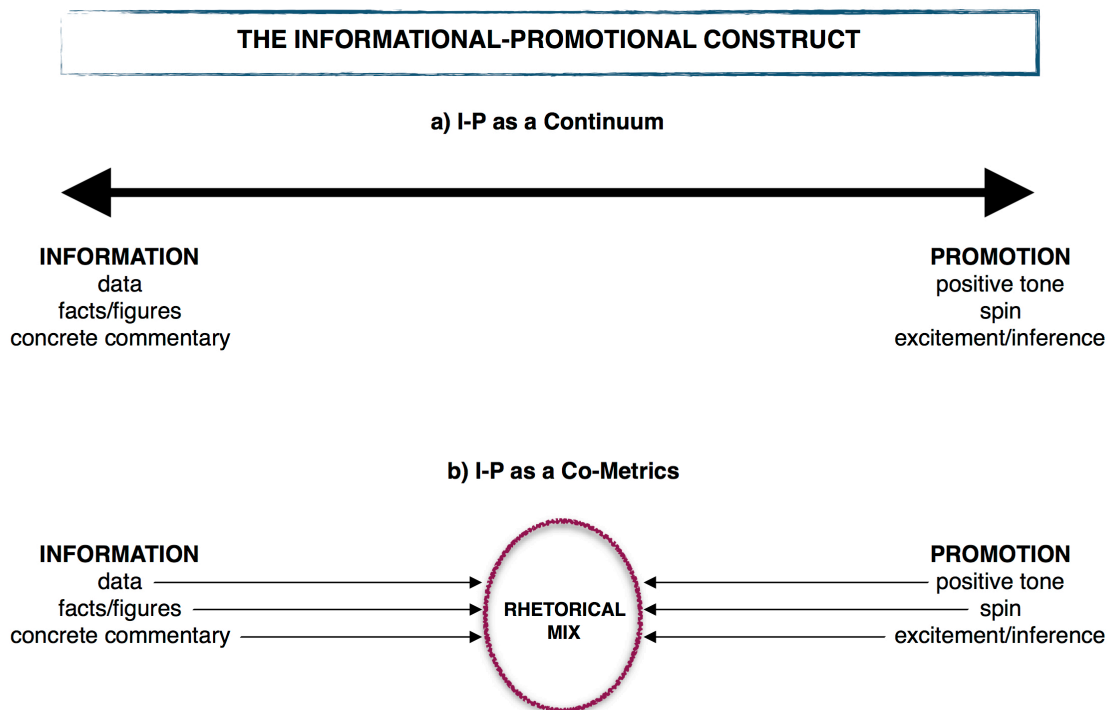


Fig. 3: The Informational-Promotional Construct

Information and promotion differ in terms of a) the intended impact on the reader and b) the effect on market response. First, as I showed in the last section, information and promotion act on readers in different ways. Information, as the “reduction of uncertainty” (Shannon & Weaver 1949) is intended to increase the perception of credibility (Hansen & Wanke 2010) by providing concrete facts, data, or otherwise unemotional components to understanding. Promotion, on the other hand, is meant to act on the emotions of the reader (Kearney & Liu 2014). Where concrete information conveys managerial competence, positive tone (promotion) conveys managerial confidence and optimism on the subject at hand (ibid). Second, studies suggest that the market reacts differently to concrete versus abstracted, promotional information, but that these elements may be extracted from the same materials provided by firms (Engelberg 2008; Davis et al 2011; Demers & Vega 2011; Jegadeesh & Wu 2012; Price et al 2012; Elsbach 2006; Li et al 2006). Understanding that the informational-promotional (IP) construct is more a question of rhetorical *mix*, rather than a zero-sum choice made by managers (Figure 3, option a), I characterize information and promotion as co-metrics (Figure 3, option b) in the rhetorical strategy of firms. Both are measurable and may be coincidentally high, coincidentally low, or of another mix based on the select strategy of the firm itself.

Press releases were so named because they were designed to transmit information to journalists who then summarize, interpret, translate, and otherwise convey the information to select constituents. Public relations researchers find that press releases directly influence what reporters write (Turk 1986), a trend that has grown as newspaper

resources dwindle and the demand for verified information rises (Gandy 1982; Carroll & McCombs, 2003). However, with the advent of the Internet, press releases are now widely available to all investors, regulators, and the general public immediately upon their release. In this sense, they are a standardized way to disseminate information to a large audience. Although the medium and method of transmission are standardized, many components, such as length, wording, quotes, even photos and graphics, can be manipulated by managers. Given this, press releases are highly finessed examples of corporate impression management.

Press releases are official firm documents and are entered into the public record upon their release. Per Jenkins Commission and SEC regulations, firms must communicate any information related to a large strategic move – like an acquisition – to investors in a timely manner. This recommendation is based on the belief in the value of firm information to reduce information asymmetries for investors and enable the free market (Bushee et al 2010; Firth et al 2008; Ober et al 1999; Tetlock 2011 and 2014). Empirical evidence has shown that this reduction in asymmetries results in significant effects on stock returns (Ahern & Sosyura 2014; Tetlock 2008), trading volume (Engelberg 2008; Jegadeesh & Wu 2012; Price et al 2012), and financial earnings (Tetlock 2008; Zhang & Skiena 2010). Managers intentionally manipulate the tone of this information as a rhetorical tactic (Ahern & Sosyura 2014; Clatworthy & Jones 2003; Maat 2007; Hoberg & Maksimovic 2014; Firth et al 2008) in order to affect the views and level of support among a range of constituents (Elsbach 2006).

Multiple market regulation acts, including the Regulation Fair Disclosure (Reg FD) procedures of 2000 and the Sarbanes-Oxley Act in 2002, have promoted press releases as the most timely and widely disseminated form of corporate communications (Neuhierl et al 2013). Prior to these regulations, corporations were required to disclose information relevant to firm activity and value on the SEC's Form 8-K, which could be filed up to four business days after the tender offer or close of the deal. As such, 8-K filings were largely verifications of information to which the market had already reacted. Today, firms are required to disclose any information – whether positive or negative – “without delay and to all market participants at once” (ibid). Press releases are encouraged as a way to disclose information directly to shareholders without the need for an intermediary, like news media. The SEC recommends using press releases as the first method of public communication, as they are official and, since the advent of the Internet, available directly and immediately to shareholders. In addition, as part of the Paperwork Reduction Act, the SEC announced that information in press releases does not have to be reported again on Form 8-K (ibid), so press releases are in many cases the primary and only source of official information on a firm's strategic action.

However, in examining this information flow, Neuhierl et al (2013) caution that firm announcements should not be assessed only on their immediate stock impact, but also on trading volume and on the overall information environment in which the firm exists. The authors stress that the variability observed in event studies around corporate announcements (see Haleblan et al 2010) may be because some announcements do not “substantially move the consensus belief regarding the firm value” (1208). Rather,

changes in investor sentiment may be observed through other measures, such as trading volume. This represents an expansion upon the efficient markets hypothesis: not only do markets accurately aggregate all available information; they continually assess the newness of information and accurately discard that which cannot contribute to future valuations. The information included in releases is meant to reduce information asymmetries for all players in the market and inherently remove any advantage to internal audiences (Henry 2008). Ultimately, studies confirm that press releases do reduce asymmetries (Tetlock et al 2008; Tetlock 2014; Antweiler & Frank 2004) and create what the REG FD refers to as a “nonexclusive” playing field for investment (Neuhierl et al 2013).

A large number of studies bridging psychology and finance have attempted to examine how the rhetorical strategy of press releases affects market reactions in different contexts, such as earnings reports (Foster 1973). Some have evaluated specific stylistic elements (Davis et al 2012), the tone of the announcements (Blau et al 2015; Pan et al 2018), and their structure (Henry 2008) to assess the impact of linguistic manipulations of earnings announcements on performance. More recent work has expanded to include tone in earnings calls, where top management communicates directly to shareholders (Pan et al 2018). Together, these studies show significant differences in the stylistic, tonal, and structural approaches firms take to announcement strategy, and they are consistent with the impression management literature (see: Graffin, Haleblan, & Kiley 2016) that shows that this variation is neither haphazard nor determined by industry characteristics alone.

Rather, firms individually craft announcements in an attempt to manage the impressions of their strategic decisions in the market.

As a medium of information exchange, press releases provide managers with an optimal way to manipulate the perceptions of many constituents at once, and this strategy has shown to be effective in practice. Press releases are quickly disseminated and widely followed by both investors and the media (Dyck & Zingales 2003), and studies now show that an increase in media coverage has a significantly positive effect on stock returns (Barber & Odean 2007; Da, Engelberg, & Gao 2011; Ahern & Sosyura 2014). Chen (2007) points out: “major patterns in asset markets are the result of information processing by the heterogeneous investment public” (3), confirming the assessment that qualitative information is as impactful as quantitative facts. Some works suggest that corporate control information can be revealed to the market before an official announcement (Beatty and Zajac 1987; Chatterjee 1986; Mahoney and Mahoney 1993; Turk 1992; Seth 1990), as a form of market priming (rumors) by firms themselves. Confirmatory firm announcements are then made with official press releases, a presentation of information directly from the firm to the full public.

However, only 31% of press releases relate to firm earnings or other financial disclosures (Tetlock 2014). Equal care, in terms of marketing creativity, time, and funding, is given to other types of announcements in general, including major capital outlays such as acquisitions. Therefore, I extend work on earnings announcements to examine the effect of linguistic manipulations on acquisition announcements, a particularly unique context for this analysis and one that has been understudied in

previous works. Neuhierl et al (2013) categorize corporate press releases into ten overarching categories, including management actions, performance reports, meetings and events, corporate governance changes, etc.. In terms of the volume of press releases, mergers and acquisitions (including divestitures) fell at 6th place. This is consistent with M&A as standard practice, but not necessarily “frequent” in the day-to-day operations of most industries. It also echoes the uniqueness of these announcements in terms of the type of information they provide and its usefulness to investors. Specifically, acquisition announcements differ from other forms of firm reporting in two ways. First, they are neutral-form; they do not inherently contain negative or positive data. Second; they are forward-looking, rather than a report of previous performance or other past information. Since much of the information included in acquisition announcements is unverifiable, as it is speculative on the part of the firm. I take each element of acquisition press releases in turn.

Earnings announcements possess inherent “good” and “bad” news; that is, missed projections are bad news, exceeded projections are good news (Clatworthy & Jones 2003). In this case, the rhetorical strategy of the firm is meant to mitigate or enhance the anticipated market reaction (Berkman et al 2009; Demski & Feltham 1994). This is consistent with IM literatures detailing anticipatory acclaims and defenses (Benoit 1999; Elsbach 2009). We observe similar approaches to announcements of other bad news, such as data breaches (Campbell et al 2003) and major capital outlays (Woolridge & Snow 1990). In this context, study designs are able to use the directionality of the official information as a baseline to examine how managers manipulate and how the market

interprets such information (Kearney & Liu 2014). This clear, binary interpretation of baseline messages has enabled hundreds of studies on this phenomenon.

On the other hand, compared to earnings announcements, acquisition announcements tend to include less standard information that is “more difficult to process” (Louis & Sun 2010; 1781) than earnings announcements. Acquisitions are not forced strategic firm decisions; rather, they are enacted with the anticipation of positive synergies. An acquisition announcement does not have any “bad news,” per se, and so the need for mitigation of negative market reaction is more generalized. This means we cannot, from a study design standpoint, assume a good or bad baseline for analysis. To help provide structure, we must turn to the reputations literature.

In discussions of reputation, much work has been completed on the baseline of positive, high-reputation firms and how they a) maintain or b) return to such status. It has been shown that being known, being known for something, or being generally assessed as favorable can cause a “burden of celebrity,” (Wade et al 2006), where firms are subject to stakeholder’s preconceptions of firm value. Several studies have examined the effect of expectancy violation (Burgoon & Hale 1988), where a new action by a firm can cause negative stakeholder reaction if it differs considerably from prior action (Rhee & Haunschild 2006). This is taken as evidence that new *negative* information can elicit different responses based on the reputation of the acting firm. However, the effect of new *positive* or *neutral* information, such as announcement of an acquisition, is less understood. This is an area highlighted for future study in Lange et al’s 2011 survey of reputations literature, one that I take up in Chapter 4 and Study 1.

Expectancy violation theory (Burgoon 1993, Floyd et al 1999) elaborates upon the agency and resource-based insights on firm acquisitions. It posits that information provided by an actor (firm) confirms or contrasts the expectations that principals (the market) have of their agents (managers) (Graffin et al 2016). The theory underscores previous work showing that acquisitions typically face negative reaction by the market (Haleblian et al 2009; Fama 1989; Servaes 1991). These works suggest that acquisitions in some way “disappoint” market expectations in terms of resource alignment, synergy, or other indicators of expected profitability (Kohers et al 2004).

In the context of earnings announcements, impression management scholars have shown how managers are able to control the effects of negative expectancy violations (Elsbach 2006; Arndt and Bigelow 2000; Graffin et al 2016), specifically by altering the type, tone, timing, or quantity of information available to the market (ibid; Graffin, Carpenter, Boivie 2011; Davidson et al 2004; Godfrey, Mather, and Ramsay 2003). The study adheres to the AIM model explicated in Graffin et al (2016), where firms proactively release information to mitigate a potential expectancy violation. Stated simply: firms understand the market may/will not like the news of an acquisition and proactively manage the announcement message and informational environment to counter this effect. This means that firms can clearly bury or otherwise cloud past news it knows to be bad for the market, such as missed earnings. Managers accurately judge, based on the exact nature of the past information, how the market will react and try to preempt such a reaction.

Earnings reports and acquisition announcements both communicate firm expectations of future value (Hirst et al 2007). However, all financial reports are based on backward-looking trends; acquisition announcements only contain forward-looking information. The announcements are statements of anticipated events. Indeed, some acquisitions never close after they are announced because of conflicts with shareholders or antitrust rulings. Often, the deal characteristics provided in acquisition announcements, such as the purchase price, enterprise value assessment of the target, and cash/stock configurations, are opening offers, which change considerably if and when the deal progresses. The anticipated close date may shift back due to regulatory review or shareholder pressures. While managers can anticipate the market's reaction based on historical precedence, they cannot accurately manage the potential reactions to future deviations from the initial announcement. That is, managers can only preempt reactions to the information presented, not the future realities that have not yet come to pass.

Finally, the focus on future-looking information also presents another unique characteristic of acquisition announcements: where other event announcements report past information that is readily available to the market, acquisition announcements report unverified information that, until the point of the announcement, is at best the subject of rumors (Kiley 2015). Earnings announcements are typically anticipated, and the market can verify prior returns and project, with certain accuracy, the trajectory of future earnings based on new data. The market is reacting to earnings announcements as official confirmation, but the numbers would also be discovered by analysts in the natural course

of time with or without a requisite announcement. Any preconceptions on the part of the market are limited to prior performance by the industry and perceptions of the firm itself.

Unlike earnings announcements, acquisitions are often unscheduled events. Their informational value hinges on credibility of the information (Mercer 2004), but the only verifiable information in an acquisition announcement is the plan to merge or acquire and, if included, the terms of the deal – and these may change in the future. All other information, including the anticipated integration timeline, expected synergies, retention of staff, expansion of products/services, or market entry, is strategic conjecture; the announcement is only a statement of firm intent (Maat 2007). Information asymmetries are greater than in earnings announcements; thus, the market draws on a range of rumors regarding firm performance, strategic initiatives, firm culture, and firm acquisition history, to arrive at its value. The market has a much wider range of existing information on which to draw; correspondingly, the firm's impression management strategy becomes much more subjective in the acquisition context.

Because of the differences in contextual information available to the market and the creative leeway of the announcements themselves, I argue that acquisition announcements create unique parameters in impression management studies. Acquisitions are neutral events, in the sense that there is no designated “good” or “bad” information; and markets do react. They are forward-looking and contain a great deal of conjecture that the market cannot verify. We also recognize that the market does not react reliably to neutral news. The market does not always embrace acquisitions, changes in CEO, new headquarters, layoffs, or philanthropic endeavors, for example. In fact, there

are several firm actions that are intended to benefit shareholders, but when announced, face tepid support or rejection by the market. Therefore, although I limit the analysis to acquisition announcements, this study offers a platform to examine the effectiveness of impression management tools for a range of neutral, forward-looking announcements in future studies.

CONTEXT: TO WHOM ARE WE SPEAKING? THE AUDIENCE IN IM

The audience in Impression Management has regained focus in recent years, as new questions have risen regarding the interpretation of messages affected by managerial choice (Ginzel, Kramer, & Sutton, 2004; Goffman 1959). Rather than examine the practice of impression management as one-sided, it has been suggested that it is an “interactive process involving organizational actors... and the targets of their influence attempts (members of the organizational audience)” (ibid; also Felton, 1978). IM is inherently a process by which actors (firms) try to align with the expectations and understanding of their audiences (Allen & Caillouet, 1994), and in that regard, the audiences are numerous: customers, investors, employees, regulators, vendors, governments, activists, etc... Early studies characterized audience members by their potential receptivity to the type of information being presented (Ginzel et al 2004; Gardner & Martinko, 1988), classifying them as sympathetic or antagonistic organizational audiences. Others characterized audience by familiarity with the subject under discussion, showing that more familiar audiences may limit what a firm can say

(Baumeister & Jones 1978) while distant familiarity may grant firms flexibility. These frameworks are useful for certain analysis, but the nature of perception can often be nailed down further. Sutton & Kramer (1990) point out that without a study of perception, the study of impression management is null. To that end, all empirical research in this area adequately defines the specific audience under examination.

For this analysis, I focus on the key stakeholders directly affected by a particular strategic action: acquisition. As is typical in M&A research, one of my studies looks at market response, so I limit the analysis to the pool of investors in the U.S. Market. This is also consistent with works in IM that show that acquisition press releases tend to be written for the investment public, specifically those with active, tracking knowledge of market dynamics (Maat 2007). As a secondary audience, the media interprets these press releases for laypersons and consumers of news media (ibid), but because of confounding factors, I cannot consider this a main audience under review. Thus, I characterize the IM audience in the study as investors – potential and current – who observe the actions of both the market and the firm under study and have direct access to the press release text as a matter of standard procedure in the investment community.

My study differs from many theoretical models in finance that treat all investors as a homogeneous moving body (Barber & Odean 2007). Instead, I characterize two sets of investors whose information processing costs, degree of investment in the market, and prior knowledge of the firm differ, resulting in varying degrees of impression management susceptibility. This is why I expect a moderated effect of investor sophistication and include this analysis in the second study. It has also been suggested in

the social psychology literature that individuals (in this case, managers) will alter messaging based on the anticipated response of an audience on whom they may be dependent for rewards (in this case, investors) (Felton 1978). This is consistent with the key tenets of anticipatory impression management and reinforces the need to define the audience parameters in addition to managerial/firm characteristics in the study. It also underscores the choice to focus on the investor segment of a firm's audience.

Information processing costs vary between individuals, and the value of a company is affected by how much investors understand the value implications of strategic actions (Chen 2007). Specific to firms and markets, I hypothesize that the degree to which rhetorical strategy affects investor reaction varies by the type of investor receiving the information. To what degree does the sophistication of the investor affect how the information in a release is processed, and does the presence of institutional investors make the market more or less likely to respond to certain communication strategies? Recall that acquisition announcements are both informative and persuasive, and they also exist in a larger environment of information, including rumor and firm historical action. Thus, the degree to which different groups of investors have access to this prior information – and how they process it – may affect subsequent abnormal returns.

I define institutional investors as those entities with large firm holdings and whose business is trading funds, stocks, and other investment products. For typical, publicly traded firms, the remaining percentage of stockholders may be comprised of holding companies and/or retail investors, individuals trading through brokers or the multitude of

online platforms available to the general public. In finance and accounting, a range of studies has compared how these groups differ in terms of trading behavior. For example, both institutional and individual investors behave similarly with securities (Genesove & Mayer 2001; Heath et al 1999; Shapira & Venezia 2001), but individual investors tend to hold on to losing stocks and sell winning stocks, on average, more than institutions (Odean 1998a; Shefrin & Statman 1985).

However, recent studies on management disclosures have found some differentiated behavior based on the type of investor, with those in the financial sector or with intensive trading experience noted as “institutional” or “sophisticated” (Boehmer et al 2008; Drake et al 2012). Alternative financial models by Miller (1977), Harris and Raviv (1993), Kim and Verrecchia (1991), and Kandel and Pearson (1995), as well as Tetlock (2014), have allowed for different groups investors to interpret information differently. In the domain of behavioral finance, it has been shown that investor biases can skew interpretation of information in the news media, affecting asset prices and trading volume (Tetlock 2014). It has also been posited that these biases should show similar differences in the performance based on the interpretation of official firm information (Mullainathan & Shleifer 2005).

Institutional investors “process information with above-average skill” (Blau et al 2015, 205), due to their formal education, vocational training, and daily immersion in the market environment. They face a series of search problems when selling, since large-scale institutions typically sell short (Barber & Odean 2007). They devote more time searching for securities information and typically limit stocks to a particular sector. This

inherently reduces their search parameters and corresponding information processing needs (ibid). By comparison, “retail” or “individual” investors may not have the training or incentive to process the same information. They trade at a distance from the market environment and are not wholly responsible for major accounts. Retail investors, however, are managers of their own money (Lakonishok et al 1991), and as such they are not constrained by the agency, career, or liquidity requirements of institutional investors (Chevalier & Ellison 1999; Coval & Stafford 2007). Their trading strategies draw more heavily on geographic proximity to firms or anecdotal insights into the validity of the firm’s offerings, rather than the more structured trading patterns of institutions (Kelley & Tetlock 2013).

These differences suggest that major patterns in asset markets are the result of different information availability and processing capabilities by a heterogeneous market of investors (Chen 2007). Inherently, all investors can choose from a wide range of stocks or sectors in which to invest. Each investor’s decision is therefore boundedly rational. Institutional investors, however, have an informational advantage over retail investors (Chen 2014). Some empirical works have shown that investors with local or proximate information, such as those that trade daily within a specific sector, perform better than diversified retail individuals (Coval & Moskowitz 2001; Kacperczyk, Sialm, & Zheng 2005). Institutional investors also have more access to contextual, existing information, such as rumors, than individuals. By comparison, retail investors draw upon anecdotal insights into consumer tastes, and they are more inclined to buy highly visible, salient stocks because of limits on attention (Barber & Odean 2008). Institutional investors are

also more prepared to process historical firm information, such as prior acquisition performance, in context and may spend more time processing information before making a choice (Barber & Odean 2007). Finally, by their nature, institutional investors are more aware of the larger market and any fluctuations or trends that may occur. Therefore, the boundaries of choice for institutional investors are much wider than for individuals in terms of information available (ibid).

In terms of processing costs, it is suggested that retail investors draw more heavily on emotion as the lowest cost way of information processing (Chen 2014). Retail investors have access to the same public trading information as institutions, but they may not pay to access expanded fundamentals, instead relying on easy-to-understand information accessible at low cost. In fact, empirically, retail investors perform better than institutions at times of new or sudden change (ibid), suggesting that institutional investors take longer to process such a wide range of information in certain instances. This affects the processing of information presented in acquisition press releases and subsequently the degree of investment and abnormal returns.

CHAPTER 4

REPUTATIONAL CAPITAL AS COSTLESS INFORMATION

In this chapter, I review the challenges of definition faced by the reputations literature, the sources of reputational capital, metrics and measures of reputational capital as it relates to this study, and the nature of reputational capital as costless information in my cost-based theory of impression management. I conclude with a discussion of the alignment of IM and Reputation disciplines, an area of analysis emerging in the literature.

DEFINING REPUTATIONAL CAPITAL: A BRIEF LITERATURE OVERVIEW

Traditional reputations studies in strategy examine the perception of firms by constituents and how this perception affects a) manager behavior, b) investor response, and/or c) firm performance. In these cases, reputation is typically measured as an evaluative, subjective measure that indicates a perception of quality or value (Barnett, Jermier, & Lafferty 2006). Indeed, the definition of reputation remains fluid in the literature, and several papers have been dedicated to this subject alone as the discipline has evolved over the past two decades (*ibid*). For a comprehensive review of this definitional discussion, I cannot summarize better than two papers: Barnett, Jermier, & Lafferty 2006 and Pfarrer, Pollock, & Rindova 2010.

“Reputation research has been conducted from a variety of theoretical perspectives, which has led to different definitions of the construct based on different types of perceptions. In a recent review of reputation research, Rindova and colleagues (2005) concluded that scholars studying reputation from an economic perspective use the term to refer to perceptions about a particular attribute, such as the ability to deliver quality products. In contrast, scholars studying reputation from a sociological perspective use the term to refer to the general public

knowledge about and recognition of a firm in relation to a variety of attributes and stakeholder audiences.”

(Pfarrer, Pollock, & Rindova 2010, 1133)

From Barnett et al (2006), we also see the breadth of definitions present in early reputations literature, which are presented in Figure 4. Three categories emerge from their synthesis of extant literature: reputation as an asset, reputation as an assessment, and reputation as awareness. In these studies, I am interested in measures of all three characterizations, as they comprise a useful economic offshoot of reputation: reputational capital. Barnett et al (2006) define reputational capital as an economic, intangible asset available to a firm. It is the culmination of corporate identity, image, and reputation, and this definition underscores two attributes of capital as it relates to the study. First, as it is economic, reputational capital is accrued over time. It does not necessarily represent a uniformly good or bad perception, although it derives from judgments over time. Instead, it is the accumulation of information from a firm’s inception that contributes to an overall assessment of firm value, and this grows with a firm’s longevity. Second, as an intangible asset, reputational capital is unique to a firm. It derives from the collection of firm information (identity), impressions of the firm (image), and judgments by observers (reputation), which mix to form a fingerprint-like value of reputational capital (Fombrun 2001; Barnett et al 2006). That is: $REPUTATIONAL\ CAPITAL = f (IDENTITY + IMAGE + REPUTATION)$. Therefore, reputational capital can have many measures, including qualitative assessments and the amount of the information – positive or negative – available regarding a firm.

Fig. 4: Definitions of Reputation in Extant Literature
Reprinted from: (Barnett, Jermier, & Lafferty (2006), "Corporate Reputation: The
Definitional Landscape, Corporate Reputation Review Vol. 9(1), 30-31)

<i>Cluster</i>	<i>Citation</i>	<i>Terms</i>	
<i>Asset</i>	Goldberg <i>et al.</i> (2003)	An intangible resource	
	Mahon (2002)	(Strategy scholars) A resource for the firm (Social scholars) An asset	
		Financial soundness	
	Miles and Covin (2002)	A valuable but fragile intangible asset	
	Fombrun (2001)	Economic asset	
	Drobis (2000)	Intangible asset	
	Miles and Covin (2000)	Intangible asset	
	<i>Fortune</i> AMAC: Fombrun <i>et al.</i> (1999)	Wise use of corporate assets Quality of management Quality of products or services Innovativeness Long-term investment value Financial soundness Ability to attract, develop and keep talented people Responsibility to the community and the environment	
	Riahi-Belkaoui and Pavlik (1992)	Important asset	
	Spence (1974)	Outcome of a competitive process	
	<i>Assessment</i>	Larkin (2003)	A value judgment
		Lewellyn (2002)	Stakeholders' evaluation of their knowledge of a firm
		Mahon (2002)	An estimation of a person or thing
		Wartick (2002)	The aggregation of a single stakeholder's evaluations (1992 def.)
Bennett and Gabriel (2001)		Distribution of opinions	
Fombrun (2001)		Subjective, collective assessment Judgment of firms' effectiveness Aggregate judgments	
Fombrun and Rindova (2001)		Gauge of the firm's relative standing	
Gotsi and Wilson (2001)		Overall evaluation of a company over time	
Bennett and Kottasz (2000)		Opinions of an organization developed over time	
Cable and Graham (2000)		Affective evaluation	
Deephouse (2000)		Evaluation of a firm	
Dukerich and Carter (2000)		Assessments based on perceptions	
Fombrun and Rindova (2000)		General esteem Regard in which the firm is held	
Gioia <i>et al.</i> (2000)		Lasting, cumulative, global assessment	
Schweizer and Wijnberg (1999)	A shorthand evaluation about the stock of information about that firm		
Fombrun (1998)	Describes the firm's overall attractiveness		
Gray and Balmer (1998)	A value judgment about a company's attributes		

<i>Cluster</i>	<i>Citation</i>	<i>Terms</i>	
<i>Assessment</i>	Rindova and Fombrun (1998)	Aggregate assessment of constituents of an organization	
	Fombrun and van Riel (1997)	Aggregate assessment of a firm's performance Subjective collective assessment Gauges a firm's relative standing	
	Post and Griffin (1997)	Synthesis of the opinions, perceptions and attitudes	
	Fombrun (1996)	Overall estimation of a firm Compared to some standard	
	Herbig and Milewicz (1995)	An estimation of consistency	
	Brown and Perry (1994)	The evaluation of a company	
	Dowling (1994)	An evaluation (respect, esteem, estimation)	
	Dutton <i>et al.</i> (1994)	Beliefs about what distinguishes a firm	
	Fombrun and Shanley (1990)	Public's cumulative judgments	
	Bernstein (1984)	The evaluation of what a company does	
	<i>Awareness</i>	Larkin (2003)	Reflection of a (firm's) name
		Pharoah (2003)	Exists in the eye of the beholder Exists in a million different minds
		Einwiller and Will (2002)	Net perception
Mahon (2002)		Includes notions of corporate social responsibility	
Roberts and Dowling (2002)		A perceptual representation of a company's past actions and future prospects Global perception	
Balmer (2001)		Latent perception of the organization	
Fombrun (2001)		Collective representation of past actions and future prospects Individual perceptions and interpretations	
Fombrun and Rindova (2001)		A collective representation of a firm's past actions and results	
Hanson and Stuart (2001)		The corporate image over time	
Zyglidopoulos (2001)		Set of knowledge and emotions	
Bennett and Kottasz (2000)		Perceptions of an organization developed over time	
Ferguson <i>et al.</i> (2000)		What stakeholders think and feel about a firm	
Fombrun and Rindova (2000)		Aggregate perceptions	
Miles and Covin (2000)		Set of perceptions	
Mouritsen (2000)		An ambiguous assemblage of hunches	
Stuart (2000)		A set of attributes that observers perceive to characterize a firm	
Balmer (1998)		The perception of a firm	
Fombrun (1998)	Collective representation of past actions		

MEASURING REPUTATIONAL CAPITAL

In his commentary on measuring reputation, published in 2002, Steven Wartick notes that the measurement challenges in the discipline stem directly from the inability to agree on a concrete definition of terms. He states (amusingly):

“Perhaps this continual effort at defining and redefining constructs is one of the things that academics do (thus the phrase “It is not important, it is merely an academic discussion”), but wouldn’t it be interesting if at some point in the collective research efforts, we could just reach consensus about the definition of one of the units of analysis and get on with measuring and studying it? For many of those in the field, the answer to this question would be a resounding no, because if we did such a thing, (a) we would not be able to publish so many conceptual articles, (b) we would not be able to show the individual brilliance in pointing out such meaningful distinctions as the crucial differences in using *or* versus *and* or *outcomes* versus *outputs*, and (c) we would have to start dealing with research realities attendant to empirical results instead of research fantasies attendant to normative wish lists.”

Wartick, Steven L. (2002).
“Measuring Corporate Reputation: Definition and Data.”
Business and Society, 41(4), 373.

Jokes aside, given the range of definitions that has challenged the reputations literature since Fombrun’s introduction in 1996, and especially given attempts to define such compound structures as reputational capital, it is no surprise that a uniform measure of reputation has yet to emerge in the literature. I discuss the sufficiency of current measures in the next section, followed by a review of a two-pronged approach that may mitigate the limitations of a single-measure study in my context.

Mapping Reputation: Sufficiency of Current Measures

If one picks up a recent article on reputations research, typical measures of

admiration and ranking, such as the Fortune Most Admired (FMA), Harris Poll, or other such survey-based metrics, will emerge as the metric of choice. I would like to discuss two issues here: first, rankings are themselves a contentious measure in reputations literature today; and second, while they are helpful in looking at one particular dimension of the analysis, these measures are inadequate for a full exploration of reputational capital.

Rankings data, such as the often-used FMA lists, are the cornerstone of reputational measures, specifically because they enable researchers to engage in a comparative analysis among a known set of constituents (Pfarrer, Pollock, & Rindova 2010). That is, the audience and the dimension(s) of analysis are well defined for survey-based data. This affords a number of benefits to empirical analysis, including the ability to compare across groups and with consistent metrics over time. It has been suggested that, because data are inherently segmented, aggregation into a single, universally applicable ranking metric is difficult. According to Wartick 2002 and subsequent authors, at best, rankings data provides a specific, constrained metric that limits applicability of findings to other contexts. Still, as long as these limitations are clear, they remain useful stalwarts of reputations research.

Yet, there are three larger problems in using rankings data as a sole measure of reputation. First, reputation ranking along any dimension is subject to the cognitive biases of survey participants (Raithel & Schwaiger 2015). Engaging investors, employees, managers, regulators, customers, and others in qualitative surveys is, in essence, an exercise in controlling biases, in the sense that human participants tend to

anthropomorphize organizations (Fombrun 2007; Love & Kraatz 2009) and evaluate them based on subjective, emotional constructs (Lange et al 2011). This means an immeasurable amount of cognitive biases are introduced into measurement, which can only be controlled so much by survey design, data cleanup, and empirical controls. Second, most reputation measures, including the FMA, overweight perceptions based on financial behaviors, such as asset use, long-term investment value, and capital allocation (Fryxell & Wang 1994; Rhee & Valdez 2009). Other surveys, such as Consumer Report, overweight perception of benefit drivers, such as product quality, visionary leadership, and employment benefits (Rindova et al 2005; Walsh et al 2009). Still others, such as the Harris Poll, rank firms by coverage along a spectrum, good and bad. This means that a unified perception of value is not only segmented by constituent (ie, investor, consumer, employee), but also by the weighted measures of the metric used. Matching the appropriate metric to audience may be valid in a single study, but applying a single metric to represent overall reputation – as is done in numerous studies - is more difficult methodologically (Raithel et al 2015). Third and finally, because rankings data are segmented by population, this means a firm can have multiple reputations (Wartick 2002; Raithel et al 2015), *and that these reputations influence each other*. To this end, should we aggregate all financial measures? Financial and social responsibility? Financial, social responsibility, and employee development? The reputations literature has not yet reconciled these issues, and so use of rankings data remains a common denominator in empirical works in this area.

I intend to use rankings data, as they have been vetted in prior studies, as one

dimension of reputational capital. However, as a matter of measurement, rankings do not touch issues of informational priors the firm itself has released to the market, referred to above as identity and image. To measure these, we need complementary metrics on how long a firm has been feeding information on its own intentions, actions, and performance to the market. So, a two-pronged approach becomes necessary for the studies. Next, I discuss specific measures of Reputational Capital.

Antecedents to Reputational Capital

In recent reputations research, the construct of reputation has been defined along a multidimensional framework (Lange et al 2011). Rindova et al 2005, Devers et al 2009, Rhee 2009; Rindova, Petkova, & Kotha 2007, Fischer & Reuber 2007 and others have approached reputation as a combination of prominence and perceived quality, sometimes called a combination of awareness and favorability. My studies align more closely with Lange et al (2011)'s multidimensional framework where reputation is a combination of awareness, favorability in a specific attribute, and general favorability (161). The benefit of this framework is that it allows for an examination of judgment and information within a range of constituencies, as well as varying granularity on the level of analysis. As the authors point out, "Each of the... [combinations of analysis along the three dimensions] provides an interesting archetype to consider" (167). From a metrics standpoint, this approach allows us to map three distinct measures of reputation onto the three types of information to study not only the main effect of reputation, but the interplay of specific information: age and ranking.

If Reputational Capital is a function of Image + Identity + Reputation, then a multidimensional view of reputation allows researchers to examine how these three dimensions play to affect a) the amount and b) the quality of reputational capital available to a firm. These dimensions are inherently different based on the source of the information (Walker 2010); specifically, Image and Identity are the results of information the *firm itself* provides; whereas Reputation is the interpretation and assessment of this action by an audience. If we rely solely on rankings, we only measure the latter, one dimension of the amount of reputational capital available to a firm. Thus, I suggest that a multidimensional framework that encompasses the amount of informational priors of a firm is necessary for a complete analysis in the context. This is not without precedent in the IM literature: Geppert & Lawrence (2008) look at the connection between annual reports and measures of reputation, including Fortune Most Admired (FMA), Harris Poll, and Citizens Polls in addition to content analyses; Othman et al (2011) constructed their own reputation index based on the determinants of corporate social responsibility; and Bebbington et al (2008) featured aggregated rankings based on five categories of reputation, some including perceptions of quality and some derived from financial performance.

One contribution of this study is to explore these interactions, which are just beginning to be examined empirically. In their review of organizational reputation literature over the past three decades, Lange, Lee, and Dai (2011) characterize three distinct metrics that have emerged on the nature of reputational capital: (a) “being known,” or a generalized awareness of the firm; (b) “being known for something,” or the

predictability of the organization for certain constituents; and (c) “generalized favorability,” or the perception of the firm overall. More recent works have taken on an integrated approach, where reputation is considered an aggregated framework that encompasses all such definitions. Consistent with the discussion above, I follow an integrated framework to generate two distinct measures of reputational capital in these studies: firm age, as measured by age-since-founding and traditional FMA rankings, both prevalent in reputations literature.

Identity and Image as Functions of Age

“Being known,” also called the “prominence” of a firm (Rindova et al 2005; 1035), is stakeholder awareness of an organization without passing negative nor positive evaluation of a firm itself (Barnett et al 2006; Lange et al 2011). It is inherently a macro-conceptualization, or impression, constituents have of an organization, but without attributing specific judgments of the firm (Bromley 2000; Shamsie 2003). This is consistent with the characterizations of Image and Identity, which are built by a firm over time. Although some scholars have differentiated between this notion of prominence and reputation, and some consider it an antecedent to reputation (Turban 2001; Brooks et al 2003), many studies have approached and measured reputation simply as being a ‘known entity’. This definition represents reputation as the collective view all constituents have of an overall firm, and it helps answer questions as to the endurance, strength, and value of a firm’s reputation as an intangible asset.

The general awareness of an organization is a function of how much prior information on the firm is available to the market in general. In Charles Fombrun's foundational works on reputation, he defines corporate identity as the foundation on which reputation is built. A firm's identity, he states, "derives from a company's experiences since its founding, its cumulative record of successes and failures" (Fombrun 1996; 36). To the extent that reputation is an indicator of credibility, reliability, trustworthiness, and responsibility (ibid), scholars have since taken as axiomatic that the development of reputational capital is an ongoing process; that is, reputational capital is managed over time. It develops from a company's identity and is "maintained over time" (28) to adapt to changing institutional and competitive pressures. This is consistent with reputation definitions that characterize reputation as established "over time," (Lange et al 2011). A firm's reputation is rooted in historical action, and a larger degree of historical action affords a larger pool of prior information for investors. In the more general definition of reputation as overall favorability, reputation is the result of "relatively stable, long-term, collective judgments" by outsiders (Gioia et al 2000, 67), indicating that longevity is a contributing factor to reputation construction.

It becomes semi-axiomatic that the longer a firm has been present in market activity, the more informational priors about performance (financial or otherwise) are available to stakeholders. Even without a degree of notoriety, which denotes judgment, firms that have been around longer have interacted with more customers, vendors, investors, distributors, regulators, and competitors, and are therefore more known as

entities in the market. Therefore, I posit that a firm's age from its founding is an important factor in measuring reputation.

Furthermore, recent research on firm IPO's has shown that firms going public have not developed the reputational capital necessary for the market to assess future value (Reuer, Tong, & Wu 2012). As a result, more nascent firms tend to rely on other informational signals, such as the presence of reputable underwriters or other logistical partners, to justify initial pricing (ibid). This suggests that the specific component of reputation to investors is not fully addressed until a firm has been *traded* over time. Publicly traded firms are mandated to release more consistent and more complete information to the market, expanding the touch points available between the firm and its constituents and granting more opportunity for reputational development. Thus, I posit that a firm's age from the time it released its IPO is also an important factor in measuring reputation. In my studies, I use a firm's age from founding in the primary analysis and age from IPO to test the robustness of the results.

External Validation of Reputation

“Generalized favorability” is similar to “being known,” but with the attribution of judgment by the stakeholder (Lange et al 2011), otherwise interpreted as “how attractive the firm is” (Barnett et al 2006, 33). Consistent with ranking measures of reputation, generalized favorability is an aggregation of multiple aspects of the firm from an external perspective of some – or many - constituents (Fischer & Reuber 2007). The definition is rooted in the belief that “people tend to anthropomorphize organizations” (Love & Kraatz

2009, 316), and so tend to aggregate multiple perceptions into a single impression (Lange et al 2011). This definition tends to anchor more to the foundational, Fombrun-esque definition (1996) of a firm's "overall appeal" to its stakeholders. It is therefore inherently comparative (Fischer & Reuber 2007; Lange et al 2011), a "public evaluation of a firm relative to other firms" (Turban & Cable 2003; 733), and a "judgment about a firm... shared by multiple constituencies" (Highhouse et al 2008; 1482).

Aggregated judgments of firm value have become more available in recent decades. The value of reputation was explicated early in the economics literature as related to knowledge-based, service-oriented businesses, such as universities, law firms, and hospitals. Economists refer to these services as "'credence goods' – goods that are bought on faith, that is to say, on reputation" (Fombrun 1996, 7). However, over the past two decades, as internet proliferation has speeded information transfer and feedback, all firms have come to understand the value of reputation as it relates to the success of goods and services and provision of competitive advantage. Therefore, it is not surprising that market validation measures, such as the Fortune Most Admired list published since 1983, have grown in popularity.

Scholars across strategy, marketing, finance, and impression management point to two reasons for such proliferation. First, firm constituent publics are seeking confirmation (or disconfirmation) of their existing perceptions of a firm by a third party. Second, uninformed publics (in the sense that all constituents do not draw on the same information at the same time) seek to delegate the evaluation of firms to a 'more knowledgeable' source. In the overwhelming majority of empirical studies, reputation

metrics are derived from rankings (Lange et al 2011). Therefore, in addition to intrinsic contributors of age to firm reputational capital, these rankings constitute an additional component of reputation in the study.

BENEFITS AND COSTS OF REPUTATIONAL CAPITAL

Drawing from the resource-based view (RBV) (Penrose 1959; Wernerfelt 1984; Rumelt 1991) discussed in **Chapter 3**, the cost of information to firms and the value of information to investors are heterogeneous. Resources are acquired in strategic factor markets and include “tangible and intangible assets firms use to conceive of and implement their strategies” (Barney and Arian 2001). The flow of information from firm to firm defines this market.

TYPES OF INFORMATION, Benefits vs. Rents				
TYPE	SHORT-TERM EFFECT	SHORT-TERM RENTS	LONG-TERM EFFECT	LONG-TERM RENTS
Financial & Reporting (backward-looking)	Closes Information Asymmetries	↑	Feedback Effect	↓
Strategic (forward-looking)	Closes Information Asymmetries	↑	Feedback Effect	↓
Reputational	Closes Information Asymmetries	↑	(no cost)	(no cost)

Fig. 5: Types of Information

As an input, the value of information to a receiving firm is the result of lowered net costs or an abnormal increase in firm revenues. As an output, this means there is an inherent cost of information for those who share it. Researchers have shown that value is derived from information that allows for the development of new strategies in the marketplace; information that improves the strategic position of one firm reduces the strategic position of another. As shown in **Chapter 3**, RBV makes an important distinction between competitive advantage and economic rents, which is especially relevant to the resource of information. The best description comes from Barney and Arikan 2001, who characterize competitive advantage as the ability of a firm to capitalize on present economic rents.

Rent preservation exists when firms try to reduce the amount of costly information they release to the market in an effort to preserve future competitive advantage. It constitutes an anticipatory impression management approach to maximize short-term investor reaction while preventing competitors from chipping away at any future benefit of the strategic action. This is accomplished by carefully choosing the type and quantity of information provided to the market.

The exclusivity of information is positively related to its profitability; the more competitors know, the lower future economic rents. However, not all information faces this drawback. The provision of concrete information may compromise competitive positioning. Reputational capital may not.

Within information economics, signaling theory (Spence 1974; Riley 1979) suggests that firms communicate vital information to constituents not only by conveying

direct facts, but also through their actions, timing, symbols, and culture. It posits that these elements are of equal importance to concrete data in assessing firm value. A breadth of work has subsequently been completed on the value of intangible assets (Barney 1991) on competitive advantage. For example, it has been shown that firms of higher reputation (where reputation is an indicator of value to the market) can raise capital without disclosing proprietary information to investors and competing firms (Campbell 1979), implying that certain intangible assets sway investor perception as well as, or perhaps better, than financials.

Reputation is one component of reputational capital, although many studies in the literature use the terms interchangeably. Foundational literature in this area begins with a general interpretation of reputation as a “public evaluation” of a firm relative to competitors (Cable & Turban 2001; Fombrun 1996; Fombrun & Shanley 1990). Corporate constituents – consumers, competitors, investors, regulators, and society – interpret various components of reputation (reviewed below) to make decisions about interactions with the firm (Dowling 1986), and so firms spend considerable resources on both reputation establishment and maintenance (Fombrun 1996). As a general construct, reputation may range along several characteristics including quality (good or bad reputation) and durability (relatively un-established and malleable or fully established and rigid). This implies that reputation is attributable to firms at any stage in the business lifecycle, from nascent start-ups to century-old institutions within and between industries.

As we see in Figure 5, reputational capital differs from other types of information in the context of a strategic firm action, such as acquisition. Specifically, it substitutes for

costly concrete information in three ways. First, the inherent problem in investor-firm relations is rooted in agency information asymmetries, where investors are tasked with predicting future firm value given direct (concrete) and indirect (conjecture) information. Rindova et al (2005) characterize this environment as one where firm workings are relatively secret, and therefore information on the workings of the firm is at a premium. Reputational capital provides some infill of this information gap (Deutsch & Ross 2003). Stakeholders, such as investors, base some of their evaluation of future value on the past behavior of the firm (Fischer & Reuber 2007; Fombrun 2001; Rindova et al 2005; Lange et al 2011). They draw on the past as an indicator of future quality (Benjamin & Podolny 1999). Past patterns of performance, as contributors to reputation, become valuable information for investors determining future value. Thus, reputation constitutes a firm asset that may act as a substitute for more costly concrete, event-specific information.

Second, as opposed to event-specific information provided by a firm, reputational information does not carry with it long-term costs of distribution. While concrete information on firm's acquisition can increase short-term economic rents by closing information asymmetries with investors, it may decrease long-term competitive rents by simultaneously revealing strategic intentions to competitors. Having information on the anticipated synergies, deal characteristics, or integration plans, for example, constitutes a valuable resource for firms in that it may align firm and investor interests, potentially leading to larger abnormal returns. However, in reducing information asymmetries, firms disclose information simultaneously to investors and competing firms. In this context, acquisition information decreases future rents and competitive advantage by revealing

firm intentions to competitors. Reputational capital, however, is a type of information that does not act in the same way. Although managed and leveraged by the firm, it is ultimately external constituencies who determine a firm's reputation. Therefore, reputation is public information, and competitors are already aware of its standing. Reputation does not constitute "new" strategic insight on which a competitor can act. Therefore, reputational capital carries with it enough persuasive content to increase short-term rents by closing information asymmetries without compromising future, long-term competitive rents.

Third, high reputational capital allows a firm to have a degree of strategic flexibility (Deepphouse & Carter 2005; Rindova et al 2005), enhanced because reputation is inherently inimitable (Fombrun 1996). Over time, the management of reputation forms what Fombrun refers to as a "reputational halo" (29) that signals credibility, reliability, trustworthiness, and responsibility to a firm's range of constituents. As a result, firms with positive returns should be able to engage in more strategically risky behavior with limited effect on stakeholder response. For example, reputational capital provides a signal that allows firms to attract more capable employees and customers (Turban & Cable 2003) and assess acquisition targets more effectively (Saxton & Dollinger 2004). It is a strong indicator of perceived value among a range of constituents (Raithel et al 2015). Reputational capital is also transferrable, as shown in Jensen & Roy's 2008 exploration of auditor reputation after the collapse of Arthur Andersen. Reputation provides a signal that stabilizes stakeholder response to strategic action (Lange et al 2011). Therefore,

compared to event-specific information, reputational capital can close information asymmetries without sacrificing future rents to acquisition action.

RECONCILING IM AND REPUTATION

If reputational capital is a function of a) information the firm releases and b) investor interpretation of this information, then the IM and Reputations literatures are examining the same phenomenon from different angles. Indeed, for the better part of a decade, calls have been made to refine the knowledge of how firm-released information affects investor sentiment (Adams 2008; Schwaiger 2004), and a range of studies have shown that corporate reporting directly influences corporate reputation (Geppert & Lawrence 2008; Craig & Brennan 2012; Thiessen & Ingenhoff 2011). Quite close to this dissertation, Geppert & Lawrence (2008) examine the effect of reputation (as measured by FMA ranking) on the selection of word choice in CEO/chairperson letters within annual reports (this context is backward-looking information, whereas ours is forward-looking information, and I have discussed how the change in context may provide unique results). Still, the area remains nascent. Craig & Brennan (2012) attempt to recreate the Geppert & Lawrence study, but cannot replicate the results. There is agreement, though, that corporate communications is one of the key ways firms manage reputation (Greyser 1999, Schwaiger 2004). The result is a focus on the circular process of reputation formation, loosely, where firm action informs reputation, and reputation then affects firm action (Craig & Brennan 2012). This is the intersection of IM and Reputation, and although the study is anchored to IM, there are contributions to be made in both areas.

CHAPTER 5: CONTEXT - MERGERS & ACQUISITIONS (M&A)

The domain of the analysis in which I intend to test a Cost-Based Theory of Impression Management is Mergers & Acquisitions (M&A), specifically M&A announcements made by firms in the U.S. Market from 1997 to 2018. As I detail below, among the strategic actions available to firms, M&A has been shown to have unique consequences on a firm's future returns (Fama 1998); that is, it is one of the only strategic choices that can irrevocably change returns from positive to negative in the short- and medium-run (ibid). It is also a forward-looking event, which, unlike earnings announcements, allows for a degree of creativity and flexibility in the selection of rhetoric by firm management. M&A is also highly visible, which affords a breadth of research on which we can base certain assumptions. Finally, domestic firms acquire so frequently, across so many diverse industries, and with enough variability, that statistical analysis is possible and the results have external validity. This is of particular interest to the researcher, as the sample of M&A deals in this study spans a substantial set of industries, firm sizes, and firm values and should be generalizable to a general population of domestic US-based firms. I am looking to support future projects that utilize the novel data and form the foundation for future tests of the cost-based theory.

WHY M&A?

The decision to focus on the context of M&A announcement press releases is rooted in two main factors: a) the relatively novel attributes of managerial motivation in

forward-looking strategic announcements, and b) the long-term effects of M&A announcements on performance metrics. Both position M&A as a superior context for a test of the theory, since we can examine it in both antecedent and consequence frameworks. When examining the antecedents of rhetorical strategy, M&A announcements afford us five benefits, including significant observational differences when examining M&A announcements as a context for performance indicators.

FORWARD-LOOKING STRATEGIC ANNOUNCEMENTS

First, M&A announcements represent a unique category of official firm impression management (Neuhierl, Scherbina, & Schlusche 2013; Henry 2008). They are forward-looking and therefore contain a significant portion of information unverifiable by investors. Rather than report on prior information, such as earnings and annual performance, a firm is, at best, suggesting the future benefits of strategic action. As a result, a) investors have fewer priors on which to base an assessment, b) the value of information to investors changes, and c) and firms can manipulate many more elements to their advantage.

Second, the “news” of an acquisition is neither positive nor negative at the outset. It is not a report of prior good or bad earnings or performance; rather, it is an announcement of a major capital outlay with anticipated future benefit. I refer to this starting point as “neutral-form,” which further expands the elements a firm can manipulate. That is, a firm may select any rhetorical approach - from purely informational to fully promotional – as it crafts its message to the market. This increase

in range is unique to this form of announcement, and it allows us to examine the full range of informational vs. promotional approaches in practice.

Third, acquisition announcements are unique among forward-looking events. They are the only non-financial announcement empirically shown to change investor behavior in the long-term. Fama (1998) shows, in detail, that pre-event returns for acquiring firms are positive, announcement returns are null, and long-term, post-event returns are negative (290). This pattern is not consistent with announcements of any other type of strategic firm action, including share repurchases, stock splits, spinoffs, equity offerings, earnings announcements, or IPO's (ibid). Negative post-announcement returns are not preceded by prior bad performance; rather, based on the nature of an acquisition event, they are sparked by the acquisition announcement. These observations make them a particularly salient space in which to start my analysis.

Fourth, with advent of the Internet, press releases are now widely available to all investors, regulators, and the general public immediately upon their release. In this sense, they are a standardized way to disseminate information to a target audience. Press releases are official firm documents and are entered into the public record upon their release, but they are also promotional. Although the medium and method of transmission are standardized, most components, such as length, wording, quotes, even photos and graphics, can be chosen at will. Given this, acquisition press releases are highly finessed examples of anticipatory impression management.

Fifth and finally, only 31% of press releases relate to firm earnings or other financials (Tetlock 2014). However, most studies examining this phenomenon focus on

these categories. Neuhierl et al (2013) categorize corporate press releases into ten overarching categories, including management actions, performance reports, meetings and events, corporate governance changes, etc. In terms of the volume of press releases, mergers and acquisitions (including divestitures) fell at 6th place. This is consistent with M&A as standard practice, but not necessarily “frequent” in the day-to-day operations of most industries. It also echoes the uniqueness of these announcements in terms of the type of information they provide and its usefulness to investors. Equal care, in terms of marketing creativity, time, and funding, is given to the other 69% of strategic announcements that are not financials, including acquisitions. Therefore, I extend work on earnings announcements to examine the effect of rhetorical manipulations on acquisition announcements, a particularly unique context for this analysis and one that has been understudied in previous works.

LONG-TERM EFFECT OF M&A ANNOUNCEMENTS (UNDERSTANDING FAMA 1998)

In terms of examining the effect of rhetoric on performance, M&A announcements also provide a unique context, especially as they have shown to have a particular effect on abnormal market response. This section necessitates a deeper understanding of abnormal returns and event study as a methodology, which I also presented below. Consistent with much of the literature on strategic actions, merger and acquisition announcements elicit a *measurable* abnormal market response, and this has been documented across the finance, strategy, and M&A-specific literature. However, as shown in Fama 1998 and subsequent studies, they are the only event type that changes

the long-term perception of the market from positive to negative. This is of particular interest in the IM discipline, since the anticipated response of the audience is a driver of firm strategy. Fama 1998 unpacks the differences between acquisitions and other types of strategic firm announcements, lending some credence to the suggestion that acquisitions are unique in terms of the information they grant the market. Acquisition announcements are the only non-financial announcement empirically shown to change investor behavior in the long-term.

When we look at performance metrics on M&A announcements (see Figure 6), abnormal returns patterns switch from positive pre-event to negative post-event (Asquith et al 1983; Agrawal et al 1992; Fama 1998). Some have attributed this pattern to observed biases in investor behavior, where the market tends to underreact to what it perceives to be poor investment decisions (French, KR and Roll, R., 1986). Others have suggested that the market pre-bids-up acquiring firm stocks on rumor of acquisition (Mitchell & Stafford 1997; Kiley 2012), resulting in a documented adjustment post-announcement. Several studies support the overarching theme that investors are overreacting to information in some way (Ikenberry & Lakonishok 1993; Fama 1998), which Fama points out creates a level of ambiguity in determining exactly why this abnormal returns pattern is observed.

Fama 1998 speculates that, given the overreaction/under reaction hypothesis, it is possible that the observed returns anomalies to M&A announcements are purely chance (287). This is consistent with my observations, taken from more than 3,500 deals, that CAR tends to hover around 0.00012% for a 3-day announcement window, but varies

widely between industries, firm sizes, and reputations. Additionally, this statistical variability could be explained away by the use of different pricing models in the calculation of abnormal returns, which Fama cautions will skew the ability of researchers to infer as to investor motivation. He notes: "... even viewed individually, most anomalies are shaky. They tend to disappear when reasonable alternative approaches are used to measure them" (288).

It is important to note that, consistent with the discussion of audience in IM in **Chapter 3**, the subjective valuation of a firm pre- and post-M&A announcement is also a factor of investor sophistication. Inherently, informed, institutional investors are subject to two distinct cognitive biases: overconfidence, which leads them to place greater stock in their personal interpretation of the M&A event; and self-attribution, which causes them to downplay alternative signals of value when they contradict their own, preconceived notions of firm value (Fama 1998; 289). Fama suggests that these biases may explain why event-specific returns are relatively zero, but then long-term adjustments occur as the market iterates away from biased insights. He states that the "mispricing is fully absorbed as further public information confirms the information implied by the event announcement" (290).

Signs of long-term pre-event, announcement, and long-term post-event returns for various long-term return studies

Event	Long-term pre-event return	Announcement return	Long-term post-event return
Initial public offerings (IPOs) (Ibbotson, 1975; Loughran and Ritter, 1995)	Not available	+	-
Seasoned equity offerings (Loughran and Ritter, 1995)	+	-	-
Mergers (acquiring firm) (Asquith, 1983; Agrawal et al., 1992)	+	0	-
Dividend initiations (Michaely et al., 1995)	+	+	+
Dividend omissions (Michaely et al., 1995)	-	-	-
Earnings announcements (Ball and Brown, 1968; Bernard and Thomas, 1990)	Not available	+	+
New exchange listings (Dharan and Ikenberry, 1995)	+	+	-
Share repurchases (open market) (Ikenberry et al., 1995; Mitchell and Stafford, 1997)	0	+	+
Share repurchases (tenders) (Lakonishok and Vermaelen, 1990; Mitchell and Stafford, 1997)	0	+	+
Proxy fights (Ikenberry and Lakonishok, 1993)	-	+	- (or 0)
Stock splits (Dharan and Ikenberry, 1995; Ikenberry et al., 1996)	+	+	+
Spinoffs (Miles and Rosenfeld, 1983; Cusatis et al., 1993)	+	+	+ (or 0)

Fig. 6: Table 1 presented from Fama, Eugene F. (1998). "Market Efficiency, Long-Term Returns, and Behavioral Finance." Journal of Financial Economics, 49, page 290.

However, there are two concerns when using abnormal returns data as a proxy for performance. First, we observe the change in pattern from positive pre-event returns to negative long-term post-event returns, discussed above. Second, we observe that the negative post-event returns are preceded by event-returns that are, for all statistical

analyses, effectively zero in aggregate. But there are significant methodological challenges in connecting the causes of reliable, short-return window results of event returns with those of longer-horizon abnormal returns, which inherently include confounding effects.

Fama and French 1992 (and subsequent refined models by the authors over the years) attempt to control for this problem by injecting certain controls into CAR calculations; some estimates match firm stocks with non-announcing firm stocks similar in size and book-to-market equity measures, in an effort to capture cross-firm variation patterns. However, given the myriad firm- and industry-level factors available to confound event returns, these metrics are works-in-progress at best. The three-factor pricing model, for example, is noted to fall short of explaining average returns on some industries of small stocks, since equal-weight portfolio returns weight these categories more (Fama 1998). There is also disagreement as to whether sophisticated vs. unsophisticated investor attributes change depending on the size of the firm under discussion, although behavioral finance has not yet provided empirical tests of this assertion. I note these challenges only to illustrate the complexity of measurement even in such an established space as firm performance metrics..

M&A announcements provide a) a unique, forward-looking context for studying the selection of rhetorical strategy by firms, and b) variable performance-related consequences that are unique among strategic announcements. Together, we find the M&A sample ideal for studying the antecedents and consequences of rhetorical strategy in this work.

CURRENT M&A LANDSCAPE: RESEARCH RELEVANCE

Mergers and acquisitions, as characterized by the purchase of managerial control over another organization, remain a leading strategy of modern management. Globally, acquisitions totaled more than \$3.9 trillion in 2018 (*statista.com*), up in both number and value for the past three years. The strategy is pervasive across all industries, from utilities and energy, to pharmaceutical and biotechnology, consumer products, financial services, manufacturing, telecommunications, and technology, as well as a range of smaller industries. It also exists as a niche business within itself, with dedicated professionals specializing in the legal, financial, and strategic tactics of acquisition success.

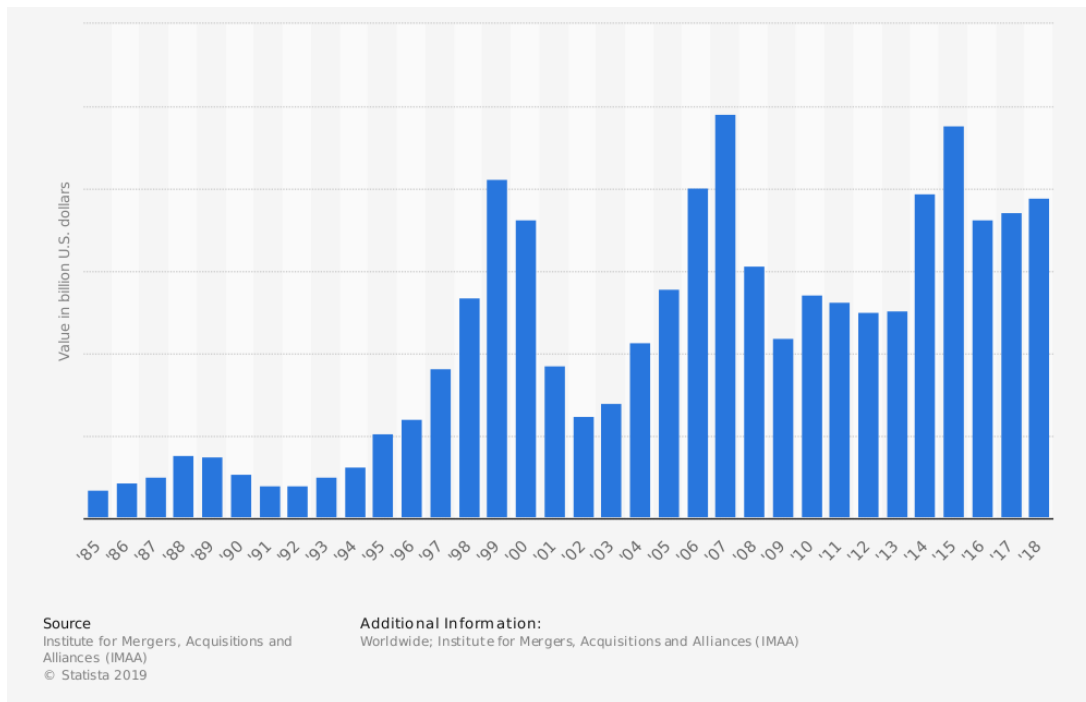


Fig. 7 – Value of Mergers & Acquisitions (M&A) Worldwide, 1985-2018 (in US\$ Billion)

With such wide-ranging relevance, acquisitions is a leading research interest in the disciplines of finance and accounting, economics, sociology, social psychology, law, and political science, in addition to strategic management. Since Manne's (1965) recognition of the legal implications of "the corporate-control market," scholars have worked to understand the phenomenon from various perspectives, work that has been enabled by the presence of reliable financial data from more than a century of acquisition transactions. Several papers over the past 30 years have attempted to summarize this body of work generally (Cartwright 2006, Cartwright & Schoenberg 2006) and with respect to specific aspects of M&A, such as performance measures (Agrawal & Jaffe 2000) and organizational learning (Barkema & Schijven 2008a). Halebian et al's "Taking Stock of What We Know About Mergers and Acquisitions: A Review and Research Agenda," published in the *Journal of Management* in 2009, provides perhaps the most systematic review of these works across multiple disciplines, including major themes, methodological pitfalls, and areas of future research. I provide a summary of this body of work in this chapter to better characterize this unique research context.

MERGERS & ACQUISITIONS RESEARCH THROUGH THE YEARS

Synthesizing this myriad works into a comprehensive theory of mergers and acquisitions proves challenging for several reasons. First, researchers approach the topic of acquisitions from different perspectives; that is, they characterize acquisitions as a strategic tool in some studies and a consequence in others. Second, authors describe differing motivations for their research problems; some explore the mechanisms and

moderators in play, others review prior goals or end results. The definitions of the dependent variables (DV) - although always performance-based - range considerably as well. Third, although replication studies are scarce in this area, similar methodologies have been applied to different domains, from geographic area to industry, scale, market, trend, resource relatedness, and so on. The result is an extremely broad understanding of acquisitions as a phenomenon that, although empirically and statistically robust, is only anecdotally useful to business laypersons and scholars seeking to understand acquisition behavior. Expanding upon Haleblian et al 2009 and Cartwright 2006, I use these challenges to frame my interpretation of the M&A literature and offer a few insights into where the stream of research can be expanded, including this present study.

The remainder of this chapter progresses as follows. First, I explore the foundational underpinnings of acquisitions in law, economics, and finance. Second, I define and dissect the perspectives, domains, major topics, and methodologies that comprise the thematic elements of existing literature. I conclude with an overview of recent research that has emerged since 2009 and present a few areas of potential future exploration.

Although the field is unified by a focus on organizational performance as the typical DV (March and Sutton 1997), strategic management is inherently interdisciplinary (Rumelt, Schendel, and Teece 1991; Nag, Hambrick, and Chen 2007; Hitt, Boyd, Li 2004; Hambrick and Chen 2008). Therefore, I provide a brief overview of

some of the foundational works from law, finance, and economics before engaging specifically with the strategic management literature.

Along with equity offerings and leveraged buyouts, mergers and acquisitions exist as one of three main transactional strategies in the market for corporate control, first formalized in the legal policy literature by Henry G. Manne (1965). In his exploration, Manne characterizes acquisitions as not merely one-off instances of business opportunism, but as part of a larger system wherein corporations are entities making decisions to compete within an efficient market (112). This sentiment is echoed in the finance literature starting in 1983 with Jensen and Ruback's seminal work "The Market for Corporate Control: The Scientific Evidence," where the authors synthesize the valuation effects of corporate takeovers evaluated in 18 studies published between 1977-1983. Acquisitions are also noted examples of agency decisions, investigated in foundational studies in economics and finance (Barney 1986; Peteraf 1993).

These works connected sub-themes within economics and finance developed before them, such as the resource-based view (Wernerfelt 1984), competitive and market dynamics (Demsetz 1959; Alchian and Demsetz 1972), firm structure and agency theory (Jensen and Meckling 1976), valuation methods and shareholder wealth creation (see Brown and Warner 1985), and market power (Dierickx and Cool 1989), and applied them to the decisive action of corporate control, noting the significant financial implications of this action strategically. Indeed, peripheral explorations of both Manne and Jensen and Ruback call acquisitions "change in control transactions" (Sanders and Zdanowicz 1992;

Williamson 1987), emphasizing the benefit and cost of resource control in an active market.

Among the complexities in M&A as a body of research, scholars distinguish three types of research questions: a) why do firms acquire?; b) what are the factors that influence acquisition performance?; and c) what are some other outcomes faced by the acquiring or acquired firms? (Haleblian et al, 2009). It should be noted, however, that these research questions are somewhat circular; for example, outcomes could represent acquisition goals and factors that influence performance may also be endogenous to other outcomes.

By its very nature in the modern world, acquisitions are simply large-scale business decisions enacted by human managers and evaluated by an aggregated, anonymous market. Inherently, they are reflective of individual acquirers' decisions (March and Simon 1958; Cyert and March 1963). In this view, it is understandable that almost every social science discipline has a stream of literature in acquisitions, from sociological investigations on cultural integration (Hirsch 1986; Thornton 1999; Meyer and Lieb-Doczy 2000) to strategy work on organizational learning (Leavitt and March 1988; Simon 1991); accounting's focus on procedural integration and taxation effects (Brown and Ryngaert 1991; Erickson 1998; Robinson and Shane 1990); political economy work on antitrust (Block, Nold, and Sidak 1981; Finger, Hall, and Nelson 1982; DiLorenzo 1985; McGinnis 2003); and the range of economic and financial investigations on value creation, market power, agency, resources, efficiency, and signaling in the context of M&A. These works exist somewhat independent of

practitioner-based research on the magnitude of the market for corporate control and practical, legal implications of acquisition in a variety of contexts, including valuation of intellectual property, regulation, and non-competition contracting. This literature sheds light on the three main questions above. In this context, I now explore how the strategic management literature has drawn on finance, accounting, economics, and sociology in its own look at acquisition behavior.

Key Topics & Underpinnings

Haleblian et al (2009) frame their exploration of literature along three main themes: antecedents (value creation and destruction, environmental characteristics, and firm characteristics); moderators (characteristics of the deal, managers, firm, and environment); and outcomes, whether performance- or governance-based. Cartwright and Schoenberg (2006) classify studies more generally, focusing on issues of strategic fit, organizational fit, and process considerations. I characterize the literature to date similarly by categorizing the foundational research questions. First: why do firms acquire? This is the larger focus on antecedents, and the one that is perhaps the most methodologically challenging. Second, what do firms do in acquisition? Herein, studies attempt to define the space and parameters of types of acquisitions. Third: how do firms acquire? Here, researchers identify and evaluate tactics and strategies firms use in M&A.

When we examine a reasonable sample of the literature in acquisitions, we observe a distinction that goes beyond the selection of topic or sample: the perspective of the researcher(s) toward acquisition in the study. Perspective, in this case, means the

researcher's focus on the mechanism of action in a specific empirical analysis: that is, a study can characterize an acquisition as a tool, a strategy, a consequence, or a trend. Let us explain each item in turn.

First, one of the most common perspectives in the empirical works reviewed is that of acquisition as a tool, where M&A is pursued as a means to a specific end, including: restructuring (Clark and Ofek 1994; Capron, Dussauge, and Mitchell 1998; Karim and Mitchell 2000); the expansion of research and development capabilities (Wang and Zajac 2007; Chatterjee 1992); an increase in market share (Servaes 1991; Lang, Stulz, and Walkling 1991); competitive concerns (Beneish, Jansen, Lewis, and Stuart 2008); or entrance into new markets (Harzing 2002; Barkema and Vermeulen 1998). In these cases, the authors evaluate the efficacy of acquisition as a means toward achieving a specific goal or a combination of goals. If the study is concerned with more general goals, such as value or wealth creation (Capron and Pistre 2002; Leeth and Borg 2000; Schipper and Thompson 1983; Eckbo 1983; Kim and Singal 1993) or with long-term goals such as returns over time (Klein 2001; Loughran and Vjih 1997). The second perspective is acquisition as a strategy, where immediate market returns are not the end "goal" of all acquisitions, but are indicative of a larger strategy. Therefore, the main differentiator between acquisition as a tool and acquisition as a strategy is the specificity of the goal or action under study.

Acquisition as a consequence is a third perspective prevalent in the literature. Here, researchers examine parameters that increase or decrease the *likelihood* of acquisition. Literature in this area includes factors that increase takeover vulnerability

(Westphal, Seidel, and Stewart 2001; Ambrose and Megginson 1992; Field and Karpoff 2002), overall attractiveness to buyers (Rossi & Volpin 2004), the market for corporate control (Hitt, Hoskisson, Johnson, and Moesel 1996; Matsusaka 1996), organizational learning (Hayward 2002; Haunschild 1993; Haunschild and Beckman 1998), and market signals (Bates and Lemmon 2003). Although these studies still focus on acquisition performance metrics as the DV, they characterize acquisitions as a consequence of failures or successes of other business strategies.

Fourth, research that approaches acquisition as a trend typically examines the effects on acquisitions by other strategic factors, such as first-mover advantage (McNamara, Haleblian, and Dykes 2008; Carow, Heron, and Saxton 2004), payment method (Heron and Lie 2002; Hayward 2003; Huang and Walkling 1987), trust (Stahl and Sitkin 2010; Vanneste, Puranam, and Kretschmer 2014; Connelly, Miller, and Devers 2012) acquisition experience (Finkelstein and Haleblian 2002; Haleblian and Finkelstein 1999; Haleblian, Kim, and Rajagopalan 2006; Zollo and Singh 2004; Zollo and Winter 2002), managerial composition and cultural match (Harford et al 2007; Krishnan, Miller, and Judge 1997; Chatterjee, Lubatkin, Schweiger, and Weber 1992), antitrust policy (Malatesta and Thompson 1993; Prager 1992; Stillman 1983), and negotiations and entrepreneurship (Graebner 2009). Again, these studies may use acquisition performance as a DV, but the implications of their findings (the independent variables) are directed at another observed trend or phenomenon (ex, early-mover advantages, mitigating knowledge loss, utilizing the best payment method in acquisitions, improving trust in acquisitions, mitigating social bias, improving integration procedures, etc...).

The domain of focus in acquisition research refers directly to the parameters placed on the research design, and therefore to the limitations on its external validity or generalizability. This is an important distinction given the recognition by many scholars that the acquisitions literature, while broad, has not transferred to practice (Cartwright 2006). One reason suggested by the literature is that the solutions provided by scholars lack prescriptive capability (Haleblian et al 2009). Examining the domain of focus of current research may provide some insights as to what is limiting the generalizability of more than five decades of findings.

Within a theme, researchers restrict their empirical design, limiting their analyses to one or more of the following domains:

- geography (regional, national, international, or the domestic-international acquisition dyad);
- industry or a subset of industries that shares particular characteristics (ex, banking, technology, biopharmaceutical, etc...);
- the scale of the transaction, whether a dollar value or relative size;
- a particular trend or temporal constraint, such as merger waves;
- a particular strategy, such as acquisitions with a certain cash/stock composition; and
- a specific market (public, private, or acquisitions across markets as in cases of socialization and privatization).

Looking at the perspectives and domains of current M&A research, we observe a few potential contributions of this work. First, it expands the understanding of M&A tactics, specifically impression management strategies employed by firm managers and the efficacy of this rhetoric on investor perception. This allows for a deeper dive into the perspective of acquisition as a strategy, not just in a macro-sense, but also in a detailed examination of specific rhetorical manipulations in press releases. Second, this dissertation expands the domain of focus to include a specific communication medium that transcends industry, geography, scale, trend, and market, broadening the list of domains in which M&A scholars limit their analyses. Finally, insights from this study may help bridge the M&A and IM areas and open doors to future studies in this context.

Dominant Methodology in M&A

Although the DV varies by discipline, the finance and strategy literature anchor studies of M&A to two measures: performance and governance (Haleblian et al 2009). Acquisition performance is the dominant dependent variable in this stream of research, and it is typically assessed using an abnormal returns framework (Ray, Barney, and Muhanna 2004). First measured by Fama et al 1969 and applied in Puffer and Weintrop 1991, the model defines abnormal returns as the prediction error of market returns in a window surrounding an announcement event; the summation becomes the cumulative abnormal returns (CAR) for an event. Select studies have also measured the acquisition premium as a consequence of factors contributing to the acquisition event, although this is context specific. Governance outcomes have streamed in from the sociology literature

and include top-management-team turnover, CEO departure, knowledge inflows and outflows, and employee turnover. Although once removed from performance, there is a strong theoretical precedent set between these events and overall performance. Some scholars also characterize performance as a matter of service or product quality and examine how acquisition affects core business activities (reductions in service, etc). Again, this is more distant from traditional definitions of “performance,” but the causality has been shown in previous studies. It also aligns well with studies at the intersection of strategy and reputation, such as this work.

Acquisitions research also tends to limit itself based on data availability (Haleblian et al 2009) - and for good reason. Event-based analysis is requisite in helping assess potential causes and consequences of a particular strategic decision, such as M&A (Larsson 1993; McWilliams and Siegel 1997). Causality is limited, however, by time; the more distant the observations from the original event, the noisier the causal link (Boyd, Gove, and Hitt 2005). Therefore, the insights provided on M&A need to be qualified: because of event analysis, much of the prior work on acquisitions has given us insight on *short-term* performance implications (King, Dalton, Daily, and Covin 2004). Researchers have expanded the understanding of the acquisition phenomenon, but very few prescriptive or predictive models have emerged that are applicable to various sectors and industries. I posit that previous definitions of acquisition success, dependent on CAR, may not adequately reflect a) the issues managers consider in making M&A decisions, nor b) the firm’s long-term goals in acquisitions. Indeed, Haleblian et al 2009 point out that the event study methodology in essence measures the *perception* of value by the

market, not necessarily the actual value created or destroyed in implementation (493). While I discussed some drawbacks to this metric earlier, we also employ CAR as our DV, consistent with the literature. I argue that it remains a relevant metric, since my study deals with the perception of value by investors.

Research on acquisitions typically takes advantage of reliable archival data, which have rendered the majority focused on domestic, US, publicly traded firms. Taking advantage of newly available global data, including real-time returns from international markets, the first stream of studies have examined the influence and antecedents of cross-border acquisitions, where firms from one nation acquire a firm in another. Topics in this genre include: market reactions to foreign acquisition (Locke, Duppatti, and Lawrence 2011; Chari, Ouitmet, and Tesar 2009; Chari, Oumet, and Tesar, 2004; Gaur, Malhotra, and Zhu 2013); resource determinants (Patel, Fernhaber, McDougall-Covin, and Van Der Have 2014; Yu, Gilbert, and Oviatt 2011); productivity outcomes (Bertrand and Capron 2015); cultural integration (Bauer and Matzler 2014); and the global market for corporate control (Moatti, Ren, Anand, and Dussauge 2015; Muehlfeld, Sahib, van Witteloostuijn 2012; Mulotte, Dussauge, and Mitchell 2013). Studies also look at variations of relatedness between and performance of acquisitions in economies with different regulatory controls or other constraints. Topics include ownership and private equity (Castellaneta et al 2015), board characteristics (Reuer, Klijn, and Lioukas 2014), emerging vs. developed market reactions (Burns and Liebenberg, 2009; Uhlenbruck and de Castro 2000), and domestic trade policy (Mishra and Chandra 2010; Choi, Lee, and Williams 2011; Xia, Ma, Lu, and Yiu 2014). Taken together, this body of literature

broadens the interpretations of acquisition success and the understanding of acquisition dynamics considerably, which is especially helpful in light of the continuing globalization of business. It also helps us understand the context of this study, with its focus on behaviors within acquisition strategy.

The second stream of research focuses on trends in the macro-economy, such as merger waves (Haleblian, McNamara, Kolev, and Dykes 2012; Ahern and Harford 2014), innovation shocks (Argyres, Bigelow, and Nickerson 2015), and the general macroeconomic environment (Choi and Jeon 2011; Schilke 2014; Offenberg and Pirinsky 2015). These works are complimented by new research on the market for corporate control, which is expanding to allow for a discussion of divestiture (Damaraju, Barney, and Makhija 2015; Feldman 2013; Xia and Li 2013).

A third area of focus is relatedness and resource transfers, especially as firms continue to acquire outside their perceived “core business.” Indeed, the definition of a “resource” has expanded considerably since Wernerfelt introduced the resource-based view in 1984, and it is this RBV subdiscipline on which I base much of the discussion in **Chapter 4**. Scholars are now noting the diversity of resources acquired in certain sectors, such as technology (Makri, Hitt, and Lane 2010; Sears 2012) and banking (Sleptsov, Anand, and Vasudev 2013), which hints at a larger framework of resource analysis. This is echoed in literature on resource attractiveness (Yu, Umashankar, and Rao 2016), market entry (Speckbacher, Neumann, and Hoffmann 2014; Asmussen 2015), and efficiency and performance (Shaw, Park, and Kim 2013; Lungeanu, Stern, and Zajac 2016). With strong empirics, I draw on this literature to develop controls in my study.

A fourth category of study is entrepreneurship and IPO's, which apply an acquisition performance evaluation to this major business trend. This work spans macro considerations, from an analysis of competitive resources (Arora and Nandkumar 2012; Hsu and Ziedonis 2013) to public market valuation (Arikan and Capron 2010; Dushnitsky and Shapira 2010; Ragozzino and Reuer 2011; Reuer, Tong, and Wu 2012). Entrepreneurship and IPOs remain some of the few areas in M&A research where data on private firms are used. As researchers continue to explore the continuum of the business lifecycle, including IPO's as an antecedent to acquisition, I expect this area to expand.

Finally, we have seen growth in the area of organizational behavior and more micro-processes within organizations. This is owed in part to many calls to researchers to examine the human factors that may govern acquisition decision-making and motivate integration success (Cartwright 2006; Haleblian et al 2009; Schijven and Hitt 2012; Helfat and Peteraf 2015). Drawing heavily from organizational behavior and cognition, these works focus on employee effects (Younge, Tong, and Fleming 2015); organizational learning (Nadolska and Barkema 2014), leadership (Miller, Breton-Miller, and Lester 2010; Cho, Arthurs, Townsend, Miller, and Barden 2016; Chen, Crossland, and Huang 2016; Chen, Crossland, and Luo 2015); and communication (Agarwal, Anand, Bercovitz, and Croson 2012). One interesting development is the call for an intertemporal look at management of the acquisition process; that is a review of the opportunity costs of acquisition in terms of time, in addition to financial cost (Shi, Sun, and Prescott 2011). This emerging area will continue to grow, as it is best positioned to

get at the heart of why and how managers acquire. This study also examines managerial behavior in the context of M&A.

Emerging Trends: Where Are We Headed?

In addition to the above-mentioned studies, we observe a few more paradigmatic shifts in acquisitions literature, particularly in methodology and disciplinary focus. First, numerous calls have been made over the decades for a revisit of the CAR approach to measuring acquisition performance. In his 1993 work “Case Survey Methodology: Quantitative Analysis of Patterns Across Case Studies,” Rikard Larsson characterizes the research problem in strategic management as one of a ‘nomothetic-idiographic gap’, wherein some favor large samples and few observations, and others prefer deep observations among a handful of cases (1993: 1516). Until recently, few studies were willing to approach acquisitions from anything other than an aggregated, archival perspective. These approaches have capitalized on the availability of real-time data as well as large data sets from the past three decades, and they will continue to yield insights as data becomes more available globally.

However, as I have discussed, this anchor to immediate market returns and archival sources is waning, as we begin to see new methodological approaches and a redefinition of the DV toward other measures of performance. More research is embracing case analysis, or at least the integration of qualitative surveys to gauge managerial response, a direction I elaborate on in **Chapter 9**. In a study of M&A antecedents, Bauer and Matzler (2014) measure M&A performance from a ‘managerial

perspective,' surveying respondents using the Becker 2005 assessment criteria (see: Huselid, Becker, & Beatty 2005). If we include work on divestitures, we see that researchers are advancing the use of longitudinal analysis. For example, in 2014, Nadolska and Barkema measured success as whether the acquisition was retained vs divested, echoing earlier studies (Vermeulen and Barkema 2001; Bergh 2001). The evolution of methodologies in acquisitions research is a function of data availability and the continued need to answer why firms acquire, and I anticipate that methods will continue to expand. I faced this challenge in this study, which necessitated the development of novel data detailed in **Chapter 6**. I also suggest that a complementary qualitative approach may assist in understanding some of the more nuanced tenets of performance, such as audience response, in **Chapter 9**.

Second, many calls have been made for a more interdisciplinary approach to theory development, especially recognition of managers as human actors (Cartwright 2006). Strategic management pulls from economic and finance theory, with some reference to sociology as well. Now, we see additional integration with work in social psychology, particularly from a micro perspective. This is explicated in Helfat and Peteraf's recent article on the micro-foundations of dynamic capabilities, where they highlight the 'managerial cognitive capability' factors that facilitate strategic change, such as acquisition decision making (2015). This is also highlighted in Rao-Nicholson et al's work on employee psychology safety (EPS) in cross-border acquisitions (2015). Schijven and Hitt (2012) take a similar approach in applying a behavioral approach to investor reactions, wherein they relax the assumption that investors are perfectly rational

actors. This is a strong motivation of my study, which draws from the behavioral economics and psychology underpinnings of the discipline. I also use this as the basis for much of the discussion on limitations in **Chapter 9**, although the challenges are certainly surmountable given the rise in machine learning and adaptive AI in research today.

The M&A context is as varied on theme as it is on empirics. It provides this research project with a suitable “nest” in which to examine a cost-based theory of impression management while also facilitating potential future studies in many subdisciplines.

CHAPTER 6: NOVEL DATA

A discussion of my data analysis methodology as it relates to the specific hypotheses tested in Study 1 and Study 2 is presented in **Chapters 7 and 8**. In this chapter, I address the relative insufficiency of existing data sources, which necessitated the creation of the novel data set for this dissertation. I then detail the individual data sources consulted, review the specific data combination and cleanup procedures used, and present the final data handbook for those wishing to explore the data set further. Descriptive statistics on key variables are presented separately in Appendices A and B.

INSUFFICIENCY OF EXISTING DATA SETS – A RESEARCH PROBLEM

This dissertation focuses on the antecedents to strategic choice and the outcome(s) of these choices at the firm level. The primary analysis is the effect of costless firm reputational capital on firm rhetorical strategy. The secondary analysis is the effect(s) of this same rhetorical strategy on market response. Consistent with M&A works in this area, I assume each acquisition event is independent of others, even by the same firm. This is helped by the breadth of time (18 years) over which I examine acquisition behaviors. Second, using data at the level of the acquisition, I am able to control for deal, firm, industry, and market characteristics that are theoretically impactful and have been shown, empirically, to greatly affect regression outcomes. These controls allow for examination of acquisitions between reputational groups and levels of control for relatedness between firms in each acquisition dyad. The particular event under study is

the official firm announcement of a merger or acquisition. To increase availability of pertinent firm-level data, I restrict the analysis to announcements by firms publicly traded in the US market (NASDAQ, NYSE). Further, because the assimilation of Internet-based trading significantly impacted trading patterns and the availability of firm data in the mid 1990's, I restrict the sample to firm deals enacted after 1997, consistent with other works in M&A and Impression Management.

For analysis of my hypotheses, I required the following data *for the same M&A event*:

1. Quantitative – Reputations & Rankings (Firm Level)
2. Quantitative – Performance (Firm Level)
3. Quantitative – Controls (Firm, Industry, and Macroeconomic)
4. Qualitative – Rhetorical Strategy Indicators (Firm Level)
5. Qualitative – Reputation & Visibility (Firm level)

Two problems arise from this list of needs. First, regarding the quantitative, firm-level data on reputations/returns and performance: while multiple sources, including Thomson SDC's Mergers & Acquisitions Database, Wharton's Research Data Services Event Study Interface, and COMPUSTAT's Domestic Firm Information portal, provided pieces needed for the two analyses, no single database unified these factors. Second, quantitative controls, such as industry and macroeconomic trends, are in separate sources and are un-lagged for the purposes. Third, regarding the key qualitative data: no compendium or library of official, firm-originated M&A press releases with extractable (and therefore analyzable) text existed. As this is key to the linguistic analysis, hand-

gathering these releases became critical to the project. Thus, I embarked on developing a novel data set to unite firm and industry data and compile qualitative narratives for event analysis.

DATA SOURCES

SDC Platinum by Thomson Financial Securities Data – Mergers & Acquisitions Database (“Thomson SDC”). Data includes acquiring firm market performance, target firm market performance (where available), target and acquiring firm relatedness (by SIC code), basic firm financials, including the percentage of institutional ownership of the acquiring firm at the time of the acquisition announcement and M&A deal data (ex, percent ownership, relevant announcement, filing, and closure dates, purchase price, premium, and performance) for acquisitions, mergers, and divestitures since 1970. Data does not include joint ventures (JV’s), re-incorporations, and bankruptcy dissolutions. Sourced from official corporate filings and market wires. Covers public and private transactions valued over \$1 million from 1970 to 1992, and transactions of all values from 1992 to present. Database identifies companies by the 3- or 4-numeral ticker code.

COMPUSTAT. Includes historical accounting and some financial performance data for public firms, identified by the same ticker code and specific GVKEY identifiers consistent with other databases. Also includes macroeconomic indicators (ex, Dow Industrials performance) by intervals for analysis at the level of the acquisition deal. However, specific to M&A events, data from firms that are acquired (ie, target firms) are

deleted, yet remain searchable. This presents considerable challenges in examining the strategic choice and performance of firms over time.

CRSP. Includes securities on the domestic market identified by a permanent ID (PERMNO) and CUSIP. M&A activity is denoted by a delisting event, for which the database includes the delisted (target) firm and a forwarding (acquiring) firm. PERMNO values change based on the survivability of the firm, making longitudinal tracking difficult. Useful for historical market information data only when it is clear which firm is the source of performance numbers.

Lexis-Nexis and Factiva Search. Includes press releases, news coverage, and financial statements for M&A deals. Searchable by keyword terms, ticker, date, and topic. Bulk searches *not* available, necessitating a deal-by-deal hand search. Provides exact text of official firm releases, as well as reach, date, and dissemination information.

Event Study by Wharton Research Data Services (WRDS). Analyzes market reaction to events, such as M&A, using returns and volume. Provides a range of search parameters, including Fama-French procedures for calculating abnormal returns on multi-day windows. Record identification by ticker, CUSIP, and GVKEY.

Ranking Data. Information on the relative and absolute reputations measures (by firm) were provided from a new compiled data set. The set includes Fortune's Most Admired (FMA™) from 1997 to 2018 and Harris Pool RQ (formerly WSJ Reputation Survey information) from 1999 to 2018. This data was gathered by hand by consulting public sources, including Fortune and Wall Street Journal archives through the University

of California, Riverside library system. Dr. Jason Kiley at Oklahoma State University generously shared supplemental data to infill on select records.

COMBINATION & CLEANUP PROCEDURES

This data set was created in three stages: identification of deals, collection of relevant deal data, and combination into the master set. I began with a search of Thomson SDC Mergers & Acquisitions with the following parameters:

1. M&A deals which closed successfully (completed).
2. Completed from 1/1/1997 to 12/31/2018.
3. Domestic, publicly traded acquiring firm.

This first search yielded some 10,030 results. Because the area of interest concerns firm with a degree of visibility and established patterns of communication, I further restricted the selection to:

4. Deals of value over \$10 million.

This secondary search culled the original deal list to 6,300 events.

Next, I excluded deals that a) did not result in majority ownership by one party and/or b) constituted a bank seizure of majority assets, as these do not meet the definitional requirements of mergers and acquisitions in the literature. The resulting, preliminary sample was 5,520 deals.

Using ticker symbols and acquisition dates from the Thomson SDC sample, I generated cumulative abnormal returns (CAR) using the WRDS Event Study interface.

The data were merged using both ticker and event date as unifying identifiers, allowing for +/- 1 day due to market closures (holidays). Cumulative Abnormal Returns, Buy-Hold Abnormal Returns, and Cumulative Total Returns on a 5-, 3-, and 1-day event-window, as well as -3 to +1, were available for 4,882 deals in the culled sample.

Next, using randomized search, I hand-gathered press releases through Lexis-Nexis and Factiva for these deals. Search parameters were as follows:

1. Source: PR Newswire or BusinessWire (all sources).
2. Date = event date +/- 1 day.
3. Search Term Location: Headline and first paragraph.
4. Search Terms: [name of acquiring firm¹] and [name of target firm]

Releases were downloaded in Rich Text Format (.rtf) format and named with the following convention.

[acquirer ticker]_mmdyyy.rtf

Working in batches over two years, I collected 3,560 releases for analysis.

Using a proprietary algorithm, the text from each release was extracted into separate cells (headline, body text, date, etc.). These data were merged with the deal and event data using ticker and event date information. Finally, I utilized Linguistic Inquiry and Word Count (LIWC) analysis to extract quantitative values for rhetorical analysis and merged with the master data using filename as a match point.

¹ Firm name-based searches can be problematic, as some firms have both a brand/public/preferred name and an official name (ex: Johnson & Johnson vs. J&J) or multiple active firms with similar

In a separate initiative, I hand-gathered two measures of firm reputation: Fortune Most Admired Rankings 1997-2018 and Fortune 500 Listings 1997-2018. As a measure of visibility, I also gathered Harris Poll Rankings for 1999-2018. Results were merged with the master data using firm name and ticker symbols. Thus, the final data sample includes firm, deal, market, press release information, and reputation for 3,560 deals.

Updates Since June 2019

After completion of the oral defense in June 2019, I made several updates to the data at the request of the committee to enable additional analysis. These included:

- Additional data on:
 - Coverage & Visibility
 - Total Assets of the Acquiring Firm
 - Relatedness between Acquiring and Target firms (by SIC)
- Creation of dummy variables for:
 - Announcement made (yes/no)
 - High Reputation categorical

The resulting data set remains the same at 3,560 deals.

FINAL DATA VARIABLE LIST

“M&A Data: Rhetoric & Reputation”

Amanda A. Ishak

UPDATE: December 2019

TABLE 1. Sources of Key Variables

MEASURE	OPERATIONALIZATION	SOURCE	PERIOD
age_from_founding	Year Founded - Year of Acquisition Announcement	Derived from Thomson SDC	1870-2018
age_from_ipo	Year of IPO - Year of Acquisition Announcement	Derived from Thomson SDC	1870-2018
bhar1	Event Calculation: Buy-Hold Abnormal Return 1-to-1	WRDS	1997-2018
bhar3	Event Calculation: Buy-Hold Abnormal Return 3-to-3	WRDS	1997-2018
bhar3to1	Event Calculation: Buy-Hold Abnormal Return 3-to-1	WRDS	1997-2018
bhar5	Event Calculation: Buy-Hold Abnormal Return 5-to-5	WRDS	1997-2018
bod_Analytic	Count, # of Analytic Words in Body Text	LIWC Dictionary	1997-2018
bod_Authentic	Count, # of Authentic Words in Body Text	LIWC Dictionary	1997-2018
bod_Clout	Count, # of Clout Words in Body Text	LIWC Dictionary	1997-2018
bod_Sixltr	Count, # of Words with 6+ letters in Body Text	LIWC Dictionary	1997-2018
bod_Tone	Index, 0-100 scale indicating positivity/negativity of body text	LIWC Dictionary	1997-2018
bod_WC	Word Count of Body Text	LIWC Dictionary	1997-2018

bod_WPS	Average Words per Sentence of Body Text	LIWC Dictionary	1997-2018
bod_Cause	Rating, 0-5, Causality Language in Body Text	LIWC Dictionary	1997-2018
bod_Certain	Rating, 0-5, Certainty (authoritative) Language in Body Text	LIWC Dictionary	1997-2018
bod_focusfuture	Rating, 0-5, Future-oriented (authoritative) Language in Body Text	LIWC Dictionary	1997-2018
bod_focuspast	Rating, 0-5, Past-oriented (authoritative) Language in Body Text	LIWC Dictionary	1997-2018
bod_focuspresent	Rating, 0-5, Present-oriented (authoritative) Language in Body Text	LIWC Dictionary	1997-2018
bod_insight	Rating, 0-5, Insightful (interpretive) Language in Body Text	LIWC Dictionary	1997-2018
bod_negemo	Rating, 0-5, Negative Emotion in Body Text	LIWC Dictionary	1997-2018
bod_posemo	Rating, 0-5, Positive Emotion in Body Text	LIWC Dictionary	1997-2018
car1	Cumulative Abnormal Return (CAR), 1-to-1	WRDS Database	1997-2018
car3	Cumulative Abnormal Return (CAR), 3-to-3	WRDS Database	1997-2018
car3to1	Cumulative Abnormal Return (CAR), 3-to-1	WRDS Database	1997-2018
car5	Cumulative Abnormal Return (CAR), 5-to-5	WRDS Database	1997-2018
cret	Cumulative Total Return	WRDS Database	1997-2018
deal_val_mil	Deal Value of the Acquisition, in \$ million	Thomson SDC	> \$10 million

djc	Dow Jones Composite Close for Day of the Announcement	Thomson SDC	1/1/1997 - 7/1/2018
djct	Dow Jones Composite Total Returns for Day of the Announcement	Thomson SDC	1/1/1997 - 7/1/2018
dji	Dow Jones Industrial Close for Day of the Announcement	Thomson SDC	1/1/1997 - 7/1/2018
djit	Dow Jones Industrial Total Return at Close for Day of the Announcement	Thomson SDC	1/1/1997 - 7/1/2018
est_year	Year Acquiring Firm Established	Thomson SDC and Internet Searches	
event_dt	Date of Acquisition Announcement	Thomson SDC, Factiva (for verification)	1/1/1997 - 7/1/2018
ffind_5 - ffind_48	Fama-French Industry Code, various denominations	Stata 14.2 Code Derivation	
fma_20	Dummy, Acquiring Firm on Fortune Most Admired Top 20 List for Year of Acquisition	Fortune Most Admired List	1997-2018
fma_rank	Rank of Acquiring Firm for Year of Acquisition	Fortune Most Admired List	1997-2018
fortune_rank_size	Rank of Acquiring Firm for Year of Acquisition	Fortune 500 List	1997-2018
fortune_top_10	Dummy, Acquiring Firm in Fortune Top 10 for Year of Acquisition	Fortune 500 List	1997-2018
harris_rank	Rank of Acquiring Firm for Year of Acquisition	Harris Poll	1999-2018
harris_dummy	Dummy, Acquiring Firm on Harris List for Year of Acquisition	Harris Poll	1999-2018
instblockown	Total Ownership of Acquiring Firm Stock by Institutional Blockholders	Thomson SDC	1997-2018

instown	Total Institutional Ownership of Acquiring Firm at the Date of the Acquisition Announcement	Thomson SDC	1997-2018
instown_10	Categorical, Percentage of Institutional Holders (decile)	Derivation, Thomson SDC	
instown_hhi	Ownership Concentration	Herfindahl-Hirschman, Thomson SDC	
instown_perc	Total Institutional Ownership, Percent of Shares Outstanding	Thomson SDC	
ipo_dt	IPO Date of Acquiring Firm, if applicable	Thomson SDC and Internet Searches	
maxinstown	Largest Institutional Ownership Size	Thomson SDC	
mean_car3	Mean CAR 3-to-3 by Year of Acquisition	Derived, WRDS	
mean_car3_ind30	Mean CAR 3-to-3 by Fama-French Industry Classification (30)	Derived, Thomson SDC	
mean_deal_val	Mean Deal Value for Year of Acquisition, in \$ mil	Derived, Thomson SDC	
model	CAR Model Name	Fama-French 3-Factor Model, WRDS	
naics	Acquiring Firm North American Industry Classification Code	Thomson SDC	
numinstbockowners	Number of Institutional Block Ownerships > 5%	Thomson SDC	
numinstowners	Number of 13-F Institutional Owners	Thomson SDC	
cash	% of Acquisition Deal in Cash	Thomson SDC	

stock	% of Acquisition Deal in Stock	Thomson SDC	
other	% of Acquisition Deal in Other Breakdown (undisclosed)	Thomson SDC	
prc	End of Quarter Share Pricing, Acquiring Firm	Thomson SDC	
pre-rec	Dummy, Acquisition Announcement Made Prior to 2008 Recession	Derived, Thomson SDC	
rdate	Acquisition Filing Date	Thomson SDC	
shares	Shares Acquired as Part of Acquisition Deal (%)	Thomson SDC	
status	Deal Status (completed only)	Thomson SDC	
t_total_assetsmil	Target Firm's Total Assets (\$ mil), if available	Thomson SDC	
top10instown	Largest 10 Institutional Ownership	Thomson SDC	
top5instown	Largest 5 Institutional Ownership	Thomson SDC	

My data exploration began with descriptive statistics and distributions on key variables for both studies. A discussion of these elements follows in the write-ups for Study 1 and Study 2 in **Chapter 7 and Chapter 8**, respectively. In Appendices A and B, I present the following tables and charts for reference:

APPENDIX A – DESCRIPTIVE STATISTICS

- Table 2: Study 1 – Key Variables & Controls
- Table 3: Study 1 – Key Dependent & Independent Variables by Reputation Measures
- Table 4: Study 1 – Key Dependent & Independent Variables by Industry (Fama-French Classification, 30)
- Table 5: Study 2 – Key Variables & Controls

- Table 6: Study 2 – Key Dependent & Independent Variables by Reputation Measures
- Table 7: Study 2 – Key Dependent & Independent Variables by Industry (Fama-French Classification, 30)

APPENDIX B – DISTRIBUTIONS & SUMMARIES

- Chart 1: Sample Distribution, Deals Per Year
- Chart 2: Trend, Mean Deal Value (\$ mil) Per Year
- Chart 3: Distribution – Reputation // Age of Acquiring Firms (years from founding)
- Chart 4: Distribution – Reputation // Age of Acquiring Firms (years from IPO)
- Chart 5: Distribution – Reputation // Fortune Most Admired Rank
- Chart 6: Distribution – Reputation // Fortune 500 (sized-based) Rank
- Chart 7: Distribution – Reputation // Harris Rank
- Chart 8: Distribution – Cumulative Abnormal Return (-3 to +3 window)
- Table 8: Summary Statistics, Cumulative Abnormal Return (3-to3)
- Chart 9: Mean Cumulative Abnormal Return (-3 to +3 window) by Industry (Fama-French 30)
- Table 9: Summary Statistics, Cumulative Abnormal Return (-3 to +3 window) by Industry (Fama-French 30)
- Chart 10: Distribution – Rhetoric // Complexity, Body Text Word Count
- Chart 11: Distribution – Rhetoric // Complexity, Body Text Words per Sentence
- Chart 12: Distribution – Rhetoric // Complexity, Body Text Words 6+ Letters
- Chart 13: Distribution – Rhetoric // Certainty, Body Text Causal Scale
- Chart 14: Distribution – Rhetoric // Certainty, Body Text Certainty Scale
- Chart 15: Distribution – Rhetoric // Promotion, Body Text Tone Index
- Chart 16: Distribution – Rhetoric // Promotion, Body Text Positive Emotive Scale
- Chart 17: Distribution – Rhetoric // Promotion, Body Text Negative Emotive Scale
- Chart 18: Main DV Residuals – Body Text Word Count
- Chart 19: Main DV Residuals – Body Text Concreteness
- Chart 20: Main DV Residuals – Body Text Positivity
- Chart 21: Main DV Residuals – Cumulative Abnormal Returns, 3-Day
- Chart 22: Distribution – Log-Transformed Body Text Word Count (cumulative)
- Chart 23: Distribution – Log-Transformed Body Text Word Count by Ranking (ranked vs. non)
- Chart 24: Distribution – Log-Transformed Body Text Word Count by Age Bracket
- Chart 25: Distribution – Log-Transformed Body Text Concreteness (cumulative)
- Chart 26: Distribution – Log-Transformed Body Text Concreteness by Ranking (ranked vs. non)

- Chart 27: Distribution – Log-Transformed Body Text Concreteness by Age Bracket
- Chart 28: Distribution – Log-Transformed Body Text Positivity (cumulative)
- Chart 29: Distribution – Log-Transformed Body Text Positivity by Ranking (ranked vs. non)
- Chart 30: Distribution – Log-Transformed Body Text Positivity by Age Bracket

CHAPTER 7

STUDY 1 – REPUTATIONAL CAPITAL & THE FEEDBACK EFFECT

Study 1 is the first test of the cost-based theory of Impression Management (IM). Let us recap a few of the assertions shown in previous chapters. First, IM shows that firms balance the informational and promotional approaches around strategic events in order to simultaneously inform and persuade investors. The feedback effect from the information economics basis of IM suggests that firms seek an informational equilibrium to preserve future competitive rents. That is, extant literature suggests that benefits to information, are short-term, while long-term costs, in the form of feedback effects, persist (Bushee et al 2009; Firth et al 2008; Ober et al 1999; Fetlock 2011, 2014; Hooghiemstra 2000; Merkl-Davies & Brennan 2007; Fama 1965, Samuelson 1965, Fama 1970). If the value of information is clear and unobstructed, then, according to current, benefits-based Impression Management theories, we should not see much variation in the level of information release. But we do. Current theories of IM do not explain observed variability in firm-produced informational content.

We suggest that a cost-based theory of IM may explain such variations in firm rhetorical strategy. More specifically, given rhetorical strategy as a tactic of IM, firms have a choice: disclose more information to potentially control short-term gains at the expense of long-term competitive rents, or disclose less information, preserving rents but forgoing the opportunity to close costly short-term information asymmetries. Specifically, if firms can leverage *other* information the market finds useful that does not sacrifice competitive rents, I posit they will. As I show in **Chapter 4**, firms with more

reputational capital – as a costless intangible resource – are less likely to divulge information that compromises its competitive position, instead relying on the information inherent in its established reputation to affect investor response. If reputational capital is a function of both firm-originated information, in the form of identity, and audience perception, as measured by reputational ranking, I suggest that more reputational capital will result in less informational rhetoric by firms. I test this feature of a cost-based theory in this first study and find extremely limited support that firms vary rhetorical characteristics based on reputation in the market.

In the following sections, I recap the tenets underscoring the cost-based theory of impression management that were expanded in previous chapters. This includes the theoretical bases for the measures of rhetorical strategy and reputational capital employed here. Next, I define the hypothesized effects of reputational capital as a costless form of information. Following an overview of the methodology (for a full description of data, please refer to **Chapter 6**), I reveal the final results on all hypotheses, discuss alternative explanations, and propose a few scholarly implications for these findings. As many of the hypotheses are not supported by the analysis, I also provide a more detailed discussion of the limitations of the study, including limits on data and methods and anticipated alternative explanations, in **Chapter 9**.

RECAP: A COST-BASED THEORY OF IMPRESSION MANAGEMENT

Recall that research in impression management draws on two distinct research taxonomies: information economics and behavioral finance. Both assume that firms seek to close investor information asymmetries to better market response, but they differ as to

the exact mechanism of anticipatory impression management (AIM)². On one hand, Information Economics (Fama 1965; Samuelson 1965; Fama 1970) assumes investors can see through promotional manipulations in the short term, so managers should release as much information as possible to close asymmetries, or “incremental information” (Hooghiemstra 2000; Merkl-Davies & Brennan 2007). Behavioral finance, on the other hand, assumes investors cannot see through promotion in the short-term, so firms should take a more promotional approach to exploit asymmetries, or “impression management” (Adelberg 1979; Rutherford 2003; Courtis 2004a). Incremental information and impression management, drawing on behavioral economics, are thus defined by the anticipated benefits of an informational or promotional approach. However, we observe both incremental information and impression management behavior in practice. Study 1 seeks to shed light on these seemingly divergent motivations.

Strategists agree that the value of information in open markets is to reduce asymmetries between firms and investors and allow for accurate evaluation of future firm value (Bushee et al 2010; Firth et al 2008; Ober et al 1999; Tetlock 2011 and 2014). To that end, firms are incentivized to disclose all pertinent information to investors around strategic action; for example, in acquisition announcements, firms should provide all available details on the acquisition deal in order to better inform investors and elicit more favorable market responses. However, firm communication is public. In disclosing this information to investors, firms also expose the strategic initiative behind the acquisition to their competitors. This feedback effect (Riley 1979; Bhattacharya & Ritter 1983)

² For a more detailed discussion of AIM, please refer to Chapter 3: Understanding Impression Management.

attenuates the economic rents gained by reducing information asymmetries with investors, since competitors are now aware of – and may exploit – the same competitive advantage in the long term. Therefore, firms must balance the level of concrete information in communications to maximize investor response while minimizing future competitive loss.

I suggest that this motivation, rent preservation, is at the heart of a cost-based theory of IM. It prompts firms to balance a potentially costly informational approach to disclosure with a more promotional, persuasive tone. Moreover, certain costless types of information – such as reputational capital – may allow firms to reduce the use of costly information or remove it altogether. This could explain why we observe two well-known firms in the same industry – Cisco and Apple – vary greatly in terms of rhetorical strategy in announcing an acquisition. This economic motivator is the focus of the first study. Using a sample of more than 3,540 unique acquisition events from January 1, 1997 to December 31, 2018, I test how the presence of reputational capital affects a firm's selection of rhetoric.

OBSERVATIONS FROM THE DATA

When we look at an extended sample ($n=3,540$) of domestic acquisition deals over the past 18 years, certain patterns begin to emerge. As shown in the Descriptive Statistics and Distributions in Appendices A and B, there is strong variability in both the rhetorical strategies of firms as well as some correlation with age and reputation measures. This suggests that – in the absence of controls – the reputational capital of a

firm may affect how it communicates with the market. Moreover, we observe a surprising level of variability in readability and positivity measures, which confirms in descriptive statistics that press releases control for many factors while still allowing a range of rhetorical strategies to emerge. This provides some empirical support for the theoretical argument that press releases are a unique context in impression management, which I showed in **Chapter 3** and **Chapter 5**. Specifically, press releases are standardized in format, yet they allow for some measurable rhetorical creativity on the part of the firm.

BENEFITS & COSTS OF INFORMATION

In **Chapter 4**, I showed that reputational capital should bring the benefit of closing information asymmetries without many of the long-term costs (feedback effects) to firms. Let us expand upon that discussion here. Drawing from the resource-based view (RBV) (Penrose 1959; Wernerfelt 1984; Rumelt 1991), the cost of information to firms and the value of information to investors are heterogeneous. Resources are acquired in strategic factor markets and include “tangible and intangible assets firms use to conceive of and implement their strategies” (Barney and Arkan 2001). The flow of information from firm to firm defines this market, and firms vary the amount of information released based on a range of contextual factors.

Economically, as an input, the value of information to a receiving firm is the result of lowered net costs or an abnormal increase in firm revenues. This means information can increase efficiencies – operational or strategic – and enhance the overall viability of day-to-day firm activities. As an economic output, however, there is an

inherent cost of information for those who share it. Researchers have shown that value is derived from information that allows for the development of new strategies in the marketplace; information that improves the strategic position of one firm reduces the strategic position of another. RBV makes an important distinction between competitive advantage and economic rents, which is especially relevant to the resource of information (please refer to **Chapter 3** for more information on this topic).

Studies on the flow of information among modern firms are increasingly relevant today, as information flow becomes faster and market response more immediate to strategic news. In a recent AMJ article, Guo, Sengul, and Yu (2019) point out "... a focal firm is likely to view a rival's negative earnings surprise as an opportunity to exploit its vulnerability." Although their study is in a different context than this analysis, the work illustrates that the long-term cost of closing information asymmetries is the ability of competing firms to capitalize on all available strategic information. This exploitation is something firms actively seek to minimize, in the form of rent preservation.

Rent preservation exists when firms try to reduce the amount of costly information they release to the market to preserve future competitive advantage and reduce the exploitative power of competing firms. Firms attempt to maximize short-term investor reaction while preventing competitors from chipping away at any future benefit of the strategic action. This is accomplished by carefully choosing the type and quantity of information provided to the market to strike a balance between short-term benefits and long-term costs, a measurable action of selecting a rhetorical strategy.

We know from information economics that the exclusivity of information is positively related to its profitability; the more competitors know and understand regarding a firm's intended future strategic moves, the lower future economic rents will be. However, not all information faces this drawback. As we see with reputational capital in Chapter 4, Figure 5, for example, some information is capable of closing short-term information asymmetries without sacrificing future rents.

COSTLESS REPUTATIONAL CAPITAL

Chapter 4 established that reputation and reputational capital constitute different facets of the same phenomenon. Corporate constituents – consumers, competitors, investors, regulators, society – interpret various components of reputational capital (reviewed below) to make decisions about interactions with the firm (Dowling 1986), and so firms spend considerable resources on both reputation establishment and maintenance (Fombrun 1996). As a general construct, reputation may range along several characteristics including quality (good or bad reputation) and durability (relatively un-established and malleable or fully established and rigid). This implies that reputation is attributable to firms at any stage in the business lifecycle, from nascent start-ups to century-old institutions in the same industry. Therefore, to study this phenomenon, I gathered a large sample of acquisition deals to yield significant variation in reputational measures.

One of the major sticking points in the reputations literature to date is the use of a unified definition of reputation, which is elusive. Figure 4 in **Chapter 4**, taken from Barnett, Jermier, and Lafferty (2006), underscores how several facets of reputation have constituted its definition in studies over the past three decades. It has been established that reputation is only one component of Reputational Capital, and this differentiation is important for two reasons. First, since it is an economic construct, reputational capital is accrued over time and does not necessarily represent a uniformly good or bad perception (these perceptions may change as image changes over time). Instead, it is a normative accumulation of information from a firm's inception that contributes to an overall assessment of firm value, and this grows with a firm's longevity. Second, as an intangible asset, reputational capital is unique to a firm. It derives from the collection of firm information (identity), impressions of the firm (image), and judgments by observers (reputation) (Fombrun 2001; Barnett et al 2006). I follow Fombrun 2001 in using the following function to define reputational capital: $REPUTATIONAL\ CAPITAL = f(IDENTITY + IMAGE + REPUTATION)$. Therefore, as an economic, intangible asset, reputational capital can have many measures that include not only qualitative assessments, but also the amount of the information – positive or negative – available to constituents regarding a firm.

I do not seek to define (or redefine) reputation in this dissertation, but understanding the nuance of the two factors that comprise reputational capital is key to the analysis. For the analysis, I use the following two definitions of the components of Reputational Capital:

Image and Identity

Image and identity have been used interchangeably with reputation, which is troubling considering the distinct differences in control and perception. Where reputation is inherently characterized by the perception of external audiences, firm actors themselves craft image and identity. Bromley (2000) characterizes identity as “the way key members conceptualize their organization,” and image as “the way an organization presents itself to its publics.” The key distinction here is that image and identity are a combination of informational priors produced internally, by the firm itself. They are not dependent on the perception of external audiences, and therefore do not face the same level of cognitive bias as reputation. They also contribute to the overall amount of reputational capital available to a firm. In the study parameters, I refer to image and identity as “Firm Originated” informational priors.

Reputation

I cannot summarize reputation better than Fombrun & Shanley (1990), who define it as “the judgments of publics collectively create reputations that stratify industries, with potentially significant competitive advantages accruing to firms with higher perceived reputational status” (254). Reputation is therefore a measure of external perception, that of stakeholders and publics, and not directly in control of the firm itself. Reputation is subject to the cognitive biases and other

confounding effects outlined in **Chapter 4**. It can be measured and included as a component in reputational capital. In the study parameters, I refer to reputation as “Audience Perception”.

Reputational capital, as the summation of the internal identity and external perceptions of a firm, takes on a more economic definition. Specifically, it can be characterized as an economic, intangible asset, one that adds value to – and potentially enhances the competitive position of – a firm. I use the term “potentially” because reputational capital may be low or high. That is, a firm may be too new to have a solidly marketable identity and established image (a measure of image), despite high consumer rankings (a measure of reputation). For example, a firm may be relatively new and untested in the market, but ranked on the Fortune Most Admired poll of firms. This may limit its level of reputational capital available for leverage, since it has a strong reputation but limited exposure. Similarly, a firm may be highly established (image), but fall off the Fortune Most Admired list for bad quality or performance (reputation). In this way, a firm has a negative reputation, but is fully established and known in the market, also resulting in limited capital. Finally, a firm may score high both in terms of the level of internal identity *and* external rankings, by being both well known and highly ranked. In this case, reputational capital measures are high and may be capitalized on readily in firm actions.

Once we understand the two components of reputational capital, we see how it may substitute for costly information in three ways. First, the inherent problem in investor-firm relations is rooted in agency information asymmetries, where investors are

tasked with predicting future firm value given direct (concrete) and indirect (conjecture) information. Rindova et al (2005) characterizes this environment as one where firm workings are relatively secret, and therefore information on the workings of the firm is at a premium. Reputational capital provides some infill of this information gap (Deutsch & Ross 2003). Stakeholders, such as investors, base some of their evaluation of future value on the past behavior of the firm (Fischer & Reuber 2007; Fombrun 2001; Rindova et al 2005; Lange et al 2011). They draw on the past as an indicator of future quality (Benjamin & Podolny 1999). Past patterns of performance, as contributors to ranking, become valuable information for investors determining future value. Thus, reputational capital constitutes a firm asset that may act as a substitute for more costly concrete, event-specific information.

Second, as opposed to event-specific information provided by a firm, reputational capital does not carry with it long-term costs of distribution. While concrete information on firm's acquisition can increase short-term economic rents by closing information asymmetries with investors, it may decrease long-term competitive rents by simultaneously revealing strategic intentions to competitors. Having information on the anticipated synergies, deal characteristics, or integration plans, for example, constitutes a valuable resource for firms in that it may align firm and investor interests, potentially leading to larger abnormal returns. Reputational capital is public information, and competitors are already aware of its standing. Reputational capital does not constitute "new" strategic insight on which a competitor can act. Therefore, reputational capital

carries with it enough persuasive content to increase short-term rents by closing information asymmetries without compromising future, long-term competitive rents.

Third, a high level of reputational capital allows a degree of strategic flexibility (Deephouse & Carter 2005; Rindova et al 2005), which is enhanced because reputation is inherently inimitable (Fombrun 1996). Over time, the management of reputation forms what Fombrun refers to as a “reputational halo” (29) that signals credibility, reliability, trustworthiness, and responsibility to a firm’s range of constituents. As a result, firms with positive returns should be able to engage in more strategically risky behavior – such as acquisition – with limited effect on stakeholder response. For example, reputational capital provides a signal that allows firms to attract more capable employees and customers (Turban & Cable 2003) and assess acquisition targets more effectively (Saxton & Dollinger 2004). Reputation is also transferrable, as shown in Jensen & Roy’s 2008 exploration of auditor reputation after the collapse of Arthur Andersen. Reputation provides a signal that stabilizes stakeholder response to strategic action (Lange et al 2011). Therefore, compared to event-specific information, reputational capital can close information asymmetries without sacrificing future rents to acquisition action.

INDEPENDENT VARIABLES: ANTECEDENTS TO REPUTATION

In **Chapter 4**, I discussed the sufficiency of current measures used in reputations research. Typical measures in this area include the Fortune Most Admired ranking, Harris Poll, or Fortune 500 Ranking, which enable researchers to engage in a level of comparative analysis among a certain group of constituents (Pfarrer, Pollock, & Rindova

2010). Rankings allow for a standardized measure, which has been vetted in different contexts in literature over the past decade. However, reputational rankings are also subject to criticisms: they are plagued by cognitive biases of survey participants (Fombrun 2007; Love & Kraatz 2009), tend to overweight perceptions based on financial behaviors (Fryxell & Wang 1994; Rhee & Valdez 2009), and do not take into account the multiple reputational measures firms may have among many constituents (Wartick 2002; Raithel et al 2015).

I intend to use rankings data, as they have been vetted in prior studies, as one dimension of reputational capital. However, as a matter of measurement, rankings do not touch issues of informational priors the firm itself has released to the market, referred to above as identity and image. To measure these, I need complimentary metrics on how long a firm has been feeding information on its own intentions, actions, and performance to the market. Therefore, a two-pronged approach becomes necessary for the studies.

As reputational capital is a function of Image + Identity + Reputation, a multidimensional view of reputation allows researchers to examine how these dimensions play to affect a) the amount and b) the quality of reputational capital available to a firm. These dimensions are inherently different based on the source of the information (Walker 2010); Image and Identity are the results of information the *firm itself* provides; whereas Reputation is the interpretation and assessment of this action. If we rely solely on reputational rankings, this only measures on specific dimension of the amount of reputational capital available to a firm. Thus, I use a dual framework that encompasses

the amount of informational priors of a firm as necessary for a complete analysis in the context.³

Identity and Image as Functions of Age

“Being known,” also called the “prominence” of a firm (Rindova et al 2005; 1035), is stakeholder awareness of an organization passing neither negative nor positive evaluation of a firm itself (Barnett et al 2006; Lange et al 2011). It is inherently a macro-conceptualization, or impression, constituents have of an organization, but without attributing specific judgments of the firm (Bromley 2000; Shamsie 2003). This is consistent with the characterizations of Image and Identity, which are built by a firm over time. Although some scholars have differentiated between this notion of prominence and reputation, and some consider it an antecedent to reputation (Turban 2001; Brooks et al 2003), many studies have approached and measured reputation simply as being a ‘known entity’. This definition represents reputation as the collective view all constituents have of an overall firm, and helps answer questions as to the endurance, strength, and value of a firm’s reputation as an intangible asset.

The general awareness of an organization is a function of how much prior information on the firm is available to the market in general. In Charles Fombrun’s foundational works on reputation, he defines corporate identity as the foundation on

³ This is not without precedent in the IM literature: Geppert & Lawrence (2008) look at the connection between annual reports and measures of reputation, including Fortune Most Admired (FMA), Harris Poll, and Citizens Polls in addition to content analyses; Othman et al (2011) constructed their own reputation index based on the determinants of corporate social responsibility; and Bebbington et al (2008) featured aggregated rankings based on five categories of reputation, some including perceptions of quality and some derived from financial performance.

which reputation is built. A firm's identity, he states, "derives from a company's experiences since its founding, its cumulative record of successes and failures" (Fombrun 1996; 36). To the extent that reputation is an indicator of credibility, reliability, trustworthiness, and responsibility (ibid), scholars have since taken as axiomatic that the development of reputational capital is an ongoing process; that is, reputational capital is managed over time. It develops from a company's identity and is "maintained over time" (28) to adapt to changing institutional and competitive pressures. This is consistent with reputation definitions that characterize reputation as established "over time," (Lange et al 2011). A firm's reputation is rooted in historical action, and the larger degree of historical action affords a larger pool of prior information for investors. In the more general definition of reputation as overall favorability, reputation is the result of "relatively stable, long-term, collective judgments" by outsiders (Gioia et al 2000, 67), indicating that longevity is a contributing factor to reputation construction.

I take as semi-axiomatic that the longer a firm has been present in market activity, the more informational priors about performance (financial or otherwise) are available to stakeholders. Even without a degree of notoriety, which denotes judgment, firms that have been around longer have interacted with more customers, vendors, investors, distributors, regulators, etc, and are therefore more known as entities in the market. Therefore, I posit that a firm's age from its founding is an important factor in measuring reputation.

Furthermore, recent research on firm IPO's has shown that firms going public have not developed the reputational capital necessary for the market to assess future

value (Reuer, Tong, & Wu 2012). As a result, more nascent firms tend to rely on other informational signals, such as the presence of reputable underwriters or other logistical partners, to justify initial pricing (ibid). This suggests that the specific component of reputation to investors is not fully addressed until a firm has been *traded* over time. Publicly traded firms are mandated to release more consistent and more complete information to the market, expanding the touch points available between the firm and its constituents and granting more opportunity for reputational development. Thus, I posit that a firm's age from the time it released its IPO is also a factor in measuring reputation, and I use it in robustness checks of the main analysis.

External Validation of Reputation

“Generalized favorability” is similar to “being known,” but with the attribution of judgment by the stakeholder (Lange et al 2011), otherwise interpreted as “how attractive the firm is” (Barnett et al 2006, 33). Consistent with measures of reputation, generalized favorability is an aggregation of multiple aspects of the firm from an external perspective of some – or many - constituents (Fischer & Reuber 2007). The definition is rooted in the belief that “people tend to anthropomorphize organizations” (Love & Kraatz 2009, 316), and so tend to aggregate multiple perceptions into a single impression (Lange et al 2011). This definition tends to anchor more to the foundational, Fombrun-esque definition (1996) of a firm's “overall appeal” to its stakeholders. It is therefore inherently comparative (Fischer & Reuber 2007; Lange et al 2011), a “public evaluation of a firm

relative to other firms” (Turban & Cable 2003; 733), and a “judgment about a firm... shared by multiple constituencies” (Highhouse et al 2008; 1482).

Aggregated judgments of firm value have become more available in recent decades. The value of reputation was explicated early in the economics literature as related to knowledge-based, service-oriented businesses, such as universities, law firms, and hospitals. Economists refer to these services as “credence goods” – goods that are bought on faith, that is to say, on reputation” (Fombrun 1996, 7). However, over the past two decades, as internet proliferation has speeded information transfer and feedback, all firms have come to understand the value of reputation as it relates to the success of goods and services and provision of competitive advantage. Therefore, it is not surprising that market validation measures, such as the Fortune Most Admired list published since 1983, have grown in popularity.

Scholars across strategy, marketing, finance, and impression management point to two reasons for such proliferation. First, firm constituent publics are seeking confirmation (or disconfirmation) of their existing perceptions of a firm. Second, uninformed publics (in the sense that all constituents do not draw on the same information at the same time) seek to delegate the evaluation of firms to a ‘more knowledgeable’ third party. In the overwhelming majority of empirical studies, reputation metrics are derived from rankings (Lange et al 2011). Therefore, in addition to intrinsic contributors of age to firm reputational capital, these external validity measures constitute an additional component of reputational capital in the study.

RECAP OF THEORY & HYPOTHESES

Given the two measures of reputational capital and three dimensions of rhetorical strategy outlined in previous chapters, I can begin charting specific, testable hypotheses for the first study. Drawing from reputations and rhetoric, I theorize that firms with more reputational capital may use it rather than disclose more costly information to the market. Thus, the presence of reputational capital affects the level of concrete information in a firm's press release. In **Chapter 3: Understanding Impression Management**, I outlined the seven distinct areas of focus, which have been measured in IM studies (Merkl-Davies & Brennan 2007), including four that are not applicable to the study context. In this first study, I focus on the remaining three: manipulating the ease of reading (brevity); persuasive language (concreteness); and thematic manipulation (positivity)⁴.

Summary of Theory

Foundational market efficiency theories (Fama 1965, Samuelson 1965, Fama 1970) assert that stock prices trade on the availability of new information only. As part of the market mechanism, prices change based on investors' expectations of future firm values. The amount of information provided (brevity) and concreteness constitute more information for investors (and competitors) to act upon; thus, this information is more costly.

⁴ The remaining strategies are structural/visual organization, performance comparisons, and choices of earnings numbers, and attribution; however, these are not applicable to this analysis. Specifically, earnings numbers and performance comparisons are not included in acquisition announcements, the structural organization of press releases does not vary between observations (press releases are uniform), and forward-looking strategy does not lend itself to attribution, as performance is not under discussion. Details of these tenets are available in **Chapter 3**.

On the other hand, scholars theorize that factors other than concrete information, such as positive sentiment, also explain observed market activity (Tetlock 2014). Specifically, Roll's (1986) seminal work finds that the explanatory power of models of purely economic measures on firm returns is only 21%; the author concludes that sentiment-based information may play a significant role in trading behavior. Thus, consistent with the cost-based theory of IM developed in Chapter 1 and the previous section, I expect that firms may also utilize thematic manipulations toward promotion (positive words) that are less costly.

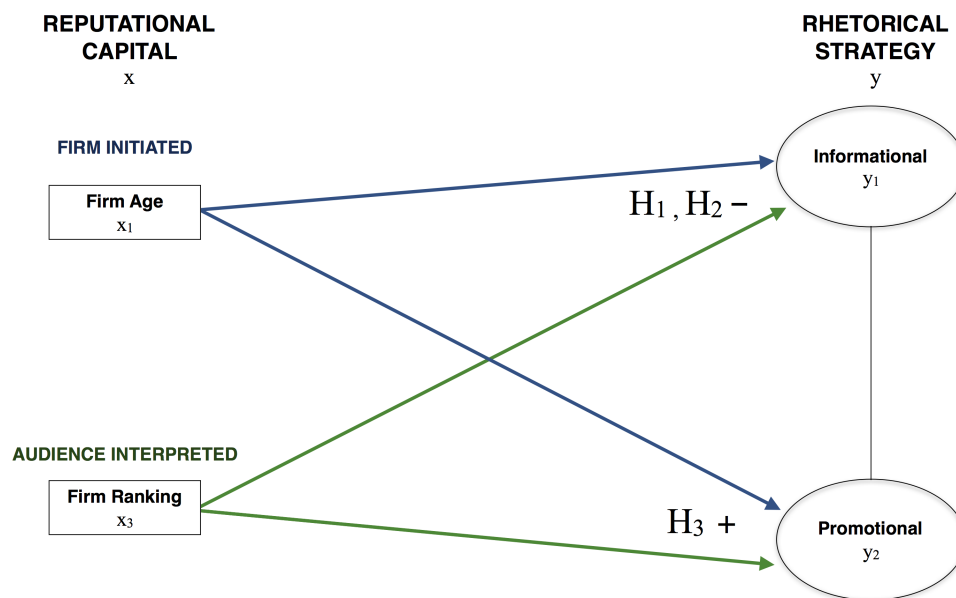


Fig. 8 – Study 1 Hypothesized Effects

The theory of a cost-based motivation of impression management suggests that firms with more reputational capital should avoid costly information disclosures and adopt a more promotional approach to announcements. In terms of

analysis, these are two distinct tests: one to measure the avoidance of information and one to measure the adoption of promotion. I present these hypotheses here.

Informational Characteristics

In the market theory literature discussed in **Chapter 3**, the role of information is clear: more information should lead to better-informed investors who will adjust the value of the firm upward. This suggests that more information reduces asymmetries and allows for better alignment between firm and investor; more is better. However, “more” information is subjective; it could mean a larger quantity of information presented or higher quality information provided investors. Both are definitive choices by firms in developing their rhetorical strategy around announcements.

In Chapter 3: Understanding Impression Management, I discussed three strategies available to managers as they craft forward-looking messages. These strategies are distinct and should have a unique reaction to the presence of reputational capital. They also map onto three distinct metrics as well.

Brevity

Chapter 3’s section on Reading Ease Manipulation contrasts the context of backward looking financial and accounting reports (Shapiro, Buttner, & Barry 1994; Bies, Shapiro, & Cummings 1988) with forward-looking acquisition announcements, which have little verifiable information. I established that since press releases are more promotional than firm reports (Maat 2007), firms tend to capitalize on the opportunity to

impression manage their constituents and tend to embellish in terms of market creativity. This is characterized by more written detail and commentary than a straightforward presentation of facts. Therefore, the quantity of information may be determined by the amount of speculation firms provide, or the overall length of the text presented.

Since press releases on acquisitions are managerial conjecture, they constitute a type of information that may be capitalized on by competitors. This is inherently costly to the acquiring firm. I posit that, in an effort to reduce the long-term costs of revealing such strategic objectives, firms with reputational capital will avoid long explanations of acquisition intentions. Firms with more reputational priors in the market, the parameters of which I established in **Chapter 4**, might assume that investor preconception will carry significant informational weight. Given that older firms have had more time to craft image and identity in the market, this suggests that older firms will release more concise announcements to the market, and that higher ranked firms will release more concise announcements to the market.

Identity and reputation both contribute to the amount of reputational capital available to a firm. Given the choice of such costless information and more costly strategic disclosures, a firm will depend on reputational capital. Therefore, in acquisition press releases:

Hypothesis 1: firms with more reputational capital tend to release shorter, more concise messages to the market.

Concreteness

Chapter 3 also discussed the strategy of Rhetorical Manipulation, otherwise referred to as concealment. If concrete language enhances the credibility and therefore persuasiveness of a message (Hansen & Wanke 2010), and as concrete terms are more believable than abstract (ibid), concreteness constitutes another type of costly information. As I stated earlier, earnings announcements are typically written as expanded financial tabulations accompanied by managerial insights on performance. This research verifies that investors base much of their assessment on the language – such as concrete words – that accompanies these numbers (Hales et al 2011), despite the presence of verifiable data on which to model and make financial judgments. Indeed, information in 10-K and 10-Q filings affects future earnings and accruals (Feldman et al 2010; Loughran & McDonald 2011). Earnings press releases convey signals of anticipated performance through linguistic devices, which the market reacts to (Davis et al 2012), and high-performing companies tend to be more concrete and forceful than those of lower performers (Subramanian, Insley, and Blackwell 1993).

Forward-looking announcements may make use of the same concrete language, but on unverifiable information. In this way, concreteness implies a degree of certainty. Concrete language in this context is therefore a tonal manipulation designed to provide the sense that the firm is certain about its future endeavor.

The feedback effect suggests that certainty about an intended strategy may indeed provide event-related gains by reducing information asymmetries with investors, but

could be capitalized on more readily by competitors in the long-term. Therefore, I again expect reputational capital to affect the selection of rhetoric in this context. Specifically:

Hypotheses 2: Firms with more reputational capital tend to be less concrete in acquisition announcements.

Promotional Characteristics

Finally, I established in **Chapter 3** that Thematic Manipulation is a discernable rhetorical strategy, where the use of promotional (positive) language is a thematic tactic within impression management. It has been shown that quantifying positive language provided by firms does reveal new information about firm action (Tetlock et al 2008; Kearney & Liu 2014). Positive tone is more immediately manipulated in firm communications than reputation, as it is one of the most proximal and easily manipulated elements in written communication.

Positivity

Positive, promotional tone conveys information about how the firm feels about strategic action, but it does not constitute a type of information that competing firms can capitalize on. Therefore, firms of higher reputational capital may defer to a more promotional tone rather than provide lengthy or concrete information. Specifically:

Hypotheses 3: Firms with more reputational capital tend to use more positive, promotional language in announcements.

METHODS

Context: Acquisition Press Releases⁵

I restrict the studies to merger and acquisition (M&A) press release announcements; and this provides five benefits, including distinct differences from previous contexts that have dominated the literature.

Sample & Data

A full description of the data collection and analysis methodology for Studies 1 and 2 is presented in **Chapter 6: Novel Data**, including a discussion of insufficiency of existing data sets that necessitated the creation of a novel data set for the work. **Chapter 6** also includes the final data handbook with select summaries on key variables.

The primary domain of analysis in Study 1 is the effect of intrinsic firm reputation on firm rhetorical strategy in acquisition press releases. To increase availability of pertinent firm-, deal-, and industry-level data, I restricted the analysis to announcements of acquisitions made by publicly traded firms in the US market (NASDAQ, NYSE). Further, because of the adoption of Internet-based trading, which significantly impacted the availability of information therefore trading patterns in the mid 1990's, I restricted the sample to firm deals enacted after 1996. A discussion of drawbacks to this method follows in **Chapter 9**.

⁵ For more discussion of this novel context, please refer to Chapter 5: Context: Mergers & Acquisitions (M&A)

Dependent Variables

Quantity of Information: Brevity

Consistent with the discussion in **Chapter 3**, I measure the quantity of information provided to the market by the length of the press release document itself, as measured by the total word count of the body text. I take as axiomatic that the length of the document is positively related to the amount of information a firm is disclosing. Thus, I measure of the quantity of information as:

- the length of the press release in body text (total word count)

Quality of Information: Concreteness

Two forms of concrete information may be provided to the market: facts and data. As a count of concrete terms in the LIWC dictionary, concreteness allows us to examine the provision of facts and assured statements. As concreteness exists on a spectrum of ambiguity, the presence of concrete terms is positively related to the provision of information. The measure of the concreteness of information is therefore:

- the count of certainty words in the body text

Promotional Language: Positivity

Although promotional language may be positive or negative, I take as axiomatic that firms are seeking to promote acquisition behavior in a positive light to elicit favorable investor reaction. To that end, I focus on the measure of positive promotional language provided by firms. A range of measures on positivity are possible; following

works in finance, strategy, and impression management on managerial sentiment, I focus on one:

- Positivity: index of positive emotive words in the body text.

Independent Variables

Reputation is part of an information cycle that is informed by and contributes to impression management over time (Elsbach, Sutton, & Principe 1998; Staw & Epstein 2000). Reputational capital itself is also ever-evolving (Lange et al 2011). However, in the context of a single acquisition event, reputation is unalterable in the short-term. Therefore, following other works in reputation, I define it as an informational prior to be used in impression management strategy. The following measures of firm age and ranking are drawn from COMPUSTAT and Thomson SDC.

Firm Age: I measure the age of a firm as the years since its founding, measured in one-year increments. For example, if a firm were established on June 1, 2000, as of this writing, age = 19. The measure is:

- Age since founding (in years);

Firm Reputation: Reputational studies tend to depend on established, publicly available, and widely known rankings as the standard of evaluating reputation for investors. Following Pfarrer, Pollock, & Rindova 2010; Staw & Epstein 2000; Love & Kraatz 2009; and a range of subsequent studies, I use the *Fortune* “Most Admired Companies” (FMA) annual ranking to determine two measures:

- The numerical ranking on the list by deal year (note: this is a reverse ranking. Higher numbers = lower-ranked).
- Coded FMA Top 20 Ranked (binary):

$$FMA_20i = \begin{cases} 1 & \text{if firm listed in FMA Top 20 for deal year} \\ 0 & \text{otherwise} \end{cases}$$

I also engage additional measures of age and ranking for robustness checks. Specifically:

- Age Since IPO: The acquiring firm's age in years since its IPO.
- FMA Numerical Ranking: The numerical ranking on the list by deal year (note: this is a reverse ranking. Higher numbers = lower-ranked).

Control Variables

Consistent with studies in M&A and reputations, I control for a range of firm- and industry-level factors that may influence the effect of reputational capital on rhetoric. I document these empirically to test for any significant confounding effects on the results.

These controls include:

- Deal size and composition, as measured by the deal value and the percentage of cash vs. stock offered. Large deals garner more investor attention, as they drive more market news. The liquidity of the acquiring firm and its investment strategy in the acquisition affects assessments of future value, especially if the acquisition is somewhat unrelated to core competencies. Acquisition returns have been shown to decrease with a larger premium paid (Datta et al, 1992), consistent with the belief that most firms overpay for acquisitions. Thus, the characteristics of the deal may attenuate, and in some way supersede, reputation's effect on rhetoric.

- Macroeconomic fluctuations due to cyclical events (year and firm-year effects). Industry and full market trends during an acquisition affect the overall performance of the acquiring firm (Bergh 1997). Announcements made during such seasonal attributes may have significant effects on the amount of perceived investor attention and potential interpretation of the acquisition announcement.
- Firm Size, as measured by market capitalization of the acquiring firm at the time of the acquisition announcement.
- Relatedness of the acquiring and target firm. I gauge relatedness by standard industrial code (SIC) matching. If the two firms match along all four digits, I consider this an inter-industry acquisition. I also allow for a three-digit match and compare this in the analysis.

- High Reputation. I code an additional high reputation measure as:

$$Fortune\ 500_i = \begin{cases} 1 & \text{if firm listed in Fortune 500 deal year} \\ 0, & \text{otherwise} \end{cases}$$

- Visibility. I code Harris Poll rankings as a measure of visibility, since the poll measures coverage of firms for the year of the acquisition:

$$harris_poll_i = \begin{cases} 1 & \text{if firm listed in Harris Poll for deal year} \\ 0, & \text{otherwise} \end{cases}$$

- Firm Release of Information. To enable categorical analysis, I also segment firms by whether or not they release an acquisition announcement at all. This also affords us additional analysis the next study as well.

Text Analysis⁶

Literature in impression management uses the terms “text analysis,” “narrative analysis,” “content analysis,” “linguistic analysis,” and “word analysis” interchangeably. Content analysis and narrative analysis differ slightly from the others, in that they include not only an examination of the words used in a piece but also the structural organization of a full document (ie, the placement of certain arguments, etc). Text, linguistic, and word analysis involve isolating and analyzing specific word choice, so they are indeed interchangeable. On the other hand, rhetorical analysis incorporates both linguistic and content analysis techniques to assess how an argument is constructed. In this first study, I examine rhetoric as a consequence of reputation, a conscious choice by managers to limit types of information based on their costs. In the next study, I examine rhetoric as an antecedent, a precursor designed to elicit certain responses in constituent publics. In both cases, linguistic analysis is appropriate to isolate these variables.

One of the most widely used dictionaries, and the one I employ in this study, is the Linguistic Inquiry and Word Count (LIWC), developed subsequent to Pennebaker, Booth, and Francis algorithm studies (2007)⁷. Many recent works in strategy have also

⁶ See Chapter 9: Limitations Review: A Test of Text Analysis in IM Study for a deeper discussion of this methodology.

⁷ Ibid.

employed this program (e.g., Crilly, Zollo, and Hansen, 2012; Gamache et al., 2015; Love, Lim, and Bednar, 2016; Pan et al 2018).

Text analysis affords researchers a new and extremely flexible path to understanding the impact of managerial communication; I highlight three benefits and two drawbacks to this approach. First, standardized text analysis, in the form of dictionaries can be used to apply uniform metrics to a range of contexts. Once vetted, dictionaries can be applied to analyze multiple documents originating from the same firm, documents from different firms, and longitudinal analysis of same-firm documents over time. Second, the same text analysis procedures may be used to investigate both motivations on the part of the author and interpretations on the part of the reader, as in the study series presented here. This approach allows for continuity not present in other methods, such as qualitative surveys of managers and investors or aggregated rankings of performance. Third, streamlined computer algorithms have helped text analysis become one of the most straightforward ways to quantify sentiment of managers and investors quickly. In this way, large-scale, archival analyses become accessible to the researcher, who previously had to rely on small-sample interviews.

On the other hand, I acknowledge two drawbacks to relying on text analysis. First, while archival analysis is helpful and robust, it may still miss some of the nuanced insights gained through qualitative, case-based, or interview-based methodologies. Thus, I recognize this approach sacrifices the discoverability aspect of qualitative analysis for the benefit of scale. Second, although the methodology necessitates that dictionaries are validated multiple ways, it has been noted that dictionaries are not transferrable between

contexts (ie, a dictionary for analysis of medical texts is not applicable to one of finance texts). In this way, validity is extremely limited, restricted largely to the context provided until proven otherwise. The limits of this methodology are reflected in the eventual results; I discuss this in **Chapter 9**.

Regression Analysis

Data for Study 1 rely heavily on count-based dependent variables, so I begin by examining distributions in Appendix B. We observe that key variables take on a distinctly normal distribution. In addition, error terms in the test set exhibit no heteroscedasticity and correlations between the independent and dependent variables are low, indicating that OLS would be a better starting approach to model development. However, my novel data lends itself to other, better specification possibilities. I discuss these next.

Model Specification

Traditional Impression Management studies utilize ordinary least squares regression, since most analyses are interested in cross-sectional data on specific communication events. However, the data I gathered could also accommodate a panel regression, since I have many firms with repeat acquisitions in the sample. As the analysis could be completed either way, I evaluated the appropriateness of each type of analysis to my specific data and research questions.

In support of an OLS regression on the baseline, non-transformed data, there are two arguments. First, I recognize that the standard models for IM and reputations studies

tend to be OLS regression on count statistics. Table 8 shows a few recent works in the discipline that have followed OLS. Scholars note that this methodology typically uses cross-sectional data, even with finite reputational measures included (Graffin et al 2008; Graffin, Carpenter, and Boivie 2011; Kiley 2015). This differs from some strategy works that treat reputation as a compounding element (ie, it builds over time), and thus use panel data. However, as these authors note, studies of impression management tend to isolate and examine IM behaviors at one moment in time. Studies in IM prefer to control for firm-related factors, including reputation, in modified OLS because the investigations are not looking at the phenomenon over time. My research questions, theory, and hypotheses are consistent with this approach, so a modified OLS specification could fit my analysis in this case.

TABLE 8: MODEL SELECTION, RECENT IM PUBLICATIONS

Article	DV	IVs	Model
Graffin, S. D., Haleblan, J. J., & Kiley, J. T. (2016). Ready, AIM, Acquire: Impression Offsetting and Acquisitions. <i>Academy of Management Journal</i> , 59(1), 232-252.	CAR	Acquisition History Reputation Profitability Relatedness Impression Management	OLS
Parhankangas, A. and Ehrlich, Michael (2014). How Entrepreneurs Seduce Business Angels: An Impression Management Approach. <i>Journal of Business Venturing</i> , 29, 543-564.	Tone Positivity	Impression Management	Logistic Regression
Osma, Beatriz Garcia and Guillamon-Saorin, Encarna (2011). Corporate Governance and Impression Management in Annual Results Press Releases. <i>Accounting, Organizations, and Society</i> , 36, 187-208.	Impression Management	Corporate Governance	Multivariate OLS
Patelli, Lorenzo and Pedrini, Matteo (2014). Is the Optimism in CEO's	Performance	Tone	OLS GLS

Letters to Shareholders Sincere? Impression Management Versus Communicative Action During the Economic Crisis. <i>Journal of Business Ethics</i> , 124(1), 19-34.			
Short, Jeremy C. and Palmer, Timothy B. The Application of DICTION to Content Analysis Research in Strategic Management. <i>Organizational Research Methods</i> , 11(4), 727-752.	Performance	Content Analysis (Mission Statements)	OLS
Aggarwal, Jyoti and Krishnan, Venkat R (2013). Impact of Transformational Leadership on Follower's Self-Efficacy: Moderating Role of Follower's Impression Management. <i>Management and Labor Studies</i> , 38(4), 297-313.	Perceived Self-Efficacy	Impression Management Techniques	OLS
Guillamon-Saorin, Encarna, Isidro, Helena, and Marques, Ana (2017). Impression Management and Non-GAAP Disclosure in Earnings Announcements. <i>Journal of Business Finance & Accounting</i> , 44(3), 448-479.	Performance	Impression Management Techniques	OLS
Whittington, Richard, Yakis-Douglas, Basak, and Ahn, Kwangwon (2016). Cheap Talk? Strategy Presentations as a Form of Chief Executive Officer Impression Management. <i>Strategic Management Journal</i> , 37, 2413-2424.	Performance	Impression Management Techniques	OLS
Jain, Ajay K. (2012). Impression Management as the Moderator of the Relationship Between Emotional Intelligence and Organizational Citizenship Behavior. <i>Journal of Behavioral and Applied Management</i> , 86-107.	Emotional Intelligence	Impression Management Techniques	Moderated Regression
Graffin, Scott D., Carpenter, Mason A., and Boivie, Steven. (2011). What's All That (Strategic) Noise? Anticipatory Impression Management in CEO Succession. <i>Strategic Management Journal</i> , 32, 748-770.	CEO Succession (dichotomous)	Reputation	Logistic Regression

Second, specifying an OLS approach is consistent with my assumption of event independence; that is, I assume each acquisition announcement event is unrelated to others, even if conducted by the same firm. While I acknowledge this may present some practical challenges, the average number of acquisitions by a single firm in the sample is limited, so it may be possible to avoid any major effects of compounded reputation and iterative impression management by fixing errors on the firm in the OLS regression. I also assume independence of variables, although I test for correlations (see Appendix B, Table 10) and adjusted measures accordingly. Reputation is noted as being an evolutionary function of a firm. That is, age and rankings reflect and impact the construction of firm reputation (Lange et al 2011). Therefore, although I assume a degree of independence as age and ranking develop independently, I acknowledge a degree of potentially positive correlations. I also suggest that there are simply too few serial acquirers to produce reliable results and firm effects are so vital to control.⁸ Again, consistent with prior works in Impression Management, an OLS model could be specified to fit the data.

On the other hand, the presence – however minor – of serial acquirers and the breadth of acquisition events over more than 18 years yields quite a large data set – larger than the sets present in the exemplar works listed in Table 8. As shown in Table 9, the initial test on the entire sample using the first DV, Body Text Word Count (bod_WC), seems to suggest significance of a panel regression on time-series data with fixed effects.

⁸ In some additional tests, we ran several firm-specific analyses on Cisco Systems, Inc. and General Electric, who had 90 and 63 acquisitions in the sample, respectively. Unsurprisingly, there were few – if any – discernable patterns of rhetorical strategy and reputation, and no significant relationship was found. This reinforces the need to control for firm effects while not using panel data analysis.

However, I then considered that I have quite a few “repeat offenders,” firms with considerable acquisition behavior over the past two decades, as shown in Table 10. These firms represent 2% (22/1141) of the total firms listed, but they announced 13% (722/5441) of the deals in the sample. Therefore, I compared Hausman specification tests for serial and non-serial acquirers to determine the potential difference in behavioral effect on the DV’s. The results below on Body Text Word Count confirmed the use of random effects over fixed effects specification, as these variables exhibited non-constant effects on the DV’s for the majority of firms, including over short-window periods of time. This supports use of random effects OLS with errors clustered around the firm and with included controls for deal value, deal structure, industry category, and market fluctuations.

TABLE 9: HAUSMAN SIGNIFICANCE TESTS, DV: Body Text Word Count

IV’S	Coefficients (fixed)	Coefficients (random)	χ^2	$p > \chi^2$
FULL SAMPLE				
Age from Founding	26.964	.019873		
FMA Ranking	-2.598621	5.21752		
			12.31	0.0021
SERIAL ACQUIRERS				
Age from Founding	27.59016	2.13516		
FMA Ranking	-4.330206	.246914		
			12.76	0.0017
NON-SERIAL ACQUIRERS				
Age from Founding	22.85315	1.065702		
FMA Ranking	4.655179	14.41541		
			0.67	0.7153

I concede that panel regression could be useful for the studies, as it helps isolate firm-level effects that I anticipate may affect the selection of rhetoric, but cannot measure. For these reasons, I specify the models as panel regressions with fixed effects at the level of the firm, unless otherwise indicated.

TABLE 10: TOP 21 ACQUIRERS IN SAMPLE

	Firm Name	# of deals
1	Cisco Systems, Inc.	96
2	General Electric	68
3	Berkshire Hathaway	42
4	AT&T	41
5	L-3 Communications Holdings Corp	38
6	Thermo Fisher Scientific	36
7	Johnson & Johnson	34
8	Wells Fargo	33
9	IBM	31
10	Republic Industries	31
11	JP Morgan	29
12	Kinder Morgan Energy	28
13	Cardinal Health Inc.	26
14	Oracle Corp	26
15	Regions Financial Corp	26
16	Symantec Corp	24
17	Affiliated Computer Services	23
18	XTO Energy	23
19	Yahoo!	23
20	Chesapeake Energy Corp	22
21	Intel Corp	22
		722

TABLE 11: CORRELATION MATRIX OF KEY VARIABLES

Metric	Variable	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1 Deal Value (\$Mil)	deal_val_mil	1															
2 % Cash Offering	cash	-0.0726	1														
3 % Stock Offering	stock	0.1462	-0.6824	1													
4 Age from Founding	age_from_founding	0.3824	0.359	-0.3212	1												
5 Age from IPO	age_from_ipo	-0.0115	0.4468	-0.4308	0.6401	1											
6 Dow Jones Industrial Close	dji	-0.0133	-0.114	0.079	0.0173	0.0533	1										
7 Dow Jones Composite Close	djc	0.0548	0.0897	-0.0758	0.2173	0.2548	0.8994	1									
8 FMA Ranking	fma_rank	0.1316	0.2704	-0.1684	0.1771	0.4881	0.1481	0.2617	1								
9 Fortune 500 Ranking	fortune_rank_size	-0.0923	-0.2717	0.2487	-0.5097	-0.3114	-0.1078	-0.1495	0.0994	1							
10 Harris Ranking	harris_rank	0.0033	-0.0186	0.0293	-0.1933	-0.1389	0.0141	0.0338	-0.0611	-0.0344	1						
11 CAR (3-day)	car3	-0.1572	-0.1827	0.2517	-0.0523	-0.0557	0.0829	0.0292	-0.0963	0.0031	0.0529	1					
12 Body Text Word Count	bod_wc	-0.066	0.3253	-0.2109	0.155	0.3237	0.0021	0.1757	0.3468	-0.135	-0.1161	-0.2112	1				
13 Body Text Certainty	bod_certain	0.0158	-0.1613	0.1622	-0.3674	-0.2349	0.0454	0.0162	-0.0293	0.4008	-0.0019	0.044	-0.1635	1			
14 Body Text Positivity	bod_posemo	0.0816	0.1264	0.0149	0.1963	0.0698	0.0518	0.0681	-0.0462	-0.0399	-0.1213	-0.0358	0.1331	-0.0233	1		
15 Body Text Words Per Sentence	bod_WPS	0.0211	0.3092	-0.35	0.2238	0.2862	0.0291	0.1653	0.3552	-0.1349	-0.0272	-0.1846	0.5729	-0.1872	0.1896	1	
16 Body Text Tone Index	bod_Tone	0.1489	-0.0071	0.1508	0.1024	-0.0576	0.0892	0.0666	-0.0665	0.041	-0.0514	-0.0031	0.0237	-0.0398	0.8558	-0.0074	1

SELECTION OF PANEL REGRESSION

While I acknowledge that OLS could be specified adequately for the research question, there are distinct merits to using panel regression for the data. First, the presence – however minor – of serial acquirers and the breadth of acquisition events over more than 18 years yields quite a large data set – larger than the sets present in the exemplar works listed above. Panel regression would help better isolate firm-level effects that I anticipate may affect the selection of rhetoric, but cannot directly measure. This is especially helpful, as the data is relatively nascent and untested and any additional insights that guide the parameterization for future studies are vital. For these reasons, I specify the models of Study 1 as panel regressions with fixed effects at the level of the firm, unless otherwise indicated.

The steps to review the panel data were as follows: 1) convert data to panel; 2) develop log-transformed DV's to counteract significant outliers and smooth distributions; and 3) run Hausman tests to determine significance of fixed-effects models.

First, to convert the cross-sectional data (as gathered) to panel, I engaged the following steps in Stata.14:

1. Create numeric unique firm identifier code: `co_id`. Firm `gvkey`'s, the standard identifier for data matching purposes, were unreliable in the large sample and varied as firm names changed. As a result, I generated a unique measure based on acquiring firm ticker symbol, which helped retain consistency as firm names changed over the 18 years tracked in the sample.

2. Declare parameters of data as panel using *xtset*. I used the unique firm identifier code `co_id` as the panel identifier. Because firms engaged in multiple acquisitions per year, I used the exact deal announcement date as the time identifier within panels and parameterized at the daily interval. This affords us additional controls for daily fluctuations of market prices as well. Using a time variable definition also allows us to consider changes in rhetorical behavior by individual firms over time.

The resulting command and output are:

```
. xtset co_id event_dt, daily
   panel variable:   co_id (unbalanced)
   time variable:   event_dt, 03jan1997 to 21may2018, but with gaps
   delta:           1 day
```

To build the model, I began by examining the control effects of deal characteristics, as they showed strong correlation to rhetorical counts (see Table 11). Preliminary correlations indicated that these metrics would need to be controlled for in the final model, but standard errors did not exhibit any dependence and therefore I do not cluster here. On the other hand, firm-level characteristics are believed to have some level of interdependence, so I clustered errors around the acquiring firm in the final model. I ran several tests of models with fixed effects on industry, market, and firm, with the understanding that their effects on rhetoric may not change in the short term. Specifically,

I converted the data⁹ to panel, utilized a log-log transform of the three key Dependent Variables, and used a Hausman specification test on several IV's to test the validity of a random vs. fixed-effects model.

Table 12: Summary Hausman Test Results, Panel Log-Log Transformed Data, DV's: Body Text Word Count, Body Text Concreteness, Body Text Positivity

	OBS	Body Word Count χ^2 ($p > \chi^2$)	Body Concreteness χ^2 ($p > \chi^2$)	Body Positivity χ^2 ($p > \chi^2$)
Controls Only	3,151	50.57 (0.2629)	70.63 (0.0087)	65.29 (0.0256)
Full Model: FMA_Rank	168	21.47 (0.3113)	18.63 (0.4808)	10.54 (0.9384)
Full Model: Binary	3,146	53.68 (0.2337)	80.55 (0.0017)	64.07 (0.0494)
Results Favor:		Fixed	Random*	Random*

*when using binary model. For robustness checks with FMA_rank, I use fixed effects regression.

⁹ It should be noted that due to the range of acquisition behavior across firms, panel data is unbalanced.

DESCRIPTIVE STATISTICS – STUDY 1

What do we observe in the available data?

TABLE 13: DESCRIPTIVE STATISTICS, KEY VARIABLES

Metric	Variable	Obs	Mean	St. Dev.	Min	Max
1 Deal Value (\$Mil)	deal_val_mil	5,441	1299.832	5566.12	10	164746.9
2 % Cash Offering	cash	5,441	45.16561	46.52649	0	100
3 % Stock Offering	stock	5,441	21.46287	38.11991	0	100
4 Age from Founding	age_from_founding	5,418	49.1412	45.17914	0	252
5 Age from IPO	age_from_ipo	4,615	11.23164	12.57277	0	91
6 Dow Jones Industrial Close	dji	3,467	9744.092	1338.572	6451.89	12765.01
7 Dow Jones Composite Close	djc	3,467	2983.694	459.9375	2033.44	4367.76
8 FMA Ranking	fma_rank	235	7.234043	5.463213	1	20
9 Fortune 500 Ranking	fortune_rank_size	2,670	200.5333	148.1925	1	500
10 Harris Ranking	harris_rank	430	26.45581	19.1375	1	98
11 CAR (3-day)	car3	4,940	0.0014	0.0791	-0.6310	0.8606
12 Body Text Word Count	bod_WC	3,559	973.0944	570.2388	65	4616
13 Body Text Certainty	bod_certain	3,559	0.8162742	0.4217062	0	5.05
14 Body Text Positivity	bod_posemo	3,559	3.251233	1.139063	0	8.53
15 Body Text Words Per Sentence	bod_WPS	3,559	24.72878	4.917552	9.39	63.2
16 Body Text Tone Index	bod_Tone	3,559	70.93547	18.04475	4.72	99

The summary statistics and distributions provided in Appendices A and B help us understand the baseline trends of acquisition rhetoric over the past 18+ years. As we see in Appendix B, Chart 1, the number of deals that have exceeded \$10 million in value has fallen over the past two decades, while the overall mean value of deals per year (shown in Appendix B, Chart 2) has risen. I also observe that the 2008 recession had a measureable impact in acquisition behavior, with a marked decrease in the number of deals and a simultaneous increase in deal value for 2009. This reinforces the initial concerns that deal value and macroeconomic fluctuations will play a key role in both rhetoric and returns, and therefore should be one focus of the analysis. For these controls, I note that average deal value in the sample of 5,443 deals is nearly \$1.3 billion (Appendix A, Table 2). On average, deals are financed 45% with cash and/or 25.5% stock, while some 25% of the

deals collected had an unknown structure. In control tests, these deal structural elements also play a key role (see Tables 14-16); therefore, I control for them in the final models.

Second, in terms of reputation and visibility, some 2,670 of the deals in the sample were led by firms in the Fortune 500, 235 by firms on the Fortune Most Admired list, and 430 by firms on the Harris Poll (Table 2). Regression analysis on all three metrics determined that the small samples of FMA and Harris Poll were still large enough to yield some significance, although select analyses remain unspecified. I also note that the average deal value and cash percentage structure of deals are higher for FMA- and Fortune 500-Ranked Firms, as a group (Appendix A, Table 3), a strong preliminary indicator that between-group models of both rhetoric and market response will yield significant differences.

Third, a review of rhetorical characteristics of acquisition press releases yields some observations that affected the analysis. Primarily, the tone of releases on average is positive (mean = 70.93 across 3,560 releases; Appendix A, Table 2), which is consistent with the established understanding of press releases as impression managed materials. However, I find there is enough variation in positivity and negativity to test the hypotheses. Curiously, the range of causal language is much higher than elements of certainty, so I decided to include causality as a secondary measure within the robustness tests of hypotheses on certainty. Also, there is significant variation in body text word count (Appendix A, Table 2). In addition, releases by FMA- and Fortune 500-ranked firms tend to be slightly shorter, more certain, and more positive than non-ranked

counterparts. As we will see, these early expectations were only partially confirmed in regression analysis.

Fourth, when I examine major statistics by industry, body word count and deal value also fluctuate (Appendix A, Table 4), so I engage between-industry tests of brevity with controls. However, among other variables, the range is quite low, which validates the large sample size.

In addition to event-based empirics, I engaged in a single-firm analysis on three serial acquirers in the sample: Cisco, GE, and Berkshire Hathaway, as well as Apple. The goal was to determine if any patterns in rhetoric (or performance, in Study 2) could be observed over time by a single firm, potentially leading to additional analyses. However, for these firms, I did not observe any trend in rhetoric, nor in the interaction of rhetoric and reputation over time. This contributes to the commentary in **Chapter 9** regarding the limitations of text analysis in gauging manager sentiment on such a large scale.

Additional Observations: Log-Transformed Distributions

I also examined the distributions of the log-transformed dependent variables and segmented these by reputational rank and age. Observations on the three DV's were consistent. The tables are presented in Appendix B, Charts 22-30.

RESULTS – STUDY 1

In this section, I review the results for effects in fully controlled models with errors clustered at the firm level. I provide alternative explanations for these findings in Discussion of Findings.

INFORMATION HYPOTHESIS 1 - BREVITY

Hypothesis 1 posits that firms with more reputational capital will release more concise (brief) announcements to the market. Remember that I measure reputational capital by its two components: age and ranking. Results shown in Table 14 do not provide support for the first hypothesis. Specifically, when controlling for deal characteristics, relatedness, industry, year, market fluctuations, and visibility, results show that a firm's age is positively related to the length of its communications, and coefficients are not significant. Seemingly consistent with the hypothesis, a firm's status as ranked (vs. not) is negatively related to announcement length. Seemingly consistent with the hypothesis, the coefficient of announcement length on a firm's status as ranked (vs. not) is negative; however, these coefficients are also not significant. Overall, these models do not provide evidence that age or ranking, as two components of rhetorical capital, are related to the brevity component of a firm's rhetorical strategy. Hypothesis 1 is not supported.

INFORMATION HYPOTHESIS 2 - CONCRETENESS

Hypothesis 2 posits that older firms and firms ranked as high reputation will release less concrete information. Following impression management literatures and the analysis in **Chapter 3**, I measure concreteness as certainty word counts from the LIWC analysis. As shown in Table 15, a firm's age is negatively related to the provision of concrete information; that is, a one year increase in firm age results in the use of nearly 97.25 fewer concrete terms (0.1%) consistent with the hypothesis ($p < 0.01$, $n = 3,092$). However, the second component of reputational capital, ranking, is shown to have a positive effect on concreteness; a ranked firm includes more concrete terms, contradicting the hypothesis. This coefficient is also not found to be significant. Overall, although I find some cautious support on one measure, I cannot state that Hypothesis 2 is supported in our models at this time.

Table 14: Regression Results – Study 1
Fixed Effects, Panel, DV: Log Transformed Body Word Count

	(1)	(2)	(3)	(4)
	log_WC	log_WC	log_WC	log_WC
Deal Value (\$Mil)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)
Deal Cash Offering (%)	0.002*** (0.000)	0.002*** (0.000)	0.002*** (0.000)	0.002*** (0.000)
Deal Stock Offering (%)	0.005*** (0.000)	0.005*** (0.000)	0.005*** (0.000)	0.005*** (0.000)
Acquiring Firm Size	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
A-T Relatedness	0.012 (0.022)	0.012 (0.022)	0.012 (0.022)	0.012 (0.022)
Visibility	-0.060 (0.051)	-0.053 (0.052)	-0.056 (0.052)	-0.049 (0.052)
Age from Founding		0.024 (0.015)		0.024 (0.015)
Ranked vs. Not Ranked			-0.040 (0.072)	-0.040 (0.072)
_cons	5.226*** (0.487)	4.156*** (0.843)	5.227*** (0.487)	4.160*** (0.844)
Obs.	3151	3146	3151	3146
R-squared	0.225	0.226	0.225	0.226
Industry Dummy	YES	YES	YES	YES
Year Dummy	YES	YES	YES	YES
Market Dummy	YES	YES	YES	YES

Standard errors are in parenthesis

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 15: Regression Results – Study 1
Random Effects, Panel, DV: Log Transformed Body Concreteness

	(1)	(2)	(3)	(4)
	log_certain	log_certain	log_certain	log_certain
Deal Value (\$Mil)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Deal Cash Offering (%)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Deal Stock Offering (%)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)	-0.001*** (0.000)
Acquiring Firm Size	0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
A-T Relatedness	0.013 (0.020)	0.013 (0.020)	0.014 (0.020)	0.013 (0.020)
Visibility	0.002 (0.042)	0.007 (0.042)	-0.017 (0.044)	-0.013 (0.044)
Age from Founding		-0.001* (0.000)		-0.001* (0.000)
Ranked vs. Not Ranked			0.087 (0.064)	0.089 (0.064)
_cons	-0.295*** (0.077)	-0.250*** (0.081)	-0.299*** (0.077)	-0.254*** (0.081)
Obs.	3097	3092	3097	3092
Pseudo R ²	0.036	0.036	0.036	0.036
Industry Dummy	YES	YES	YES	YES
Year Dummy	YES	YES	YES	YES
Market Dummy	YES	YES	YES	YES

Standard errors are in
parenthesis

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

PROMOTION HYPOTHESES - POSITIVITY

Hypothesis 3 posits that older firms will use more promotional, positive language in announcements. Consistent with the discussion in **Chapter 3**, I measure positivity as an index indicating the overall use of positive emotive words in the press release (positive emotion). Controlled, random effects models do not support the hypothesis in this area. In Table 16, we see that a one-year increase in firm age results in an increase of nearly 97.3 positive words (0.1%) on average ($\beta=0.001$, $p<0.05$, $n=3139$). Hypothesis 3 also posits that ranked firms will use more promotional, positive language in announcements – and this is supported. Specifically, ranked firms use 88.5 (9.1%) more promotional words than unranked ($\beta=0.091$, $p<0.05$, $n=3139$), and this is consistent with the hypothesis. I note that this model (Model 4) controls for both the visibility of the acquiring firm and its size, as well as deal characteristics shown in preliminary analyses to have significant impact on the DV's. These results are consistent with the hypotheses on positivity: older, higher ranked firms – firms with more reputational capital – tend to be more positive and promotional in their selection of rhetoric.

Table 16: Regression Results – Study 1
Random Effects, Panel, DV: Log Transformed Body Positivity

	(1)	(2)	(3)	(4)
	log_posemo	log_posemo	log_posemo	log_posemo
Deal Value (\$Mil)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)	0.000*** (0.000)
Deal Cash Offering (%)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)	0.001*** (0.000)
Deal Stock Offering (%)	0.002*** (0.000)	0.002*** (0.000)	0.002*** (0.000)	0.002*** (0.000)
Acquiring Firm Size	-0.000** (0.000)	-0.000** (0.000)	-0.000** (0.000)	-0.000*** (0.000)
A-T Relatedness	0.005 (0.014)	0.006 (0.014)	0.006 (0.014)	0.006 (0.014)
Visibility	0.041 (0.029)	0.037 (0.029)	0.019 (0.031)	0.016 (0.031)
Age from Founding		0.001** (0.000)		0.001** (0.000)
Ranked vs. Not Ranked			0.093** (0.044)	0.091** (0.044)
_cons	1.018*** (0.052)	0.979*** (0.055)	1.014*** (0.052)	0.975*** (0.055)
Obs.	3144	3139	3144	3139
Pseudo R ²	0.032	0.032	0.033	0.034
Industry Dummy	YES	YES	YES	YES
Year Dummy	YES	YES	YES	YES
Market Dummy	YES	YES	YES	YES

Standard errors are in
parenthesis

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

ROBUSTNESS CHECKS

One alternative measure to ranking is the numerical rank of a firm on the FMA Top 20 List itself. Because use of this variable severely limited the overall sample and made inferences difficult, I reverted to using the ranked vs. non-ranked dummy as the second measure of reputational capital in the main studies above. However, in checking for the robustness of the results, I re-engaged the regression analysis using the overall FMA rank. I note that this is a reverse-coded metric; that is, higher numbers define a lower-ranked firm.

As we see in Table 17, robustness checks of the conclusions on the relationship between age and rank with announcement length are confirmed. Neither age nor ranking have significant effect on total body word count, although the overall predictive power increases ($R^2 = 0.404$ in Model 4). Results are also robust for concreteness, shown in Table 18 and positivity, shown in Table 19. It should be noted that while the directionality of the FMA Ranking coefficient seems to agree with Hypothesis 3, it is not statistically significant. Taking these findings as a whole, I determine that results for the three primary hypotheses are robust to additional measures of reputation, with Hypothesis 3 cautiously supported in both full models.

Table 17: Robustness Checks – Study 1
Fixed Effects, Panel, DV: Log Transformed Body Word Count
Substitute IV: FMA Rank

	(1)	(2)	(3)	(4)
	log_WC	log_WC	log_WC	log_WC
Deal Value (\$Mil)	0.000*** (0.000)	0.000*** (0.000)	0.000 (0.000)	0.000 (0.000)
Deal Cash Offering (%)	0.002*** (0.000)	0.002*** (0.000)	0.002** (0.001)	0.002** (0.001)
Deal Stock Offering (%)	0.005*** (0.000)	0.005*** (0.000)	0.002 (0.002)	0.002 (0.002)
Acquiring Firm Size	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
A-T Relatedness	0.012 (0.022)	0.012 (0.022)	-0.101 (0.106)	-0.101 (0.106)
Visibility	-0.060 (0.051)	-0.053 (0.052)	0.134 (0.307)	0.134 (0.307)
Age from Founding		0.024 (0.015)		0.024 (0.015)
FMA Rank ¹⁰			-0.005 (0.012)	-0.005 (0.012)
_cons	5.226*** (0.487)	4.156*** (0.843)	6.249*** (0.256)	5.392*** (1.445)
Obs.	3151	3146	168	168
R-squared	0.225	0.226	0.404	0.404
Industry Dummy	YES	YES	YES	YES
Year Dummy	YES	YES	YES	YES
Market Dummy	YES	YES	YES	YES

Standard errors are in parenthesis

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

¹⁰ The use of FMA rank, instead of a ranking dummy variable, severely reduces the sample size in this study series, since only 200 firms are ranked in any given year. Thus, while we refer to these results to check the hypotheses, we do not rely on them for the main analysis.

Table 18: Robustness Checks – Study 1
Fixed Effects, Panel, DV: Log Transformed Body Concreteness
Substitute IV: FMA Rank

	(1)	(2)	(3)	(4)
	log_certain	log_certain	log_certain	log_certain
Deal Value (\$Mil)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Deal Cash Offering (%)	0.000 (0.000)	0.000 (0.000)	0.001 (0.001)	0.001 (0.001)
Deal Stock Offering (%)	-0.001*** (0.000)	-0.001*** (0.000)	-0.000 (0.001)	-0.000 (0.002)
Acquiring Firm Size	0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
A-T Relatedness	0.013 (0.020)	0.013 (0.020)	-0.205* (0.107)	-0.206* (0.107)
Visibility	0.002 (0.042)	0.007 (0.042)	-0.263 (0.243)	-0.253 (0.245)
Age from Founding		-0.001* (0.000)		0.001 (0.002)
FMA Rank ¹¹			-0.010 (0.011)	-0.010 (0.011)
_cons	-0.295*** (0.077)	-0.250*** (0.081)	0.349 (0.358)	0.237 (0.421)
Obs.	3097	3092	167	167
Pseudo R ²	0.036	0.036	0.314	0.317
Industry Dummy	YES	YES	YES	YES
Year Dummy	YES	YES	YES	YES
Market Dummy	YES	YES	YES	YES

Standard errors are in
 parenthesis
 *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

¹¹ The use of FMA rank, instead of a ranking dummy variable, severely reduces the sample size in this study series, since only 200 firms are ranked in any given year. Thus, while we refer to these results to check the hypotheses, we do not rely on them for the main analysis.

Table 19: Robustness Checks – Study 1
Fixed Effects, Panel, DV: Log Transformed Body Positivity
Substitute IV: FMA Rank

	(1)	(2)	(3)	(4)
	log_posemo	log_posemo	log_posemo	log_posemo
Deal Value (\$Mil)	0.000*** (0.000)	0.000*** (0.000)	0.000 (0.000)	0.000 (0.000)
Deal Cash Offering (%)	0.001*** (0.000)	0.001*** (0.000)	0.001 (0.001)	0.001 (0.001)
Deal Stock Offering (%)	0.002*** (0.000)	0.002*** (0.000)	0.000 (0.001)	0.000 (0.001)
Acquiring Firm Size	-0.000** (0.000)	-0.000** (0.000)	-0.000 (0.000)	-0.000 (0.000)
A-T Relatedness	0.005 (0.014)	0.006 (0.014)	-0.062 (0.064)	-0.062 (0.064)
Visibility	0.041 (0.029)	0.037 (0.029)	-0.204 (0.146)	-0.201 (0.147)
Age from Founding		0.000** (0.000)		0.000 (0.001)
FMA Rank ¹²			-0.005 (0.006)	-0.005 (0.007)
_cons	1.018*** (0.052)	0.979*** (0.055)	1.880*** (0.215)	1.848*** (0.253)
Obs.	3144	3139	168	168
Pseudo R ²	0.032	0.032	0.342	0.343
Industry Dummy	YES	YES	YES	YES
Year Dummy	YES	YES	YES	YES
Market Dummy	YES	YES	YES	YES

Standard errors are in parenthesis
*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

¹² The use of FMA rank, instead of a ranking dummy variable, severely reduces the sample size in this study series, since only 200 firms are ranked in any given year. Thus, while we refer to these results to check the hypotheses, we do not rely on them for the main analysis.

ADDITIONAL FINDINGS: BETWEEN-GROUP MODELS

Because the data set is novel and untested, and this area of study so nascent, I also wish to report some interesting findings of the between group analysis that are peripheral to my hypotheses. These findings may be beneficial in crafting a publishable series of papers on the topic in the future. Tables are presented in **Appendix C – Additional Models and Analysis**.

Underscoring my theoretical support for this study, I have suggested that qualitative indicators, such as reputation, play a significant role in how firms craft announcement rhetoric. The question remains: how effectual are more *quantitative* indicators, such as deal value and the cash or stock structure of the deal? In earlier passages, I note that these elements were shown to have significant effect on rhetorical choices and therefore I had to control for them in almost all models. Here, I reveal a few of the insights of manipulating these quantitative measures.

First, the value of the acquisition deal (in \$ millions) is found to have significant effect on many rhetorical elements across the board. Higher deal values are associated with longer (Table 25), more complex (Table 26) releases that are also more promotional (Table 31) and positively written (Table 32). This is consistent with the idea that firms write releases with the amount of potential market interest in mind, assuming that larger deal values will garner more market interest. More interestingly, however, the effect of deal value is attenuated by reputation. As shown in Table 25, Models 6 and 7, the effect of deal value on word count is reduced for firms in the Fortune 500 Top 10. Similarly, in Models 4 and 5, the effect of deal value is reduced for firms in the FMA Top 20. This

implies that while the expected attention on the deal plays into the crafting of rhetoric, firms are also actively leverage their reputation.

We see similar patterns play out with the structure of the deal as well. Higher levels of cash in the transaction also lead to longer (Table 25), more promotional (Table 31), and positively written (Table 32) releases. I also note that one model (Table 28, Model 1) shows that higher cash percentages lead to slightly more certainty, which is intuitive; that is, firms need to convince the market that a major capital outlay in cash is beneficial. These effects are also attenuated by reputation. Table 25 shows that the effect of cash on word count is weaker for firms on the Fortune 500 Top 10 (1.472 vs. 1.525) and FMA Top 20 (1.447 vs. 1.493), consistent with the idea that firms actively leverage reputation.

My strongest indicator of reputation leverage is in the comparison of stock percentage of the transaction amount. Firms with a higher percentage of stock in the acquisition deal are shown to have longer (Table 25), more complex (Table 26), more analytic (Table 30) announcements that are more promotional (Table 31) and more positive (Table 32). Here, I see some of the strongest effect sizes across the board, which is suggestive, although not causally conclusive, that managers believe stock transactions need more justification and spin to the market. As Table 25 shows, this effect is attenuated by reputational rankings: the effect of stock percentage on length is lower for firms on the Fortune 500 Top 10 list (3.302 vs. 4.833) and for firms on the FMA Top 20 list (1.301 vs. 4.952). With regard to complexity, models actually show that directionality reverses (Table 26): the effect of stock percentage is negative for firms on the Fortune

500 Top 10 list (-0.0104 vs. 0.0085) and for firms on the FMA Top 20 (-0.0019 vs. 0.0086). The effect of stock percentage on promotional tone is also markedly reduced (Table 31) for Fortune (3.30 vs. 4.83) and FMA 1.30 vs. 4.95). The pattern also plays out for stock percentage and positivity, although some models are not significant at this level¹³.

I ran several models to test the significance of relatedness between the acquiring and target firms on the acquiring firm's selection of rhetoric given its reputational capital. With regard to brevity, acquiring firms in a related acquisition tend to be less concise, writing longer releases as the deal value increases (Appendix C, Table 33). However, results also suggest that the effect of age on brevity is strengthened for related acquisitions. That is, announcements of older firms tend to be longer for unrelated acquisitions than related acquisitions. This lends some credence to the substitutability of reputational capital for more costly strategic information among related acquisitions. I also observe older firms using less causal (Table 37) and less analytic language (Table 38), although these results are only marginally significant in my model. I also see evidence that older firms are slightly more promotional and positive if the acquisition is related, although the effect size remains low (Table 39).

I also ran comparative models to test how reputation rankings vary by relatedness of the acquisition. The strongest results are for brevity (Table 40), where I find that deal parameters increase word counts for unrelated acquisitions but decrease word counts for

¹³ We should note that the significance of all findings in this section persists despite much smaller sample sizes in ranked groups. The FMA Top 20 group includes no more than 192 deals while the Fortune 500 Top 10 group includes just over 100 deals, after filters. We believe this speaks to the robustness of the results overall.

related acquisitions. This implies that firms feel the need to justify deal parameters more if the acquisition is unrelated. Moreover, the effect of reputation on word counts more than doubles (Table 40); that is, firms of higher reputation release significantly less information for a related acquisition than an unrelated one. This suggests that firms anticipate reputational capital to be more valuable within their respective industry. Overall, I find evidence that a) firms do vary their selection of rhetoric based on the relatedness of the target firm, and b) relatedness affects the way they leverage reputation to avoid costly informational disclosures.

TABLE 20: STUDY 1, SUMMARY OF FINDINGS (ALL)

HYPOTHESIS		OVERALL FINDINGS
H1	Firms with more reputational capital tend to release shorter, more concise messages to the market.	Not Supported
H2	Firms with more reputational capital tend to be less concrete in acquisition announcements.	Partially Supported
H3	Firms with more reputational capital tend to use more positive, promotional language in announcements.	Supported

DISCUSSION OF FINDINGS

This study asks two questions. First, do firms leverage informational signals to avoid significant and costly disclosures? The findings above suggest that yes, firms manipulate the level of information dependent on a range of qualitative firm characteristics and quantitative deal elements. The results lends some support to the idea that firms leverage informational signals to avoid costly disclosure to competitors.

Second, does the degree to which a firm is established (known) in the market affect its rhetorical strategy? Results on hypotheses 2 and 3 show cautious support for the assertion that reputational capital does provide an informational buffer for some firms. However, the quantity of information provided and the direct effect of reputation on information is not consistent among firms in the larger market. Between high-reputation and non-high reputation firms, there are distinct differences in communication patterns that support the cost-based theory of impression management, but further analysis may be needed. I cannot provide unequivocal empirical support that the degree to which a firm is established in the market affects its rhetorical strategy.

Understanding that myriad factors come into play when crafting written messages, I acknowledge that other elements affect the overall rhetorical strategy of a firm as it communicates with the market around acquisition events. Specifically, I offer two alternative explanations for the findings of Study 1.

The first explanation rests in the practice of marketing and public relations. Traditional training in these business arts prioritizes two goals of communication: 1) efficacy (achieving desired effect among a constituency); and 2) establishment of a distinct voice. I observe in the data that the length and tone of press releases vary widely among different industries, owing in part to the differing needs of various constituencies. It follows that individual firms, in an effort to establish a unique voice and brand among competitors, also vary considerably in their rhetorical strategy *independent of perceived reputational measures*. Moreover, the rapid turnover and fluidity in the marketing and PR labor markets mean that practitioners with distinct styles and

approaches to rhetorical development flow between firms within and among industries, further diluting the effect of reputation. Therefore, although I observe some significant effects, I acknowledge that the nature of rhetoric as a human enterprise may be confounded by the transfer of knowledge among the individuals responsible for crafting such messages. This is discussed further in **Chapter 9**.

Second, while textual analysis has been established and refined for more than two decades, I acknowledge that the nuance of the English language may not be thoroughly represented within the 30+ quantitative measures of LIWC analysis. Furthermore, the same psychological studies that underlie my work acknowledge that the interpretation of language can depend on aspects of human communication too numerous to measure in a single study. Thus, I allow that confirmation of my theory might be unattainable despite such a large sample size. A detailed discussion of this limitation is also presented in **Chapter 9**.

SCHOLARLY IMPLICATIONS OF STUDY 1

First, Study 1 shows that a proper analysis of word-based, rhetorical strategies of firms is possible, and that these strategies are affected by endogenous firm characteristics such as reputation and size, as well as deal characteristics. This opens the door to a series of studies that may unify firm rhetorical strategy along deal and firm lines. If we combine this analysis with other, recent works on the timing of announcements and a factor analysis of the type of information firms include, this early exploration shows that the modeling of the rhetorical strategy of firms is possible.

Second, Study 1 expands the study of reputation to include internal firm effects; that is, reputation is an asset leveraged by firms in addition to an external force on the market. This expands the understanding of the IM literature by allowing for the inclusion of reputation as an endogenous factor in firm-level models, much as the literature may include firm size, value, the percentage of minority workers, free cash flow, and a range of other values. Understanding that reputation is a fluid concept, this study shows that isolation of reputation measures as a snapshot in time during specific acquisition events can give substantial insights into the intrinsic effects of reputation on impression management behavior.

Finally, Study 1 suggests that while official firm rhetoric does vary by certain elements, the general approach to official firm announcements is somewhat standardized among competitors. Evidence for this is presented in between-group comparisons of rhetorical models based on relatedness of the acquisition. This implies that there are strong industrial norms that force a degree of standardization and limit rhetorical creativity around announcements. Whether this is self-imposed, a factor of public relations apathy, or recognition by practitioners of the limited impact of firm press releases is not determined in this study, so these may be interesting areas of future study. The data allow for an exploration of rhetorical strategy by industry, although certain classifications may be limited.

PRACTICAL IMPLICATIONS OF STUDY 1

Because information managers know their intentions much more than the academic investigator, I am cautious in drawing any recommendations from Study 1 to practice. Furthermore, Study 1 does not explore the resulting efficacy of rhetoric, which is of more interest to practitioners. Therefore, I reserve expanded commentary on the practical implications of my study to the next chapter.

CHAPTER 8
STUDY 2 – RHETORICAL STRATEGY & INVESTOR RESPONSE

Investors seek as much information as possible to evaluate future firm value, but not all information is created equal. In the absence of concrete detail around a forward-looking event such as an acquisition, investors may look to other sources of information to indicate firm intent. Therefore, I investigated how differences in short-term market response may be the result of the rhetorical strategies of firms.

Recent works have shown that the rhetoric of an announcement, as a tactic of impression management, conveys important information to the market and also affects acquisition returns. Rhetoric also determines the level of information vs. promotion within a message. However, although a multitude of studies exist in accounting and finance, to date, few studies in strategy have examined the effect of rhetoric on investor perception of value. With so many firm resources dedicated to the impression management of daily activity, we do not have a full picture of how impactful these manipulations are. This study, therefore, lays the foundation to explore these issues from a more complete lens of investor interpretation.

The dual informational-promotional role of press releases has helped scholars link research in communications (Maat 2007) with practical examinations in accounting and finance (Schrand & Walther 2000; Hildebrandt & Snyder 1981; Henry 2008). These literatures draw on impression management to suggest that a clear, concise message delivered in an authoritative manner can mitigate potential negative market reactions, in aggregate. In the following study, I tested a series of hypotheses that show how, and

under what conditions, a firm can employ rhetorical strategies to alter investor reaction around a major firm event.

After extensive modeling, including numerous industry-, firm-, and market-level controls, this second study does not provide evidence that rhetorical strategy in press releases is an adequate determinant of abnormal market response around acquisition events. However, the study yields some insights as to a) the level of information provided in various industries and b) the market's receptivity to tonal manipulations by industry. In the interest of future study, I find the results of Study 2 foundational for more in-depth investigations of the topic.

RECAP OF FOUNDATIONAL THEORY

When we examine phenomena in Impression Management, we cannot ignore the role of audience in the efficacy of IM strategies such as rhetoric. Previous work in strategic management has shown that firms' public use of information can alter market returns (Staw, McKechnie, and Puffer 1983), and that firms typically manage their informational environment to the betterment of their stockholders (Puffer and Weintrop 1991; Zajac and Westphal 1995). I discussed the importance of audience and some recent theoretical work on categorizing audience in **Chapter 3**. This is one trend in M&A research, so I limit the analysis to the pool of investors in the U.S. Market. This is also consistent with works in IM that show that acquisition press releases tend to be written for the investment public, specifically those with active, tracking knowledge of market dynamics (Maat 2007). As a secondary audience, the media then interprets these press

releases for laypersons and consumers of news media (ibid). Thus, I characterize the IM audience in the study as investors – potential and current – who observe the actions of both the larger market and the acquiring firm.

This study differs from many theoretical models in finance that treat all investors as a homogeneous moving body (Barber & Odean 2007). Instead, I characterize two sets of investors whose information processing costs, degree of investment in the market, and prior knowledge of the firm differ, resulting in varying degrees of impression management susceptibility. It has also been suggested in the social psychology literature that individuals (in this case, managers) will alter messaging based on the anticipated response of an audience on whom they may be dependent for rewards (in this case, investors) (Felton 1978). This is consistent with the key tenets of anticipatory impression management and reinforces the need to define the audience parameters in addition to managerial/firm characteristics in this second study. It also underscores my choice to focus this study on the investor segment of a firm's audience¹⁴.

¹⁴ For a detailed discussion of institutional and retail investors, please refer to Chapter 3: Understanding Impression Management.

THEORY AND HYPOTHESES

In Study 1, I showed that the level of information may be measured by quantity and concreteness, and the level of promotion may be measured by the level of positive language used. Finance literature suggests that the tone of announcements works with market anticipation of an event to raise or lower valuations, trading volume, and future earnings. Just as in everyday interpersonal communications (Turner 1991), the tone of firm acquisition announcements can affect the market's perception of and reaction to its strategic action. In the study, I examine three elements of tone: the length of an announcement; its level of certainty, and its level of positivity.

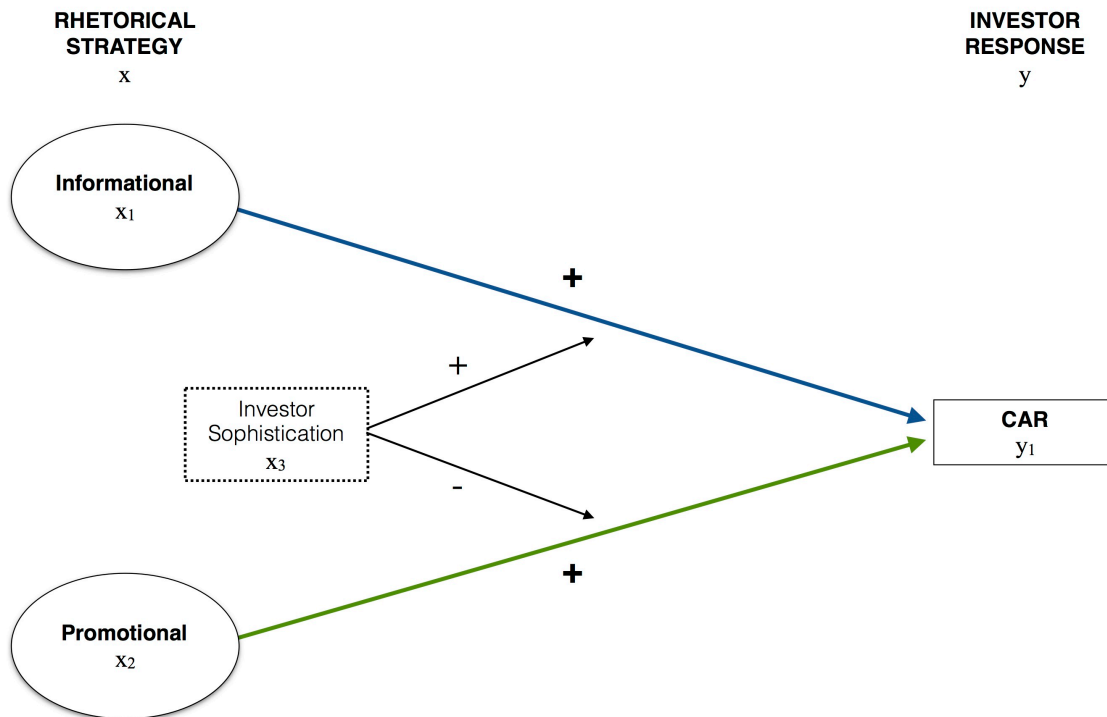


Fig. 9 – Study 2 Hypothesized Effects

Brevity and Performance

Since the role of a press release is to both inform and persuade, Study 2 asks how length and readability affects these functions. Literature shows that there exist significant differences in the readability of corporate information (Firth et al 2008), defined as the levels of brevity (the length of the information presented) in the document (ibid). In market theory, the role of information is clear: more information should lead to better-informed investors who will adjust the value of the firm upward. This suggests that more information reduces asymmetries and allows for better alignment between firm and investor; more is better. Empirically, however, the connection between the quantity of information and investor reaction is unclear because of the confounding effect of information readability.

The Securities and Exchange Commission (SEC) has been concerned with the timely and accurate dissemination of information to the market for nearly 80 years. In several postings after the 1933 Securities Act, the body encouraged a higher level of clarity within all disclosure documents (Firtel and Nate 1999). In 1967, the SEC commissioned a study on disclosure practices that ultimately became the “Wheat Report,” which documented that the average investor could not easily understand complex prospectuses. The report recommended that companies specifically avoid unnecessarily complicated and long writing (Firth et al 2008). In 1998, the SEC issued disclosure guidelines for the writing of corporate communications, providing practical tips to business writers. A sample from these recommendations: “... short sentences; definitive, concrete, everyday language, the use of the active voice; tabular presentation

or bulleted lists for complex material whenever possible; no legal jargon or highly technical business terms; and no double negatives” (Firth et al 2008, 233).

Information is inherently costly to process; that is, it takes cognitive resources to perceive and digest information stimuli. Grossman and Stiglitz (1980) hypothesize that information that is more costly to process is less reflected in market prices. Investors must dissect the information more thoroughly before accurately aggregating their assessment of value into the market share price. The implication is that firms with better performance or with lower risk activities should engage more transparent, simple lexical strategies to lower information processing costs among investors (Firth et al 2008). By decreasing the processing cost of positive information, managers strive to have the message received and absorbed quickly by the market.

The converse is also suggested. The management obfuscation hypothesis, popular in financial studies, argues that because the market does not immediately incorporate complex information, managers may also have an incentive to obfuscate information when firm performance is poor (Bloomfield 2002; Schrand & Walther 2000). Specifically, Bloomfield (2002) finds that managers are motivated to make it more difficult for investors to discover information particularly harmful to stock prices, and the authors confirm their theory through an empirical test of annual report disclosures.

In impression management terms, both promotion and obfuscation are recognized communication strategies (Elsbach 2009); promotion is considered an anticipatory acclaim strategy whereas obfuscation is dubbed “anticipatory defensiveness” (ibid; Marcus & Goodman 1991). However, the goals of defensiveness are not necessarily

aligned with the management obfuscation hypothesis. Under defensive impression management, more detail is used to appear “legitimate to broad audiences” (Conlon & Murray 1996). Moreover, more detailed accounts are seen as more reputable and accessible to investors (Shapiro, Buttner, & Barry 1994; Bies, Shapiro, & Cummings 1988). So which is it: more or less?

The answer may lie in the type of information under interpretation. In financial studies, the information under review is inherently complex, quantitative, and necessitating a background of specialized financial or accounting-based training. This constitutes a higher-processing order, where the information is detailed and verifiable, with little opportunity for ambiguity. Any ambiguity is injected in the qualitative portions of financial reports, such as footnotes or the management discussion and analysis (MD&A) section of earnings releases, where impression management tactics may be used. Despite the proportionally small nature of these sections, they have been shown to affect investor response significantly, so the IM techniques of managers are effective in this context. Eliminating any linguistic obstacles and ambiguity should enhance reader comprehension of such complex, “scientific” information (Moustafa 2018).

Studies in a range of contexts are consistent with the belief that detailed information is more costly to process (Hirshleifer & Teoh 2003; Peng & Xiong 2006). In finance, asset prices overreact to more general information and underreact to details (Hirshleifer 2003). In accounting studies, we see that poor readability may be linked to poor performance (Jones and Shoemaker 1994). Both literatures show that complicated text can cloud investor reactions to unsatisfactory performance (Henry 2008; Rogers,

Burskirk, & Zechman 2011), which allows for obfuscation of negative information. Courtis (1986) does not find a connection between readability and profits; however, Subramanian et al (1993) show a positive correlation between report readability and firm performance. It should be noted that studies in business communications, however, have not shown a significant correlation between readability levels and shareholder response (Means 1981; Courtis 1986).

Taken as a whole, this breadth of work implies that investors appreciate brevity, simplicity, and conciseness in financial announcements. However, I suggest that the distinctiveness of acquisition announcements may render different results. First, acquisitions are forward-looking with little verifiable information. Aside from deal characteristics, there may be little quantitative information for the market to process, which leaves the reader seeking information from insights rather than data. Furthermore, all forward-looking information is managerial conjecture, in that it states managerial intentions that may not come to fruition. In this sense, the information provided in acquisition announcements is the opposite of the data finance and accounting scholars have studied for decades. It is inherently unverifiable and forward-looking. Therefore, investors are not tasked with processing past information; rather, they must interpret management's statements, assess their applicability to future value, and assess their impact on value. This type of information is "less-standard" and inherently "more difficult to process" (Louis & Sun 2010; 1781) than more straightforward good/bad information. In addition, in acquisition announcements, the informational component is clouded by promotion; firms must not only report acquisition information, they must also

justify the strategic decision made. Unlike financial reports, acquisition announcements provide a problem for the market to solve.

In problem solving, too much information may be detrimental while too little information may leave investors without adequate decision-making parameters. Ford et al (1980) address the issue of brevity in a problem-solving situation head on. The authors conclude that in highly ambiguous situations where vital information is missing or open to interpretation, conciseness leads to a prioritization of factual information over conjecture. This is echoed in McCoy et al (2007) who find that brevity in communication of interpretive information is helpful to receivers.

In an examination of online medical advice, Toma and D'Angelo (2015) show that readers perceived messages as more credible if they contained longer words. This should imply that more complexity should lead to higher market reactions. However, unlike medical advice, acquisition press release announcements are already the official source of information on an acquisition deal. Although the feasibility of the forward-looking statements may be questioned, the credibility of the writer is not. This suggests that a long document obfuscates understanding by the reader and is counterproductive.

Furthermore, the level of speculation and risk varies between industries and firms, and so I anticipate that the communications strategies and market interpretation will vary considerably. In highly volatile markets, for example, investors may value more detail and substantiation over unsubstantiated claims (Bambaur-Sachse & Heinzle 2017). In technology, the value of a company is determined by how much the market understands the market potential of a new technology (Chen 2007). Understanding the unique tenets

of acquisition announcements, I posit that a “sweet spot” of readability exists that both satisfies the market’s need for information while remaining readably brief. This would indicate that a firm is informing without obfuscating, promoting without over-signaling, and balancing the informational and promotional nature of the release. Thus, with regard to brevity in acquisition announcements, I hypothesize:

Hypothesis 1: Announcement length and abnormal returns are negatively related.

Concreteness and Performance

As discussed in **Chapter 3**, information theorists have referred to information as the “reduction of uncertainty” (Shannon & Weaver 1949). Individuals use information to add context and nuance or to confirm or disconfirm existing beliefs (Brashers 2001). Inherently, this process is a personal assessment of preparedness or one’s own ability to reach a decision or take action (ibid). Uncertainty is the result of an individual assessment of the probability of a specific event, given the information provided. In the context of investor behavior, I propose that the rhetorical strategy of managerial communication helps determine the degree to which investor uncertainty is changed. I assume that, although speculation is always present, uncertainty about the value of firm strategy is “bad” for investors. Although an acquisition itself and its future repercussions are unknown and firms attempt to spin them positively, a lack of concrete information breeds uncertainty by the market. Indeed, this may incentivize firms to be as direct, forthright, and concrete in their communications as possible.

I define certainty as the level of concreteness conveyed by the language used. The level of perceived credibility is directly related to concreteness and certainty provided to the reader/listener. Concrete language enhances the credibility and therefore persuasiveness of a message (Hansen & Wanke 2010); as concrete terms are more believable than abstract (ibid). Concrete words are recognized faster and therefore processed easier than abstract terms (Bleasdale 1987; Kroll & Merves 1986). Concrete words are easier to recall for readers as they spark more imagery in the mind (Semin & Fiedler 1988; Paivio 1969), which also decreases processing time. Like detail, concrete language is more vivid, which increases the perceived probability of the event happening (Johnson et al 1993; Tversky & Kahneman 1982). By contrast, abstract words have been shown to increase the unlikelihood of an event in perceivers' minds (Todorov, Goren, & Trope 2007; Wakslak & Trope 2009), as they place emotional distance between the actor and perceiver.

To recap **Chapter 3**, certainty and ambiguity exist on a spectrum (Dulek & Campbell 2015); extreme words like “all,” “always,” and “every” convey 100% certainty, while more general phrases such as “we believe” convey less certainty (Griffin 1991; Ober et al 1999). The Linguistic Category Model (LCM, Semin & Fiedler 1988, 1991, 2008) categorizes several word classes in terms of concreteness and abstraction. Of these categories, more concrete terms include specific descriptions of actions or objects or some interpretive action verbs related to specific actions. Less concrete terms include more general descriptions and basic abstract terms. With regard to structure, the passive voice (“Company X has been Acquired by Company Y”) is considered more abstract,

whereas the active voice (Company Y acquired Company X) is concrete (Hansen & Wanke 2010). Indeed, many empirical works have shown that concrete language is perceived, universally, as being more credible and judged as more truthful compared to abstraction and ambiguity (ibid; Semin 2008; Herzog, Hansen, & Wanke 2007; Akehurst et al 1996), although this effect is attenuated by the cognitive mechanisms of the receiver (Doest & Semin 2005; Larrimore et al 2011).

In announcements, firms are tasked with enhancing the credibility of the firm in order to amplify any positive effects the announcement may have (Coller & Yohn 1998; Hirst et al 2007), but this is not without constraints. Strategic communication implies that although the disclosure must be true, it must also serve the goals of the organization (Thompson, Peteraf, Gamble, & Strickland 2013; Dulek & Campbell 2015). As Pfeffer (2010) points out, full clarity may not help all strategic purposes; indeed some level of ambiguity is necessary to balance perception. We must recognize the balancing act between concrete language and promotion, as the two may have combative effects on credibility. Hyland (1998) shows that persuasive language in annual reports that takes the form of facts and unimpassioned reporting appears more rational, credible, and persuasive to investors than more creative, non-mandated commentary by management. Griffin (1991) shows that phrases that bring personal opinion forward, such as the words “all,” “always,” “every,” and “entirely,” are concrete, but sometimes too extreme to be taken as fully credible. Concrete words also stress the use of verbs and facts, while abstract terms are more general and focused on future events (Elliot et al 2015; Semin & Fiedler 1988). In general, concreteness is identified by the presence of clear descriptions,

high-frequency words, and terms that suggest unambiguous conclusions, and these have been shown generally to increase the persuasiveness of a message (Doest et al 2002; Toma & D'Angelo 2015).

Studies of backward looking reports, such as earnings reports, earnings calls, and annual reports in the communications literature point to a strong effect of concrete language on shareholder reaction. High-performing companies tend to be more concrete and forceful than those of lower performers (Subramanian, Insley, and Blackwell 1993), although this work does not determine the direction of causality. Pan et al (2018) connect the notion of persuasiveness with positive investor reactions. Firms that disaggregate, or provide more detail for, earnings reports are judged as more credible by investors (Hirst et al 2007). They show that concrete language generally leads to positive investor responses on earnings calls, although this is conditional on the risk profile and informational environment of the communicating firm. Concrete language is found to be more understandable by laypersons and sophisticated investors alike (Sadoski 2001), and managers who use concrete language are perceived as more trustworthy and competent (Toma and D'Angelo 2015). Moreover, corporate use of certainty in public materials is not affected by organizational profitability or industry type (Ober et al 1999). This is consistent with the impression management tenet that firms actively manage their external images to be more positive, independent of internal organizational goals.

It should be noted that credibility does not necessarily correspond to verifiability; indeed, information does not need to be verifiable and correct to be regarded as credible (Planalp & Honeycutt 1985; Brashers 2001). This has two implications for the current

study. First, because credibility does not depend on the verifiability of the information, we can apply it to forward-looking, unverifiable acquisition announcements. Second, concreteness is distinct from, but complimentary to, the degree of promotion and spin in a statement or announcement. Practicing communications strategists have argued that managers should avoid hedging, use definitive language, and be direct in any language used to describe firm actions (Ober et al 1999; Penrose et al 1997), but they acknowledge that strategic care must be taken; there is no “one size fits all” form of communication strategy.

Announcements serve to confirm the parameters of the acquisition deal and frame the acquisition as a good strategic decision for investors. Since acquisition announcements are the first official communication on a firm’s strategic action, I assume that investors are looking to compare the information provided with that of unofficial, prior information (ie, private information). Before a firm releases an announcement, there may be uncertainty as to the exact parameters and costs of the acquisition deal. There are facts that may be confirmed or changed. Prior to the announcement, there are also opinions as to how the acquisition may affect performance. The firm may address these issues in the promotional components of the announcement. They may even explain the expected synergies and anticipated strategic moves in great detail. However, these deal characteristics still may change as the deal evolves prior to its close. At best, any strategic intentions or deal details are pure conjecture on the part of the announcing firm. I theorize that, in terms of information asymmetries, this means the acquisition announcement only begins the official discourse and opens more informational gaps than it closes. Therefore,

the more concrete and certain the announcement can be, the fewer question marks will remain for investors:

Hypothesis 2: Certainty, through the use of concrete language, is positively related to abnormal returns.

Positivity and Performance

The majority of sentiment-based works in finance and strategy have dealt with the specific level of positivity and negativity in investor communications. This is a narrow definition, but one that has yielded the strongest insights from researchers. Inherently, promotional materials have a positive tone. Rutherford (2005) and Hildebrandt and Snyder (1981) find that promotional elements in annual reports tend to be more positive than negative, regardless of financial performance. The nature of positivity in announcement press releases, therefore, is of considerable interest, since these pieces have both an informational and promotional component.

In the context of acquisitions, firms can choose to focus the content of the announcement on the strategic decision, promoting its benefits, its synergies, and its anticipated financial impacts. Firms can also use positive words to describe future opportunities and expected achievements. They may choose to provide positive content or positive descriptions of content. Both approaches serve to justify and promote the acquisition as a “good idea.”

The connection between positivity and performance is documented in finance, accounting, and strategy. De Long et al (1990) and Tetlock (2011) show that negative tone in firm information is perceived as pessimism, and positivity as optimism. Garcia

(2013) finds that linguistic tone in media coverage is an accurate predictor of market returns. Some scholars have even engaged in an analysis of Internet postings, such as those on Twitter and Facebook, and find that linguistic tone measures accurately capture the sentiment of investors (Bollen, Mao, & Zeng 2011; Karabulut 2013). Consistent with models showing the effect of limited investor attention, studies also show that market prices respond to new information presented in the media with a slight delay (Hirshleifer & Teoh 2003; Peng & Xiong 2006). Connecting this media effect back to the firm, Ahern & Sosyura (2014) find evidence that changes in the tone of business news are consistent with active media management by firms, especially around acquisition announcements. Specifically, they show that “the fundamental relationship between information and stock prices can be distorted by a firm’s strategic incentives to control its news coverage” (246), and that this distortion is a function of positive or negative tone in the press release. Moreover, this strategy is often determined by other strategic initiatives of the firm. For example, firms using different debt structures for acquisitions use significantly different proportions of negative and positive words in press releases (Loughran & McDonald 2011), leading to variability in returns.

This group of studies is consistent with the behavior of communications professionals across industries. Much of the impression management literature shows that official communication tends to include linguistic devices that create a positive firm image (Hyland 1998). Davis & Tama-Sheet (2012) find that managers increase their use of positive or optimistic language in earnings press releases based on the quality of the financial returns themselves. There is also evidence that writers use positivity to mitigate

negative investor response during times of crisis or ambiguity (Prasad & Mir 2002). CEO's facing negative earnings situations tend to use more extreme positive emotion words in an attempt to obfuscate investors (Larker & Zakolyukina 2012). Understanding that investors seek concrete information, Bowen et al (2005) show that some firms overemphasize positive metrics in text in order to skew market interpretation of financials.

Positivity and negativity are not equal forces, however. A positive tone does not have an equal effect on returns as a negative tone; the effect of negativity is much higher (Rozin & Royzman). Psychologically, negative information commands more attention and processing capacity from those interpreting it (ibid). Also called the "positive-negative asymmetry effect" (Baumeister et al 2001, 323), the result is that negative information contributes more to a final impression than positive (ibid). Impression management has documented the negativity bias consistent with prior literature in psychology. Specifically, extreme or negative affect is considered more information, and more information is weighted more heavily for those forming an impression. Negative words become more causal than positive words (Bohner et al 1988) and necessitate more explanation and processing capacity from perceivers (Peeters & Czapinski 1990).

The negativity bias prevalent in the context of attitude and impression formation (Lewick et al 1992; Peeters 1989; Peeters & Czapinski 1990; Baumeister et al 2001; Anderson 1965) is highlighted in studies of investor behavior, although works have shown it in a range of contexts (Kahneman & Tversky 1979). It suggests that investors are predisposed to perceive acquisition events – as neutral-form – as value destroying,

and therefore react negatively to their announcements. This is consistent with Kahneman and Tversky's loss-aversion principle, where future anticipated losses are more negative than corresponding future gains are positive to investors. Indeed, empirical works have shown that negative information has more of an impact on returns and is more thoroughly processed than positive (Baumeister et al 2001; Rozin & Royzman 2001). More negative words in media coverage are associated with lower same-day stock returns (Tetlock 2007), and the linguistic tone of media coverage can predict price movements one day in advance (Garcia 2013). A range of studies confirms and expands upon these findings (Busse & Green 2002; Antweiler & Frank 2004; Tetlock et al 2008; Engelberg 2008), suggesting that the level of negativity and positivity in market information significantly affects investor perception and market returns.

Three items are of particular note related to my current study on acquisition announcements. First, while the literature agrees that managers manipulate the tone of announcements and that these manipulations affect market response, studies diverge on the exact mechanism of action. For example, Davis, Piger, and Sedor (2012) find that the positive correlation is due to additional information (including positive statements inherently increases the length of the document), while Huang, Teoh, and Zhang (2013) find a connection to the rhetoric used (positive vs. neutral words). Moreover, because of a multitude of confounding factors, the impact of positivity on abnormal returns ranges greatly among and between industries. This implies that although positivity is an effective impression management tool, investors are still concerned with the content of

the information itself. The dual informational-promotional role of acquisition releases therefore restricts the impact of positive spin.

Second, the norms of acquisition returns are that the acquiring firm faces temporary market losses (see: Haleblian et al 2009). If this is a norm for investors, they may be predisposed to a) see only negative information in an acquisition announcement; or b) look harder for any positivity that might change the outcome in the latest move (Rozin & Rozyman 2001). This is consistent with the thesis that negativity outweighs positivity, to the point where it takes more positive affect to create an equal directional effect; “many good events can overcome the psychological effects of a single bad one” (Baumeister et al 2001, 323). This cognitive distortion (ibid) may be amplified in acquisition announcements, since the information is inherently spun to be “always positive;” that is, investors may be desensitized to the level of positivity and become more biased to see negative tone. Thus, the unique context of acquisitions as forward-looking information comes into play.

Third, we must consider the problem-solving nature of acquisitions. Recall that an acquisition is a neutral-form event, which inherently lends itself to more interpretation by investors. There is therefore, for all investors, more of a problem or puzzle to solve, and in this context, positivity is helpful. Events perceived as negative require more cognitive processing power than good because they require problem solving (Taylor 1991). The suggestion is that positive news could be ignored, while negative news needs to be acted upon. Isen et al (1987) show that positive affect enhances problem-solving and creative behaviors, and those actions that require significant ingenuity or innovative capabilities

benefit from positive priming. Moreover, this effect can be induced by the use of positive words (ibid).

With regard to the lexicon in modern English, there are more negative words than positive, a fact psychology scholars have pointed to in their assertion that bad is stronger than good (Russell et al 2013). However, there is also more variation in negative words, which indicates more nuance in the perception of negativity than positivity (Baumeister et al 2001).

Since acquisition announcements are promotional, and therefore positively spun by firms, I expect there to be a strong effect of positivity and negativity on investor reaction. However, the directionality may be counterintuitive, since investors may be predisposed to dislike and react negatively to the acquisition event based on historical precedent. Therefore:

Hypothesis 3: There exists a positive relationship between positive words and market returns in an acquisition announcement.

Moderator: Investor Sophistication

As many theoretical models in finance and economics treat investors as a homogeneous body, IM has evolved to categorize investors along many lines (see **Chapter 3** for a full discussion of these segments). Therefore, consistent with the IM discipline in which the Study 2 resides, I characterize two types of investors whose information processing costs, degree of investment in the market, and prior knowledge of the firm differ, resulting in varying degrees of impression management susceptibility.

Information processing costs vary between individuals, and the value of a company is affected by how much investors understand the value implications of strategic actions (Chen 2007). Specific to firms and markets, I hypothesize that the degree to which announcement tone affects investor reaction varies by the type of investor receiving the information. To what degree does the sophistication of the investor affect how the information in a release is processed, and does the presence of institutional investors make the market more or less likely to respond to certain communication strategies? Recall that acquisition announcements are both informative and persuasive, and they also exist in a larger environment of information, including rumor and firm historical action. Thus, the degree to which different groups of investors have access to this prior information – and how they process it – affects subsequent abnormal returns.

Institutional investors are those entities with large firm holdings and whose business is trading funds, stocks, and other investment products. For typical, publicly traded firms, the remaining percentage of stockholders may be comprised of holding companies and/or retail investors, individuals trading through brokers or the multitude of online platforms available to the general public. In finance and accounting, a range of studies has compared how these groups differ in terms of trading behavior. For example, both institutional and individual investors behave similarly with securities (Genesove & Mayer 2001; Heath et al 1999; Shapira & Venezia 2001), although individual investors tend to hold on to losing stocks and sell winning stocks, on average, more than institutions (Odean 1998a; Shefrin & Statman 1985).

However, recent studies on management disclosures have found some differentiated behavior based on the type of investor, with those in the financial sector or with intensive trading experience noted as “institutional” or “sophisticated” (Boehmer et al 2008; Drake et al 2012). Alternative financial models by Miller (1977), Harris and Raviv (1993), Kim and Verrecchia (1994), and Kandel and Pearson (1995), as well as Tetlock (2014), have allowed for investors to interpret information differently. In the domain of behavioral finance, it has been shown that investor biases can skew interpretation of information in the news media, affecting asset prices and trading volume (Tetlock 2014). It has also been posited that these biases should show similar differences in the interpretation of official firm information (Mullainathan & Shleifer 2005).

Institutional investors “process information with above-average skill” (Blau et al 2015, 205), due to their formal education, vocational training, and daily immersion in the market environment. They face a series of search problems when selling, since large-scale institutions typically sell short (Barber & Odean 2007). They devote more time searching for securities information and typically limit stocks to a particular sector. This inherently reduces their search parameters and corresponding information processing needs (ibid). By comparison, “retail” or “individual” investors may not have the training or incentive to process the same information. They trade at a distance from the market environment and are not wholly responsible for major accounts. Retail investors, however, are managers of their own money (Lakonishok et al 1991), and as such they are not constrained by the agency, career, or liquidity requirements of institutional investors (Chevalier & Ellison 1999; Coval & Stafford 2007). Their trading strategies draw more

heavily on geographic proximity to firms or anecdotal insights into the validity of the firm's offerings, rather than the more structured trading patterns of institutions (Kelley & Tetlock 2013).

These elements suggest that major patterns in asset markets are the result of different information availability and processing capabilities by a heterogeneous market of investors (Chen 2007). Inherently, all investors can choose from a wide range of stocks or sectors in which to invest. Each investor's decision is therefore boundedly rational. Institutional investors, however, have an informational advantage over retail investors (Chen 2014). Some empirical works have shown that investors with local or proximate information, such as those that trade daily within a specific sector, perform better than diversified retail individuals (Coval & Moskowitz 2001; Kacperczyk, Sialm, & Zheng 2005). Institutional investors also have more access to contextual, existing information, such as rumors, than individuals. By comparison, retail investors draw upon anecdotal insights into consumer tastes, and they are more inclined to buy highly visible, salient stocks because of limits on attention (Barber & Odean 2007).

Institutional investors are also more prepared to process historical firm information, such as prior acquisition performance, in context and may spend more time processing information before making a choice (Barber & Odean 2007). Finally, by their nature, institutional investors are more aware of the larger market and any fluctuations or trends that may occur. Therefore, the boundaries of choice for institutional investors are much wider than for individuals in terms of information available (ibid).

In terms of processing costs, it is suggested that retail investors draw more heavily on emotion as the lowest cost way of information processing (Chen 2014). Retail investors do have access to the same public trading information as institutions, but they may not pay to access such fundamentals, instead relying on easy-to-understand information accessible at low cost. In fact, empirically, retail investors perform better than institutions at times of new or sudden change (ibid), suggesting that institutional investors take longer to process such a wide range of information in certain instances. This affects the processing of information presented in acquisition press releases and subsequently the degree of investment (abnormal returns).

With regard to brevity and complexity, some studies of earnings reports have shown that complexity adversely affects small investors disproportionately (Miller 2010; Loughran & McDonalds 2010). This implies that the formal training and incentives of institutional investors allows them to process information and therefore adjust prices more quickly. Faris and Smeltzer (1997) and Nilsson (1997) both show that background knowledge is more impactful for a reader than his/her comprehension of CEO writings, indicating that experience and education on financial returns changes the context in which institutional investors receive new information. Tan et al (2014) find that the effects of readability are attenuated by investor sophistication: low readability with positive language leads to more positive responses from less sophisticated investors, but lower for institutional investors. This suggests retail investors are more apt to fall for strategies such as confounding or anticipatory defending (Elsberg 2009). Indeed, Blau et al (2015) find that institutional investors, such as short-sellers, can more completely

interpret impression-managed information in earnings calls, leading to lower response, while “naïve” investors react more positively.

If information is the reduction of uncertainty (Shannon & Weaver 1949), it stands that reducing uncertainty will be of more value to investors with inherently more uncertainty at the start: retail investors. Indeed, more information both increases processing time and decreases the number of decisions an individual has to make (Ober et al 1999). Hansen & Wanke (2010) point out that information assists investors in accurately estimating risk, a task which retail investors may need more help. In this case, institutional investors, with significantly more exposure to the market, higher processing capabilities, and more ambient information sources from which to draw information on the deal, face lower risk than retail investors. Therefore, institutional investors need less information in the press release than their retail counterparts. Consistent with other works in M&A, I measure institutional investors as the percentage of institutional ownership of an acquiring firm’s stock. Thus:

Hypothesis 4: The greater the proportion of institutional investors, the stronger the relationship between brevity and abnormal returns.

Concreteness may also help retail investors reduce information processing costs. Abstract events are more distant, whereas detail increases the reality and likelihood of an event (Tversky & Kahneman 1982). Based on the connection between concreteness and perceived realness (Hansen & Wanke 2010; Tversky & Kahneman 1982), I see a range of benefits for investors with more limited access to information. Concrete words are

recognized faster and therefore processed easier than abstract terms (Bleasdale 1987; Kroll & Merves 1986). They are easier to recall for readers as they spark more imagery in the mind (Semin & Fiedler 1988; Paivio 1969). Like detail, more concrete language is more vivid, which increases the perceived probability of the event happening (Johnson et al 1996; Tversky & Kahneman 1982). Overall, concrete language is found to be more understandable than ambiguous language by laypersons and sophisticated investors alike (Sadoski 2001).

However, if we use the term equivocality instead of uncertainty (Weick 1979), we may see how investor sophistication affects the degree of understandability by different investors. Equivocality is the level of understandability, and this varies among individuals. Although the level of information included in a disclosure is constant, its understandability differs by familiarity and context of the investor. Perceptions are affected by the recipient's mind-set (Freitas et al 2004) and spatial distance from the event occurring (Fujita et al 2006; Henderson et al 2006). Therefore, concrete language may be more understandable overall, but this may exist on a spectrum based on investor background. In addition, people develop responses to uncertainty based on their own goals, tasks, and constraints (Brashers 2001), and so the psychological proximity of the market may cause differences in investor processing. Concrete information is of more value to decision making in situations of close psychological proximity (Herzog, Hansen, & Wanke 2007); an investor closer to the investment scenario values more specific, concrete information. For investors of different proximity to the market, this suggests that concrete language has different effects. Specifically, those institutional investors whose

very day-to-day environment is in the market will respond highly to concrete information, whereas retail investors will respond more positively to the abstract. Thus:

Hypothesis 5: The greater the proportion of institutional investors, the stronger the relationship between concreteness and returns.

I must note that the larger market reaction is, in most literatures, attributed to the retail, unsophisticated investor (Tetlock et al 2008; Davis et al 2012). This is despite institutional investors holding discretionary control over more than half of the U.S. equity market (Gompers & Metrick 2001). Moreover, institutional and individual investors exhibit different trading behaviors (Gervais, Kaniel, & Mingelgrin 2001); while both react to major news, institutional investors tend to limit trading during high-volume days, such as those in the announcement window, whereas retail investors seek this time to trade (Barber & Odean 2007). Huang et al (2015) show that the strategic use of tone in press releases is effective in changing market perception in aggregate, and Price et al (2012) show that the reaction of the market is successfully attenuated by the positive or negative tone of earnings calls, indicating that aggregated effects are more measurable. Thus, while institutional investors may interpret tone differently than layperson investors, it may not have an observable nor measurable effect on returns. Therefore, I approach the study of significance of investor sophistication with cautious optimism.

With regard to positivity, one model of strategic communication (Kartik et al 2007) suggests that managerial language always overemphasizes good news and that this positive tone both deceives naïve investors while signaling sophisticated investors of a

problem. This suggests that institutional investors are immune, for reasons outside the scope of this study, to tonal manipulations of managers. Since institutional investors have the ability to gather a wider range of supporting data, attempts to mislead them by focusing only on positive spin cannot be successful (Miller & Bahnson 2002). The text portions of announcements are merely one statement in a larger pool of information on which to base a decision (Henry 2008). Sophisticated investors may also be more likely to recognize the information within tone and have a better grasp of the overall strategic implications of the firm's action (ibid). Rogers et al (2011) show that "unusually optimistic statements in earnings announcements increase the likelihood of subsequent shareholder litigation" (Blau et al 2015), indicating that the message firms send is not always indicative of investor interpretation. Institutional investors are distrustful of over-optimistic rhetoric and therefore pay more attention to the strategic action at hand (ibid). The specific differences in investor interpretation of positivity have not been studied in a neutral-form announcement, which I undertake in this study.

Empirical works on earnings announcements for sophisticated investors suggests that institutional investors are immune to - or at least particularly skeptical of - overly promotional rhetoric, as indicated by an increase in positive tone and managerial outlook. This type of rhetoric may be perceived by institutional investors as an overt attempt by the firm to obfuscate anticipated costs or other negative potentialities of an acquisition deal. Thus:

Hypothesis 6: The greater the proportion of institutional investors, the weaker the relationship between positivity and returns.

METHODS

A full description of the data collection and analysis methodology for both studies 1 and 2 is presented in **Chapter 6**, including a discussion of insufficiency of existing data sets that necessitated the creation of a novel data set for the work. **Chapter 6** also includes the final data handbook. Summaries on key variables are available in Appendices A and B.

Consistent with works in M&A, Study 2 uses event study cumulative abnormal returns (CAR) to examine performance effects at the level of the acquisition announcement. To increase availability of pertinent firm-, deal-, and industry-level data, I restricted the analysis to announcements of acquisitions made by publicly traded firms in the US market (NASDAQ, NYSE). Further, because of the adoption of Internet-based trading, which significantly impacted the availability of information therefore trading patterns in the mid 1990's, I restricted the sample to firm deals enacted after 1996. Since the CAR-dependent variables are continuous measures clustered around mean = 0, and consistent with M&A work, I use ordinary least squares regression (OLS) for testing the hypotheses in this study. I use Stata's "regress" command with standard errors clustered by organization, although I test other clusters and controls in several models. It should be noted that, although there is extensive data across multiple organizations and years, the single-firm event-level sample is quite low and not sufficient for panel data methods.

Sample Data

A full list of variables is included in the data handbook presented in **Chapter 6**.

Dependent Variable

Cumulative Abnormal Returns (CAR)

Since I seek to examine the reaction of the market, and consistent with prior research in finance, strategy, and economics, I examine the impact of tone using CAR data from the Fama-French 3-factor methodology (Fama 1980). Research on capital markets, including M&A, IM, and finance, have shown that short-window studies are reliable and limit some of the statistical limitations of long-term studies (Kothari et al 2006). Engelberg (2008), Feldman et al. (2008), Henry (2008), Henry and Leone (2009), Doran et al. (2010), Davis et al. (2011), Davis and Tama-Sweet (2011), Demers and Vega (2011), Huang et al. (2011), Loughran and McDonald (2011a, 2011b), Davis et al. (2012), Engelberg et al. (2012), Jegadeesh and Wu (2012), and Price et al. (2012) all employ the standard event study methodology to examine the extent to which sentiment in corporate disclosures (or news articles about disclosures) impacts on firms' cumulative abnormal returns around the 'event' or during a post-event period. I apply similar analysis to the study of mergers and acquisitions.

I measure market reaction by the cumulative abnormal return (CAR) of the acquirer's stock in a three- and five-day event window centered on the announcement date. Abnormal returns are the part of the return on a stock that is unanticipated by expected returns models for the same stock (ibid). Cumulative abnormal returns are the sum of daily abnormal returns that capture the influence of a particular event. Following the standard in acquisitions analysis (see Strong 1992 for a formal overview of event study methodologies; also McWilliams and Siegel 1997), I use OLS regression to

estimate the parameters of the acquiring firm returns from 35 weeks to one day before the acquisition announcement, using the Fama-French 3-Factor Asset Pricing Model (Fama & French 1992/3).

$$E(r_i) = b_i E(r_m) + s_i E(SMB) + h_i E(HML)$$

where $E(r_i)$ is the expected excess return on asset I; $E(r_m)$ is the expected excess return on the market portfolio; $E(SMB)$, or “small minus big,” is the expected return on the mimicking portfolio for acquiring firm size, which is updated annually; and $E(HML)$, or “high minus low,” is the expected return on the diversified portfolios of high and low book-to-market stocks, also updated annually.

Then, I calculate cumulative abnormal returns (CAR) as:

$$CAR_t(T_1, T_2) = \sum_{t=T_1}^{T_2} \{R_{it} - (b_i E(r_m) + s_i E(SMB) + h_i E(HML))\}$$

where T_1 and T_2 are +/-3 and +/-5 day windows. The use of short-window CARs is consistent with previous research that has examined market response to financial and other information disclosed in earnings press releases (e.g., Bowen et al., 2005; Francis et al., 2002; Lougee & Marquardt, 2004; Schrand & Walther, 2000).

Independent Variables

Quantity of Information: Brevity

I measure the quantity of information provided to the market by the length of the press release document itself, as measured by total words. I take as axiomatic that the length of the document is positively related to the amount of information a firm is disclosing. The measures of the quantity of information are:

- the length of the press release (total word count)

Quality of Information: Concreteness

Two forms of concrete information may be provided to the market: facts and data. As a count of concrete terms in the LIWC dictionary, concreteness allows us to examine the provision of facts and assured statements. As concreteness exists on a spectrum of ambiguity, the presence of concrete terms is positively related to the provision of information. The measure of the concreteness of information is therefore:

- count of concrete language.

Promotional Language: Positivity

Consistent with Study 1, firms are seeking to promote acquisition behavior in a positive light to elicit favorable investor reaction. To that end, I focus on the positive promotional language provided by firms as well as a negative tone. A range of measures on positivity are possible; following works in finance, strategy, and impression management on managerial sentiment, I focus on one:

- Positivity: count of positive emotive words;

Moderator

Investor Sophistication: Literature indicates that institutional investors bring with them a higher level of analysis and day-to-day trading knowledge that may affect interpretation of firm rhetoric. Therefore, I engage two measures of investor sophistication as the proportion of institutional investors:

- *Instown_perc*: the percentage of institutional investors of a given firm's stock.
- *Instown_HHI*: a Herfindahl index of institutional investor concentration for a given firm's stock. Calculated as:

$$instown_{HHI} = \sum Institutional\ Ownership\ Shares^2$$

For expanded analysis, also I derive quartiles of ownership percentage. I also gather total ownership blocks, maximum institutional block owners, and the number of institutional owners for possible controls.

Control Variables

Consistent with studies in M&A and reputations, I control for a range of firm- and industry-level factors that may influence the effect of reputational capital on rhetoric. For a list of controls, please refer to Chapter 7 – Study 1.

Regression Analysis & Model Specification

Consistent with prior works in impression management and mergers and acquisitions, I test the hypotheses using OLS regression. When exploring preliminary distributions, the dependent variable (CAR) tends toward a standard normal regression and can be negative; thus, the analysis is consistent with OLS with controls for industry and market fluctuations. I also examined deal characteristics and determined that they should be included in the final model, as they significantly affect CAR. Because firm-level effects are also significant for performance metrics like CAR, I began with clustered errors around the acquiring firm. Finally, a Hausman test led to the final specification of a fixed-effects OLS model with firm-level error clusters and controls for year, deal value, deal structure, industry, and market fluctuations. This study also assumes independence of variables, although I test for correlations (see Chapter 7). Consistent with much of the work in this area, I also found that the large sample size caused the independent variables to more accurately approach the normal distribution.

Table 21: Summary Hausman Test Results – Fixed vs. Random Effects, Panel, Cumulative Abnormal Returns (3-day)

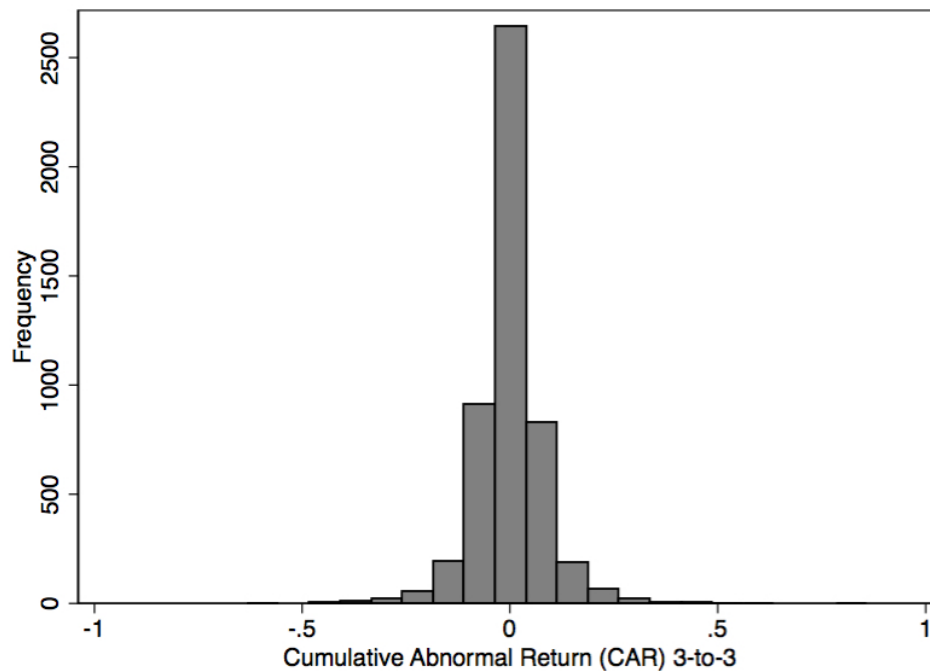
	OBS	CAR 3-Day χ^2 ($p > \chi^2$)
Controls Only	4,430	21.20 (0.9986)
Full Model	3,003	26.01 (0.9859)
Results Favor:		Fixed

In the following sections, I review descriptive statistics on the data, review results by hypothesis, and discuss the findings.

DESCRIPTIVE STATISTICS – STUDY 2

What do we observe in the available data?

The summary statistics and distributions provided in Appendices A and B show some of the baseline trends of acquisition rhetoric over the past 18+ years. As shown in the chart below, Cumulative Abnormal Returns are normally distributed around the mean, although the average of the sample is positive.



Furthermore, the mean CAR by industry varies widely (see Table 22). Some industries enjoy consistently positive abnormal returns to acquisition announcements (ex:

Apparel, Electrical Equipment, Consumables, and Food Products), and some suffer consistently negative abnormal returns (ex: Personal & Business Services, Business Equipment, Insurance and Banking, and Publishing). Therefore, I control for industry using Fama-French Industry classifications (10- and 30-category, as indicated in models).

As we see in Appendix A, Chart 1, the number of deals that have exceeded \$10 million in value has fallen over the past two decades, while the overall mean value of deals per year (shown in Appendix A, Chart 2) has risen. We also observe that the 2008 recession had a measureable impact in acquisition behavior, with a marked decrease in the number of deals and a simultaneous increase in deal value for 2009. This reinforces the initial concerns that deal value and macroeconomic fluctuations will play a key role in both rhetoric and returns, and therefore should be one focus of the analysis. For these controls, average deal value in the sample of 5,443 deals is nearly \$1.3 billion (*See Table 2*). On average, deals are financed 45% with cash and/or 25.5% stock, while some 25% of the deals collected had an unknown structure. These deal structural elements also play a key role; therefore, I control for them in the models.

One of the major concerns with any study on abnormal returns is the number of confounding factors that render us with small effect sizes, despite significance. We add to this the need to aggregate among various industries in order to achieve a satisfactory sample of press releases, since rhetorical characteristics are especially nuanced. This potentially compounds the problem. Although I test for multiple industry-, deal-, and market-level issues, I acknowledge that not all factors can be included. This limited the explanatory power of the models, as we will see in the next section.

TABLE 22: CAR 3-day by Industry (Fama-French Classification, 30)

Industry	# of deals	Mean CAR3
Food Products	132	0.0109504
Beer & Liquor	3	0.0217115
Tobacco	6	-0.0074398
Recreation	38	-0.0031488
Printing & Publishing	27	-0.0030023
Consumer Goods	40	0.0037381
Apparel	21	0.0408326
Healthcare, Equipment, & Pharmaceutical	509	0.0042854
Chemicals	74	0.0169778
Textiles	13	0.001625
Construction & Materials	97	0.0123004
Steel Works	71	0.0021907
Fabricated Products	109	0.0004306
Electrical Equipment	18	0.0281092
Automobiles & Trucks	57	0.004345
Aircraft, Ships, & Railroad	55	0.0029425
Precious Metals	17	0.004773
Petroleum & Natural Gas	203	0.0019776
Utilities	358	-0.000076
Communication	237	0.0068111
Personal & Business Services	645	-0.0107558
Business Equipment	625	-0.003048
Business Supplies & Shipping	60	0.0133376
Transportation	99	0.0135892
Wholesale	257	0.003876
Retail	202	0.0095868
Restaurants, Hotels, Motels	40	0.0081164
Banking, Insurance, Real Estate	844	-0.0003141
Other	83	0.0045908

There is an important caveat to the findings presented below: given the range of elements, both internal and external to the firm, that affect abnormal returns to acquisition announcements, isolating the effect of such nuanced elements as rhetoric away from the noise of confounding factors is difficult. I expand upon this difficulty as it

relates to text-based linguistic analysis in **Chapter 9**. In addition to the production of statistical benchmarks from exploratory studies on the novel data, the overarching goal was to have clear, defined factors of abnormal returns on which I can make recommendations to practitioners and academicians alike. The models presented in the results tables as well as the summaries below, have significant *but extremely small* effect sizes; a 1% change in CAR represents several million U.S. dollars on the average deal, so effect coefficients for these models range toward 1/100th of a percent. Therefore, although I achieve statistical significance that greatly informs the academic investigations, I cannot make any practical recommendations based on these findings at this time.

RESULTS – STUDY 2

In this section, I review the results for effects in fully controlled OLS models with firm-level error clusters. I also include results for the random effects panel regression on the top serial acquirers in the sample. I provide alternative explanations for these findings in the next section.

BREVITY & PERFORMANCE

Hypothesis 1 posits that announcement length and abnormal returns are negatively related. I measure announcement length as the word count of the body text and abnormal returns as Cumulative Abnormal Returns around a 3-day window, as described

above. As I see in Table 23, Model 2, body text word count does not contribute significantly to abnormal returns in controlled models.

CONCRETENESS & PERFORMANCE

Hypothesis 2 posits that certainty, through the use of concrete language, is positively related to abnormal returns. As I see in Table 23, Model 3, the concreteness of body text is not found to have a significant effect on abnormal returns.

POSITIVITY & PERFORMANCE

Hypothesis 3 suggests that there is a positive relationship between positivity in rhetoric and abnormal market returns. Again, in Table 23, Model 4, the positivity of body text is not found to have significant effect on abnormal returns.

MODERATOR – INVESTOR SOPHISTICATION

I do not find support for any moderated hypotheses (H4-H6). Hypothesis H4 states that the positive relationship between brevity and returns will be stronger with more institutional investors. First, although not statistically significant, the baseline findings in models 3-5, Table 23, suggest that the percentage of institutional ownership negatively affects abnormal returns. The effect size of body word count is larger when controlling for institutional ownership, consistent with the hypothesis, although not statistically significant. Interaction coefficients between institutional ownership and body text word count are also positive, indicating directional agreement with H4.

Hypothesis H5 states that the positive relationship between concreteness and returns is enhanced for institutional investors. The effect size of body text concreteness increases in the fully controlled model (model 8), suggestive of agreement with the hypothesis. However, the coefficient for the interaction term is negative, and both are not significant. Hypothesis 5 is unsupported.

Finally, Hypothesis H6 states that the positive relationship between positivity and returns is attenuated as the proportion of institutional investors increases. In the fully controlled model, the effect of body positivity reverses directionality, going against the hypothesis. In addition, the interaction term is small and not significant. Hypothesis 6 is unsupported.

TABLE 23: DV: CUMULATIVE ABNORMAL RETURNS, RHETORIC, AND INSTITUTIONAL OWNERSHIP. ACQUIRING FIRM-LEVEL ERROR CLUSTERS, OLS SPECIFICATION

	(1) CAR3	(2) CAR3	(3) CAR3	(4) CAR3	(5) CAR3	(6) CAR3	(7) CAR3	(8) CAR3
Body Word Count		-2.40e-06 (3.52e-06)			-2.42E-06 (3.58E-06)		-2.23E-06 (3.60E-06)	-0.000189 (9.94E-06)
Body Concreteness			.0001139 (0.0036954)		0.0000337 (0.0037702)		-0.0000163 (0.0037701)	0.0129925 (0.009649)
Body Positivity				.0000124 (0.0012404)	0.0000898 (0.0012961)		0.0001853 (0.0013015)	-0.0000657 (0.0038931)
Moderators								
Institutional Ownership (%)						-0.0058988 (0.0060732)	-0.0075022 (0.0078276)	-0.0164024 (0.0215139)
Ownership * Word Count								0.0000024 (0.0000137)
Ownership * Concreteness								-0.0204819 (0.0141754)
Ownership * Positivity								0.000377 (0.0054296)
Controls								
Deal Value (\$ Mill)	-1.14E-06*** (2.54E-07)	-1.21e-06*** (3.11e-07)	-1.26e-06*** (3.02e-07)	-1.26e-06*** (3.02e-07)	-1.21E-06*** (3.10E-07)	-1.13E-06*** (2.54E-07)	-1.21E-06*** (3.10E-07)	-1.15E-06*** (3.16E-07)
Deal Cash Offering (%)	-0.0000275 (0.0000269)	0.0000192 (0.000033)	0.0000157 (0.0000326)	0.0000157 (0.0000324)	0.000019 (0.0000327)	-0.0000278 (0.0000269)	0.0000184 (0.0000327)	0.0000195 (0.0000326)
Deal Stock Offering (%)	-0.0001587*** (0.000045)	-0.0001213** (0.0000572)	-0.0001321** (0.0000575)	-0.0001322** (0.0000579)	-0.0001216*** (0.0000578)	-0.0001637*** (0.0000453)	-0.0001287 (0.0000588)	-0.0001239 (0.0000587)
Acquiring Firm Size	-4.52E-12 (1.02E-11)	-2.57e-12 (1.43e-11)	-1.53e-12 (1.42e-11)	-1.51e-12 (1.42e-11)	-2.56E-12 (1.44E-11)	-6.83E-12 (1.08E-11)	-5.54E-12 (1.51E-11)	-8.19E-12 (1.49E-11)
A-T Relatedness	0.0004053 (0.0026756)	0.0009387 (0.0030557)	0.000848 (0.0030763)	0.0008504 (0.003073)	0.0009378 (0.0030602)	0.0004753 (0.002669)	0.0009743 (0.0030566)	0.0008847 (0.0030673)
Year	Y	Y	Y	Y	Y	Y	Y	Y
Industry	Y	Y	Y	Y	Y	Y	Y	Y
Observations	4,501	3,032	3,032	3,032	3,032	4,501	3,032	3,032
R ²	0.0255	0.0342	0.0340	0.0340	0.0342	0.0258	0.0346	0.0366

* p<0.05 ** p<0.01 *** p<0.001

ADDITIONAL RESULTS

I ran two additional analyses on the available data. First, I examined the hypotheses limited to the top 21 serial acquirers in the sample, whose acquisition deals constitute nearly 13% of the sample itself. Results are presented in Table 24. Again, brevity and positivity are not found to have significant effect on abnormal returns for serial acquirers. In the final, fully controlled model with moderators, concreteness is found to have a negative effect on abnormal returns, counter to the original hypothesis. Overall, the reaction of the market to the acquisition rhetoric of serial acquirers does not seem to differ significantly from the general body of publicly traded firms in the sample.

Also in the course of the study, deviating slightly from the hypotheses, I sought to determine whether the Great Recession of 2008 affected rhetorical effectiveness. If it showed to be significant, I would have included it as a categorical control in the models. As shown in Table 24, while there are *slight* differences in perception of rhetorical characteristics between pre- and post-recession deal press releases, statistical significance is lacking and there is little need to include recession as a control in the Study 2 models.

**TABLE 24: TOP 21 SERIAL ACQUIRERS
 DV: CUMULATIVE ABNORMAL RETURNS, RHETORIC, AND INSTITUTIONAL OWNERSHIP.
 ACQUIRING FIRM-LEVEL ERROR CLUSTERS. RANDOM EFFECTS PANEL REGRESSION**

	(1) CAR3	(2) CAR3	(3) CAR3	(4) CAR3	(5) CAR3	(6) CAR3	(7) CAR3	(8) CAR3
<i>Body Word Count</i>		0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>				0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>
<i>Body Concreteness</i>		-0.003 <i>(0.008)</i>	-0.002 <i>(0.007)</i>				-0.003 <i>(0.008)</i>	-0.042* <i>(0.025)</i>
<i>Body Positivity</i>		-0.001 <i>(0.003)</i>			-0.001 <i>(0.003)</i>		-0.001 <i>(0.003)</i>	-0.012 <i>(0.009)</i>
Moderators								
<i>Institutional Ownership (%)</i>						0.012 <i>(0.015)</i>	0.010 <i>(0.019)</i>	-0.043 <i>(0.056)</i>
<i>Ownership * Word Count</i>								0.000 <i>(0.000)</i>
<i>Ownership * Concreteness</i>								0.064 <i>(0.040)</i>
<i>Ownership * Positivity</i>								0.020 <i>(0.014)</i>
Controls								
<i>Deal Value (\$ Mill)</i>	-0.000** <i>(0.000)</i>	-0.000* <i>(0.000)</i>	-0.000** <i>(0.000)</i>	-0.000** <i>(0.000)</i>	-0.000** <i>(0.000)</i>	-0.000** <i>(0.000)</i>	-0.000** <i>(0.000)</i>	-0.000** <i>(0.000)</i>
<i>Deal Cash Offering (%)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>
<i>Deal Stock Offering (%)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>
<i>Acquiring Firm Size</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>	0.000 <i>(0.000)</i>
<i>Acquirer-Target</i>	0.005 <i>(0.006)</i>	0.005 <i>(0.007)</i>	0.005 <i>(0.007)</i>	0.005 <i>(0.007)</i>	0.005 <i>(0.007)</i>	0.005 <i>(0.006)</i>	0.006 <i>(0.007)</i>	0.008 <i>(0.007)</i>
<i>Year</i>	Y	Y	Y	Y	Y	Y	Y	Y
<i>Industry</i>	Y	Y	Y	Y	Y	Y	Y	Y
Observations	629	428	428	428	428	629	428	428
Pseudo R ²	0.0696	0.1079	0.1072	0.1055	0.1057	0.0706	0.1086	0.1227

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

† Hausman tests for fixed-effects model significance did not support the use of a fixed-effects model on this panel data.

DISCUSSION OF FINDINGS

The first study found limited support for the theory that a firm's establishment in the market can affect its rhetorical strategy in communicating major events to the market. In this second study, I asked simply: do these differences in such a rhetorical strategy affect market returns? The results above do not provide any evidence that the way a firm crafts its message *in official press releases* to the market has much bearing on investor response. In fact, multiple models indicate that even the financial parameters of the deal, which has significantly more effect than rhetorical characteristics, are limited in power, controlling for industry, market, and investor sophistication. Simply, although Study 1 shows that firms may alter rhetorical characteristics to reduce anticipated costs of information, the findings in Study 2 cannot confirm that rhetorical strategy has any actual effect on investor perception of firm value.

I would like to offer two alternative explanations for the findings of Study 2: the increasing prevalence of automated trading and the effect of investor perception based on pre-acquisition announcement rumor. Both are discussed in **Chapter 9** in detail.

SCHOLARLY IMPLICATIONS OF STUDY 2

This study shows that the predictive capacity of qualitative variables on major market response is limited, but not unattainable. Given the lack of significance for multiple independent variables tested, despite a large sample size, the applicability of these specific tests are limited. However, this second study lays the foundation for a more

impactful, follow-up study. Referring back to **Chapter 1**, we identify three areas of content analysis on releases: 1) timing of the release, which has been the focus of several finance studies; 2) tone or rhetoric, which is the subject of these analyses; and 3) the type of information included. Now that I have isolated the lack of direct effect of tone on market response, I intend to use rhetoric as a control on a future study on the type of information (ex: charts and financials, photos, accompanying phone calls, etc...), which firms employ to further, manage investor response. Type studies would only be possible by first ruling out the effect of tone, so I find Study 2 especially useful despite not confirming hypotheses.

PRACTICAL IMPLICATIONS OF STUDY 2

Again, the benchmark for the study is the applicability of findings to real-world practice. Unfortunately, based on the findings, I cannot adequately recommend a change to – nor validate the present strategy of – communications managers as they alter rhetorical strategy in practice. That is, I cannot say a particular strategy works, as too many factors affect market response for the single model. However, I also cannot say that rhetoric does *not* matter, only that these studies do not provide evidence to this effect. Practitioners balance a mix of rhetoric, brand, reach, exposure, and influence across a range of media, a strategic mix of which I have only tested one part. I look forward to further investigations to better understand how firms communicate with the market and how this strategy affects investor relations in future works.

CHAPTER 9: LIMITATIONS REVIEW A TEST OF TEXT ANALYSIS IN IM STUDY

While the parameters of text analysis in Impression Management are well defined and its methods tested enough to justify their baseline use, limitations of the methodology continue to emerge in empirical analysis. This is consistent with any study of human behavior, where quantitative modeling of innately human processes, such as rhetoric and interpretation, are subjected to at-best guesses of metrics and measures. Thus, while I am encouraged by the findings of the two studies on a quantitative, empirical basis, I also acknowledge the significant drawbacks to relying solely on the event-based methodology. In this chapter, I discuss *alternative explanations*, as well as *methodological* and *data limitations* that affect the study.

I begin with more detail on alternative explanations of the study findings, outline what could be a more ideal data set to overcome certain limitations, and discuss what the results reveal about the insufficiency of text-based analysis to examine such phenomena. I also propose a roadmap for future work, including a content analysis-based extension of the current work which examines the effect of informational type. I also explicate a case-based approach that may compliment – not substitute – the quantitative analysis in this area of study.

WHAT THE RESULTS SHOW

STUDY 1

Firms leverage informational signals to avoid costly disclosures: Not Supported
Availability of reputational capital affects rhetorical strategy: Partially Supported

Alternative Explanations: 1) Marketing/PR Priorities
2) Limitations of Text Analysis

STUDY 2

Differences in rhetorical strategy affect market returns: Not Supported

Alternative Explanations: 1) Increased Prevalence of Automated Trading
2) Investor Preference for Rumor
3) Limitations of CAR

ALTERNATIVE EXPLANATIONS OF FINDINGS

Study 1 examines firm leverage of informational signals to avoid costly disclosures, including the effect of reputational capital on the selection of this rhetorical strategy. Although the theory is cautiously supported, effect sizes are relatively small and many models are inconclusive. In addition to methodological limitations, I suggest that some of this tepidness may be the result of standard practice in marketing and public relations. Specifically, in practice, traditional training in these business arts prioritizes two goals of communication: 1) efficacy (achieving desired effect among a constituency); and 2) establishment of a distinct voice. The data show that the length and tone of press releases vary widely among different industries, owing in part to the differing needs of various constituencies. It follows that individual firms, in an effort to establish a unique voice and brand among competitors, also vary considerably in their rhetorical strategy

independent of perceived reputational measures. Moreover, the rapid turnover and fluidity in the marketing and PR markets mean that practitioners with distinct styles and approaches to rhetorical development flow between firms within and among industries, further diluting the effect of reputation. Therefore, although we observe some significant effects, the nature of rhetoric as a human enterprise may be confounded by the transfer of knowledge among the individuals responsible for crafting such messages.

Both Studies 1 and 2 are based on psychological models of human interpretation, specifically the psychological processes that underlie how human actors interpret rhetoric around major market events. However, studies of trading over the past two decades (Domowitz & Lee 2001; Li, Burns, & Hu 2015; Harris 2000) reveal that automated trading (AT) has had an increasing impact on market predictability. As Li et al point out:

“Automation today plays an important role in financial markets, supporting various economic activities in modern economic life. In practice, it mostly exists in the form of Automated Trading (AT), which uses sophisticated algorithms and powerful computers to complete a large number of transactions with minimal human intervention (*emphasis added*). According to some estimates (Iati 2013), AT has accounted for more than 50% of the trading volume of the United States stock markets.”

- (Li et al, 165)

Moreover, automation provides “consistent and purely objective estimations through a variety of calculations,” (ibid), allowing AT to outperform the market in time-sensitive situations, such as acquisition announcements. If this is the case, then the study findings offer supporting evidence that the market has moved toward the use of technologies that respond to purely quantitative cues. This may be an early indication that the effect of

human perception processes of market events is actually receding, which could significantly affect the findings of Study 2.

Also with regard to performance-based studies, more recent works in Impression Management show that investors react to (buy on) rumors that precede acquisition events, then sell when the announcement is officially made (Kiley, Dissertation 2015; Graffin, Haleblian, Kiley 2016). Combined with the results of the study, this theory suggests that the market only values and recognizes firm press releases as confirmations of rumors rather than the information contained within the release itself. That is, investors react to the *release of information itself*, not necessarily the type, quantity, or rhetoric within the announcement. In a market environment with ever-increasing availability of information, an increase in the prevalence of leaks and rumors, and faster media cycles, this seems particularly plausible as an alternative explanation of the findings. Information is valuable, but the mere confirmation of a rumor is the main event of interest to investors. This could also explain the lack of findings in Study 2.

IDEAL DATA AND THE LIMITS OF THE NOVEL SET

There is an inherent break between the posited theory and empirics available for Study 1 and 2: we want to examine the cost of information, but it cannot be measured directly. As a result, I have engaged various proxies to model the phenomenon, all derived from and consistent with prior literatures. Still, I recognize that the inability to measure a) managerial motivation and b) informational cost is an issue with such work. I acknowledge that there may be drawbacks to the proxies for both identity (I use age,

consistent with prior literature in reputations) and performance (I use CAR, consistent with current works in strategy). However, there may be alternative measures for each, such as coverage and BHAR that, if not superior, could afford additional controls.

One of the largest problems of the current data, but one that is difficult to “correct,” is the small sample size when using some reputational measures. Using traditional FMA-based rankings significantly reduces the set to only 500 deals maximum, and even less when we filter for firms that have/have not released official acquisition information. Despite achieving some significance, it is clear the models suffer from this reduction. However, this is a drawback that has been noted in many reputations studies that use solely rankings data for analysis. It is something I sought to overcome by taking a two-pronged approach, not only looking at reputation but other contributors of reputational capital, as a wholly separate measure. It has also been suggested that looking at reputational shifts per firm across years could mitigate this problem. However, I do not see much shifting over the past 18 years, even among serial acquirers with large presence in the sample. I suggest that the data could be used to develop a comprehensive measure of reputational capital itself, as a function of identity and reputation, but this was not the goal of the initial study.

As a comprehensive set of data on firm rhetoric and performance, the data I gathered are sufficient for a preliminary analysis. The addition of more variables depends on future researchers’ interests, areas of focus, and desired controls. As DV’s, some have suggested that BHAR measures are superior to CAR, although Fama 1998 vehemently disproves this. Still, inclusion of other performance metrics may bolster the discussion of

performance implications. As IV's and/or controls, one could include coverage metrics, specifically a count of news articles in the year prior to the announcement, as well as prior acquisition performance. Both have precedent in the literature, although they are not standard in every study. Beyond additional performance metrics and controls, I consider the existing data sufficient for future studies in this area. I suggest, however, that expansion of the set with type-based information characteristics, as detailed in the next section, may be a logical next step.

METHODOLOGICAL LIMITATIONS & ROAD MAP

As a test of text analysis in Impression Management, Study 1 and Study 2 yield some interesting insights. I acknowledged that the results could be affected by the inherent priorities of marketing and public relations functions of firms. However, the results also reinforce the significant drawbacks to the text analysis methodology noted by others, especially as it relates to human behavior measures.

Limitations of Text Analysis

When we attempt to engage in an analysis of managerial motivation without the ability to directly interview managers, which is the purview of many studies in IM, strategy, and the rest of the humanities, it becomes necessary to infer intention through some tested, verified, and vetted methodology. The Linguistic Inquiry and Word Count (LIWC) text analysis program is one of the most widely used of these methods, providing scholars with a way to quantify otherwise esoteric and subjective concepts such as

positivity, sentiment, authority, and directness. In noting its limitations here, I do not mean to undermine my own study nor those that depend on this database for findings; LIWC and other computer-aided text analysis programs have pushed the understanding of psychology, strategy, IM, and many other humanities far beyond what was possible before. I merely mean to look at whether LIWC can remain a sole-source of quantitative data, or whether some complimentary analysis may aid in the understanding of the wide array of phenomena to which it is applicable.

Originating in the area of political discourse, the LIWC database was validated by Pennebaker et al over a series of studies from 1999-2010, and continues to be refined today (Parhankangas 2014). It is a text analysis program that counts words in several psychologically meaningful categories, such as affect and cognition (Park et al 2012) and provides output showing the proportion or number of words in each category. Empirically, LIWC results have been shown valid on a range of studies detecting meanings in a variety of contexts, from attention, to social relationships, individual motivators, anger, team dynamics, and firm communications (Tausczik & Pennebaker 2010). The current dictionary includes some 4,500 words and word stems and is refined every two to three years. Applicability of the dictionary-based word count program has also been validated in Impression Management and Strategy, although use in these disciplines is more recent.

In this dissertation three key limitations to text analysis, LIWC specifically, emerged: the inability to process context, word overlap in the dictionaries, and the

inability to detect linguistic patterns that may convey more emotive situations, such as sarcasm. Let's look at each drawback and its potential effects on the type of study.

First, LIWC is a word count program that simply searches for particular words in a category and counts them among the list. Words like "mad" or "disappointed" indicate negative emotion; words like "happy" or "excited" indicated positivity. In reading full sentences, however, LIWC does not explore the context of the words, it only counts their presence. So, in a sentence such as "there is no use being mad about the performance," the word "mad" is counted as a negative emotion, even though the sentence is actually ambivalent. Similarly, in the sentence "it's hard to be happy about such outcomes," the word happy is counted as positive, even though the sentence is somewhat despondent. In a comparative analysis of thousands of pages of text, the ability of count programs like LIWC to measure the true sentiment of the works depends on how varied the writings are. If such idiosyncratic terms are the norm, applicability is lowered. While I have established that press releases are relatively uniform and the idiosyncratic nature of their language is relatively low, it is still present, and we cannot say just how much such variation affected LIWC's ability to capture rhetoric if it cannot discern context.

Second, although the dictionaries of LIWC have been well vetted in empirical tests, words that make up the categories occasionally overlap. While this is less than 2% of words, it may be enough to interject some discrepancy in the measures, although it is more problematic with a small sample size and the N is over 3,000 records. This is a basic problem, one that has the smallest – if any – affect on the results, but it bears mention here. It also spurns us to think that a qualitative analysis may be of the most help

in overcoming these first two problems of contextual understanding and word overlap. More on this in a moment.

Finally, automated text analysis software cannot detect particular linguistic patterns of word usage; it can only count the words themselves. True, it can measure complexity by the words-per-sentence or letters-per-word, which are helpful indicators. However, other meanings that may be passed on by sentence structure, quotations vs. non-quotations, paragraph length, number of paragraphs, etc, are not covered by the program. As with context, the inability to process these elements may not be a problem if they do not vary much in the medium, such as the uniformity of press releases. However, this may limit the applicability of the study methodology to *other* firm-controlled media, such as blogs, websites, annual reports, and printed documents which allow for more creative leeway in these structural elements.

In terms of a roadmap for future research based on this dissertation, I propose two logical next steps: an analysis of the effect of informational type and a series of in-depth cases to complement the quantitative empirics on both tone and type of information.

Future Study: Informational Type

I have stated repeatedly that this study series is a foundational step that, although it yields interesting yet empirically unsubstantial results, prepares the researcher for future study in this area. Specifically, additional work on the type of information is a logical, and potentially more impactful, next step in this analysis. Moreover, although it uses some of the same text analysis methods critiqued above, type-based content analysis

allows for more sophisticated quantification and modeling techniques, including adoption of machine learning capabilities that may mitigate some of the failures of this baseline method.

In the breadth of work on rhetoric in firm communications found in the in strategy and IM literatures, there are a few helpful classifications. Some studies focus on backward-looking information, such as earnings reports. This study focuses on forward-looking information, such as strategic announcements. I have shown how this change in context also changes the parameters under study, including audience interpretation, managerial capital, and the cost of information. Subcategories of these analyses include the area of focus regarding the communications strategy employed by the firm. For example, within strategic announcements, we can examine the timing of information release, which has been the subject of many studies (most recently: Nadkarni, Pan, & Chen, AMJ 2019). We can also look at the effect of rhetoric and tone, as I have in this body of work. With more data, we can also examine the types of information firms leverage, and how these differences affect performance in the short-term. This is perhaps the most interesting area to chart for future study, as it allows us to delve into more creative aspects of the impression management toolkit.

A study of informational type can begin with the same new data I have collected in the study of tone. Press releases announcing forward-looking, strategic information are an interesting place to start, as there is much more creative leeway available to managers. To train an adaptive learning program to run the bulk of the text analysis, a group of researchers can hand-code a variety of types of information that may be included in such

documents, such as firm financial projections, photos, diagrams, and quotes from firm leaders. This will enable a content analysis en masse which, once refined, can be applied to other documents as well. Performance tests on CAR as a statement of future value are still relevant here. Should there be additional interest from the reputations school of thought, the data is also available to examine the effect of reputational capital on informational type, which could further the cost-based theory of impression management as well.

Future Study: Proposed Qualitative, Case-Based Approach

Qualitative Researcher	<i>Many people these days are bored with their work and are . . .</i>
Quantitative Researcher (interrupting)	<i>What people, how many, when do they feel this way, where do they work, what do they do, why are they bored . . . how long have they felt this way, what are their needs, when do they feel excited, where did they come from, what parts of their work bother them most, which . . .</i>
Qualitative Researcher	<i>Never mind</i>

Reprinted from Pettigrew, Andrew M. (2013).
 The Conduct of Qualitative Research in Organizational Settings.
Corporate Governance: An International Review, 21(2), 123-126.

Case-based investigations have been accepted in strategy for the better part of two decades, although the preference for quantitative, archival-based, and replicable methods remains. However, when investigating more nuanced phenomena, such as managerial motivation. many have argued that cases provide a unique level of detail and understanding more aggregated, numeric measures miss. This is exactly the challenge we

see in the results of this quantitative study, and this is why I propose that the inclusion of cases in impression management studies, especially those utilizing sentiment- or content-based analyses, can only help.

In looking at the threshold of academic rigor required by journals such as the *Academy of Management Journal*, *Administrative Science Quarterly*, *Organization Science*, and the *Strategic Management Journal*, qualitative inquiry often has to meet the same criteria as quantitative empirics. Namely, it should be embedded in existing theory while also expanding the understanding of the topic under study. In addition, though, reviewers tend to want qualitative studies to rise to two additional bars: to provide some sort of data which is both interpreted by the author yet available for interpretation by the reader, and to be transparent about the research methods used (survey, interview, media search, etc...) (Pettigrew 2013; Pratt 2008). Bluhm et al (2011) suggest that most published qualitative works, like cases, tend to be more about generating theory than testing it, which is consistent with the limitations of the method but, in the opinion of this researcher, is a bit shortsighted. Indeed, Eisenhardt and others have confirmed that, with enough breadth and coverage, cases can provide clarity and context for theory and help establish the parameters for future study better than quantitative analysis.

The studies involve examining the rhetorical strategy of firms: what do they say, how do they say it, and how does this affect investor perception of value. This sequence lends itself to a case-by-case analysis that can help us understand not only how firm rhetoric affects performance, but how rhetoric changes over time within the same firm. In the studies presented in **Chapters 7 and 8**, I scratched the surface of these case-based

approaches by looking at statistical indicators of serial acquirers such as Cisco, Apple, and Hewlett-Packard. Each of these could be expanded to a detailed case study centered on the rhetorical strategy in acquisition press releases, but including many more qualitative elements, such as peripheral managerial turnovers, frequency of acquisition events, general favorability of the firm in the market, changes in industry demand, and the myriad other elements that may affect performance outcomes.

This approach is consistent with what Eisenhardt calls “inductive case analysis,” where theory development is helped by deduction and iteration on a particular theme. I have met the baseline criteria by identifying a strong research gap, grounding in the literature and proposing theories that address that gap (Eisenhardt & Graebner 2006). Rather than take on a critical review method, however (Grant & Booth, 2009), where I am attempting to develop a new model, I suggest a systematic review of the elements of each firm in order to answer more pointed, clinical questions. This is a slight difference in the approach of the case, but one that may yield the most alignment between the case- and archival-based sections of such a study. As Eisenhardt and Graebner (2007) point out: “...building theory from cases is likely to produce theory that is accurate, interesting, and testable. Thus it is a natural complement to mainstream deductive research” (26).

Cases can only help further the understanding by providing the nuance and context LIWC analysis and archival data cannot. It answers the “how” and “why” in research in theory-building drawing on observation and interpretation of specific facts (Edmonson & McManus 2007; Eisenhardt & Graebner 2007). The reverse is also true, though: the quantitative approach is still of vital importance, as it allows us to test

findings across entire industries (where we do find statistical significance). It can help us answer questions of “how often” and “how many,” which informs the relative importance and impact of the phenomenon under study (ibid). Joining these methods will also allow us to expand the external validity and, perhaps in conjunction with several cases, make practical recommendations as to the efficacy of rhetorical strategy in certain contexts.

PROPOSED CASE-BASED APPROACH TO THE COST-BASED THEORY OF IM

The recommendations for the following case-based approach to this area of study draw from the steps outlined in Eisenhardt & Graebner 2007.

1. Case Selection (Theoretical Sampling)
 - a. Number: multiple cases to provide a stronger base for theory (Yin 1994), expand accuracy, and help conclusions be more generalizable. Also, enables cross-case comparisons, where applicable. Recommended number: 15.
 - b. Criteria: focus on the contribution and uniqueness of each case, rather than the number. Attempt to find firms that have both positive and negative CAR, a range of reputational capital, and a range of rhetorical style. Allows for extension of theory (Yin 1994) and helps establish patterns.

Recommended Firms:

- Cisco Systems, Inc.
- General Electric
- Berkshire Hathaway
- AT&T
- L-3 Communications Holdings Corp

- Wells Fargo
- Johnson & Johnson
- IBM
- Chesapeake Energy Corp
- Cardinal Health Inc.
- XTO Energy
- Kinder Morgan Energy
- Yahoo!
- Oracle Corp
- Intel Corp

2. Present Empirical Evidence

- a. Describe the Story. Beginning with the parameters of the aspects of the firm we'll be examining. Present a complete narrative for a specific topic, not the entirety of the organization. Recommended areas of focus: peripheral managerial turnovers, frequency of acquisition events, general favorability of the firm in the market, and changes in industry demand. This helps contextualize the issues under discussion for the reader.
- b. Include Empirics in Summary Tables. Specifically, focus on those relevant to the story, such as reputation measures, assets and financials, performance, and visibility. Invest in well-designed tables and visuals to help empirics become part of the story (Eisenhardt & Graebner 2007).

3. Write Emergent Theory

- a. Sketch Emergent Theories in Introduction.

- b. Individual Propositions. By case, outline the propositions suggested and supported by the facts of the case and then detail the proposed connections with the larger theory. Try to connect to a larger pattern where applicable. (Grounded Theory Approach: Langley 1999; Glasner & Strauss 1967; Suddaby 2006).
- c. Provide Summary Visuals. To enhance understanding of the connections within and between cases, use diagrams and summary tables (Maurer & Ebers 2006).

CONCLUSION

This dissertation was designed to examine whether foundational support exists for a cost-based theory of impression management, wherein managers account for the cost of information in crafting rhetorical strategy. As only a benefits-based theory had been explored in the literature before, the contribution was intended to expand the understanding of IM in the context of firm behavior around acquisitions. Much of the body of work presented here – the context (M&A), the medium (forward-looking press releases), and some metrics (Reputational Capital) – is novel. This is why I took such a detailed approach in describing the underpinnings of the theory, the context, and the measures. This is also why I preferred a longer, more traditional, multi-chapter dissertation approach, in order to fully explore the new data, refine the methodology and model specifications, and better understand how rhetoric and reputation play in the real world. Although results were limited and many hypotheses unsupported, I do not believe

this exercise to be in vain. Rather, it sets the foundation for further work in this area, specifically on more complex measures such as informational type that are more likely to yield interesting results.

One of the main challenges of this work was that it exists at the nexus of three literatures that are themselves still working on building consensus around even the most basic elements. From definitions of reputation and identity in the reputations literature, to definitions of tactics and methodologies in the impression management literature, to changing perceptions of value measures in the M&A literature, there was little concrete agreement on some of the foundational elements needed for the analyses. This necessitated a longer discussion than allowed in a traditional article-based approach, a challenge that I took up gladly. To that end, I hope that I have adequately explicated the understanding of these elements, that I fully integrated them into the theory and empirics, and that I presented a cohesive series of arguments in this research work.

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TABLE 2: STUDY 1 - KEY VARIABLES & CONTROLS

Variable	Description	DV/ IV/C	Obs	Mean	SD	Min	Max	Skewness	Distribution
Body Text Word Count	Word Count of Body Text	DV	3,560	972.93	570.25	65.00	4,616.00	1.6947	Normal
Body Text Words Per Sentence	Words per Sentence of Body Text	DV	3,560	24.73	4.92	9.39	63.20	1.1000	Normal
Body Text, Six Letter	Words with Over Six Letters in Body Text	DV	3,560	37.14	3.86	20.30	54.59	-0.0979	Poisson*
Body Text Causality	Causality in Body Text	DV	3,560	2.56	1.03	0.00	9.17	0.6616	Normal
Body Text Certainty	Certainty in Body Text	DV	3,560	0.82	0.42	0.00	5.05	1.5663	Normal
Body Text Positive Emotion	Positivity in Body Text	DV	3,560	3.25	1.14	0.00	8.53	0.7845	Normal
Body Text Negative Emotion	Negativity in Body Text	DV	3,560	0.62	0.54	0.00	4.27	1.6370	Normal
Body Text Tone	0-100 Index of Positivity-Negativity in Body Text	DV	3,560	70.93	18.04	4.72	99.00	-0.6211	Normal
Age from Founding	Age of Acquiring Firm from its Founding (year)	IV	5,420	49.15	45.17	0.00	252.00	1.1221	Normal
Age from IPO	Age of Acquiring Firm from its IPO (year)	IV	2,970	33.23	9.41	0.00	46.00	0.3751	Poisson*
Fortune 500 Rank	Fortune 500 Rank, by Size	IV	2,670	200.53	148.19	1.00	500.00	0.3458	Poisson*
Fortune Top 10 (dummy)	Categorical, Acquiring Firm in Top 10	IV	5,443						N/A
FMA Rank	Fortune Most Admired Ranking, Acquiring Firm	IV	235	7.23	5.46	1.00	20.00	0.7631	Poisson*

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Variable	Description	DV/ IV/C	Obs	Mean	SD	Min	Max	Skewness	Distribution
FMA (dummy)	Categorical, Acquiring Firm in Fortune Most Admired Top 20	IV	5,443						N/A
Harris Rank	Harris Poll Rank, Acquiring Firm	IV	430	26.46	19.14	1.00	98.00	0.8858	Poisson*
Harris (dummy)	Categorical, Acquiring Firm in Harris List	IV	5,443						N/A
Dow Jones Composite Close	Dow Jones Composite Close for Event Day	C	3,469	2,983.86	459.86	2,033.44	4,367.76	0.3754	
Dow Jones Industrial Close	Dow Jones Industrial Close for Event Day	C	3,469	9,744.80	1,338.51	6,451.89	12,765.01	-0.4459	
Deal Value (\$ Mil)	Deal Value in \$ Million	C	5,443	1,299.43	5,565.14	10.00	164,746.90	13.2209	
Pre_Recession	Categorical, Event is Pre- or Post-2008 Recession	C	5,443						
Cash	% deal in Cash	C	5,443	45.19	46.53	0.00	100.00	0.1828	
Stock	% deal in Stock	C	5,443	21.45	38.12	0.00	100.00	1.3732	
Unknown	Deal Breakdown Unknown	C	5,443	25.48	43.13	0.00	100.00	1.1228	

** distribution assumptions were tested in regression checks. We find that the poisson distribution assumption does not hold at observations greater than 300 for our data set; therefore, we reverted to linear regression analysis based on assumption of the normal distribution.*

TABLE 3: STUDY 1 - KEY DEPENDENT AND INDEPENDENT VARIABLES BY REPUTATION MEASURES

A: Fortune Most Admired (FMA) Firms

VARIABLE	DV/IV/ C	FMA-RANKED FIRMS					NON FMA-RANKED FIRMS				
		Obs	Mean	SD	Min	Max	Obs	Mean	SD	Min	Max
Body Text Word Count	DV	199	904.869	527.155	183.000	3769.000	3,361	976.957	572.515	65.000	4616.000
Body Text Words Per Sentence	DV	199	24.628	4.713	16.140	41.420	3,361	24.734	4.929	9.390	63.200
Body Text, Six Letter	DV	199	37.325	3.528	23.760	45.390	3,361	37.134	3.879	20.300	54.590
Body Text Causality	DV	199	2.533	1.057	0.400	7.700	3,361	2.557	1.031	0.000	9.170
Body Text Certainty	DV	199	0.863	0.422	0.000	2.930	3,361	0.813	0.422	0.000	5.050
Body Text Positive Emotion	DV	199	3.592	1.183	1.030	7.670	3,361	3.231	1.133	0.000	8.530
Body Text Negative Emotion	DV	199	0.488	0.442	0.000	2.900	3,361	0.629	0.546	0.000	4.270
Body Text Tone	DV	199	77.714	14.791	36.060	99.000	3,361	70.531	18.140	4.720	99.000
Age from Founding	IV	235	85.915	50.414	4.000	176.000	5,185	47.482	44.207	0.000	252.000
Age from IPO	IV	228	25.259	19.119	-8.000	89.000	4,387	10.503	11.688	0.000	91.000
Deal Value (\$mil)	C	235	1933.382	5339.215	10.700	54906.810	5,208	1270.823	5573.908	10.000	164746.900
Cash	C	235	57.550	46.941	0.000	100.000	5,208	44.628	46.438	0.000	100.000
Stock	C	235	12.921	31.954	0.000	100.000	5,208	21.840	38.328	0.000	100.000

TABLE 3 (CONT'D): STUDY 1 - KEY DEPENDENT AND INDEPENDENT VARIABLES BY REPUTATION MEASURES

B: Fortune 500, Rank in the Top 10

VARIABLE	DV/ IV/ C	FORTUNE 500 TOP 10 FIRMS					OTHER				
		Obs	Mean	SD	Min	Max	Obs	Mean	SD	Min	Max
Body Text Word Count	DV	117	822.20	428.16	244.00	1985.00	3,443	978.05	573.81	65.00	4616.00
Body Text Words Per Sentence	DV	117	23.77	3.67	16.32	39.33	3,443	24.76	4.95	9.39	63.20
Body Text, Six Letter	DV	117	37.85	3.80	26.52	47.65	3,443	37.12	3.86	20.30	54.59
Body Text Causality	DV	117	2.51	1.08	0.68	7.70	3,443	2.56	1.03	0.00	9.17
Body Text Certainty	DV	117	0.77	0.43	0.00	2.83	3,443	0.82	0.42	0.00	5.05
Body Text Positive Emotion	DV	117	3.39	1.25	1.03	7.62	3,443	3.25	1.14	0.00	8.53
Body Text Negative Emotion	DV	117	0.42	0.42	0.00	2.90	3,443	0.63	0.54	0.00	4.27
Body Text Tone	DV	117	75.61	17.14	18.18	99.00	3,443	70.77	18.05	4.72	99.00
Age from Founding	IV	153	64.01	32.08	1.00	183.00	5,267	48.72	45.43	0.00	252.00
Age from IPO	IV	132	25.30	21.45	0.00	81.00	4,483	10.82	11.97	0.00	91.00
Deal Value (\$mil)	C	153	2756.62	8460.83	10.70	79406.46	5,290	1257.28	5454.01	10.00	164746.90
Cash	C	153	59.49	46.20	0.00	100.00	5,290	44.77	46.48	0.00	100.00
Stock	C	153	8.93	25.19	0.00	100.00	5,290	21.82	38.37	0.00	100.00

TABLE 4: STUDY 1 - KEY DEPENDENT AND INDEPENDENT VARIABLE MEANS BY INDUSTRY (FAMA-FRENCH CLASSIFICATION, 30)

INDUSTRY	Word Count	Words Per Sent.	Six Letter	Causal	Cert.	Pos.	Neg.	Tone	Age from Found.	Age from IPO	Deal Val (\$mil)	Cash	Stock
Food Products	1091.8	24.1	34.0	2.8	0.7	3.1	0.4	71.9	77.0	8.2	1453.8	56.2	11.8
Beer & Liquor	1460.2	24.6	34.6	2.1	0.9	3.2	0.7	69.5	54.6	15.6	494.7	40.0	0.0
Tobacco	2572.0	24.1	36.3	2.4	0.8	2.8	0.7	65.4	6.0	11.0	14276.2	36.7	13.3
Recreation	787.4	23.9	35.5	2.7	0.8	3.5	0.7	73.1	19.8	6.9	487.4	22.4	29.6
Printing & Publishing	853.5	23.6	37.6	2.6	1.0	3.2	0.3	75.8	54.9	7.4	245.1	84.6	9.1
Consumer Goods	1011.9	25.9	35.6	2.9	0.7	3.5	0.6	74.5	96.4	13.1	2660.1	42.2	16.3
Apparel	1214.1	25.9	34.6	1.9	0.9	3.5	1.0	71.7	107.0	10.1	349.5	67.1	9.1
Healthcare, Medical Equipment, Pharmaceutical	1121.6	25.7	38.3	2.7	0.8	3.3	0.8	68.4	61.4	20.5	2105.5	57.9	15.2
Chemicals	933.5	24.7	38.5	3.1	1.0	3.0	0.8	65.5	114.6	14.1	1554.2	53.1	8.3
Textiles	686.8	22.3	35.6	2.4	1.4	3.2	0.6	73.7	118.3	10.0	471.3	29.7	30.0
Construction	924.3	24.0	36.3	2.2	0.8	3.3	0.6	73.3	58.0	12.4	728.4	37.4	20.9
Steel Works	732.7	23.2	36.9	2.9	0.9	2.6	1.0	55.1	50.1	11.4	638.0	48.1	18.0
Fabricated Products	810.7	24.7	36.8	3.1	0.7	3.2	0.7	68.5	55.2	12.1	654.3	53.3	17.0
Electrical Equipment	847.8	22.2	38.2	2.8	0.6	3.4	0.3	79.3	76.4	22.2	943.9	45.3	14.5

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INDUSTRY	Word Count	Words Per Sent.	Six Letter	Causal	Cert.	Pos.	Neg.	Tone	Age from Found.	Age from IPO	Deal Val (\$mil)	Cash	Stock
Automobiles, Trucks	714.8	24.6	38.4	2.9	0.7	3.3	0.6	69.6	87.0	17.7	654.3	59.2	4.6
Aircraft, Ships, & Railroad	859.9	25.2	38.4	2.5	0.7	3.2	0.5	71.3	58.2	16.7	1371.7	72.9	5.0
Precious Metals	2625.0	25.2	34.3	2.0	0.9	3.4	0.6	78.2	18.0	18.0	25833.7	69.6	30.4
Petroleum & Natural Gas	1108.6	25.6	34.6	2.4	1.1	3.2	0.7	67.7	43.5	11.4	2343.7	35.2	21.5
Utilities	921.3	24.6	36.0	2.1	0.8	3.6	0.6	74.3	39.3	4.9	1626.3	34.5	11.9
Communication	1066.3	24.6	35.6	1.8	0.8	3.4	0.4	74.2	26.0	11.2	5056.2	49.6	24.5
Personal & Business Services	1076.3	25.0	38.0	3.0	0.8	3.1	0.6	68.9	22.8	8.4	1034.1	48.6	33.7
Business Equipment	899.2	24.5	38.6	3.0	0.8	3.0	0.7	67.1	38.5	15.2	805.0	54.6	25.8
Business Supplies & Shipping	1020.1	25.5	36.7	3.0	0.8	3.3	0.6	70.7	75.7	15.7	1517.3	56.0	18.5
Transportation	1068.5	24.9	36.4	2.0	0.9	3.4	0.7	73.0	46.9	12.3	811.9	46.5	19.7
Wholesale	936.3	26.0	38.2	2.8	0.8	3.1	0.7	68.1	49.2	12.7	646.4	49.0	15.8
Retail	1056.8	24.7	34.5	2.0	0.8	3.3	0.6	72.9	45.6	16.5	1206.2	52.2	18.7
Restaurants, Hotel	1349.7	27.8	34.2	1.5	0.9	3.6	0.4	80.7	53.7	9.7	1088.9	50.0	11.3
Banking, Insurance, Real Estate	938.4	23.8	36.8	1.9	0.8	3.5	0.4	78.1	78.0	10.5	1974.5	43.0	29.3
Other	698.5	23.2	37.8	2.3	0.8	3.1	0.6	69.6	45.7	8.4	1337.9	32.4	25.6

TABLE 5: STUDY 2 - KEY VARIABLES & CONTROLS

Variable	Description	DV/ IV/C	Obs	Mean	SD	Min	Max	Skewness	Distribution
CAR 3-day	Cumulative Abnormal Return on Acquirer's Stock, -3 to +3 around event	DV	4,940	0.0014	0.0791	-0.6310	0.8606	0.3472	Normal
Institutional Ownership Percentage	Total Institutional Ownership of Acquirer's Stock, %	C	4,741	0.63	0.25	0.00	0.33	-0.3091	Poisson

TABLE 6: STUDY 2 - CAR AND INSTITUTIONAL OWNERSHIP BY REPUTATION MEASURES

A: Fortune Most Admired (FMA) Firms

VARIABLE	FMA-RANKED FIRMS						NON FMA-RANKED FIRMS				
	DV/IV/C	Obs	Mean	SD	Min	Max	Obs	Mean	SD	Min	Max
CAR 3-day	DV	186	-0.00	0.04	-0.12	0.16	4754	0.00	0.08	-0.63	0.86
Institutional Ownership Percentage	C	217	0.51	0.15	0.16	0.82	4524	0.63	0.26	0.00	3.30

B: Fortune 500, Rank in the Top 10

VARIABLE	FORTUNE 500 TOP-10 FIRMS						OTHER				
	DV/IV/C	Obs	Mean	SD	Min	Max	Obs	Mean	SD	Min	Max
CAR 3-day	DV	147	-0.00	0.04	-0.20	0.13	4,793	0.00	0.08	-0.63	0.86
Institutional Ownership Percentage	C	152	0.55	0.10	0.29	0.89	4,589	0.63	0.26	0.00	3.30

TABLE 7: STUDY 2 - CAR AND INSTITUTIONAL OWNERSHIP BY INDUSTRY (FAMA-FRENCH CLASSIFICATION, 30)

INDUSTRY	MEAN CAR 3-day	Mean Institutional Ownership Percentage
Food Products	0.0117	0.5756
Beer & Liquor	0.0537	0.6793
Tobacco	0.0031	0.6509
Recreation	-0.0030	0.5675
Printing & Publishing	-0.0030	0.4599
Consumer Goods	0.0052	0.6485
Apparel	0.0386	0.8124
Healthcare, Medical Equipment, Pharmaceutical	0.0039	0.7415
Chemicals	0.0168	0.6933
Textiles	0.0016	0.6698
Construction	0.0114	0.6817
Steel Works	0.0015	0.7272
Fabricated Products	0.0008	0.7167
Electrical Equipment	0.0281	0.5486
Automobiles, Trucks	0.0055	0.7121
Aircraft, Ships, & Railroad	0.0065	0.7259
Precious Metals	0.0086	0.8209

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INDUSTRY	MEAN CAR 3-day	Mean Institutional Ownership Percentage
Petroleum & Natural Gas	0.0031	0.6582
Utilities	0.0001	0.4901
Communication	0.0076	0.5325
Personal & Business Services	-0.0118	0.6381
Business Equipment	-0.0020	0.6381
Business Supplies & Shipping	0.0125	0.7516
Transportation	0.0072	0.6087
Wholesale	0.0035	0.7368
Retail	0.0156	0.7308
Restaurants, Hotel	0.0062	0.6674
Banking, Insurance, Real Estate	-0.0015	0.5490
Other	0.0080	0.6363

CHART 1: Sample Distribution: Deals per Year (n=5,334)

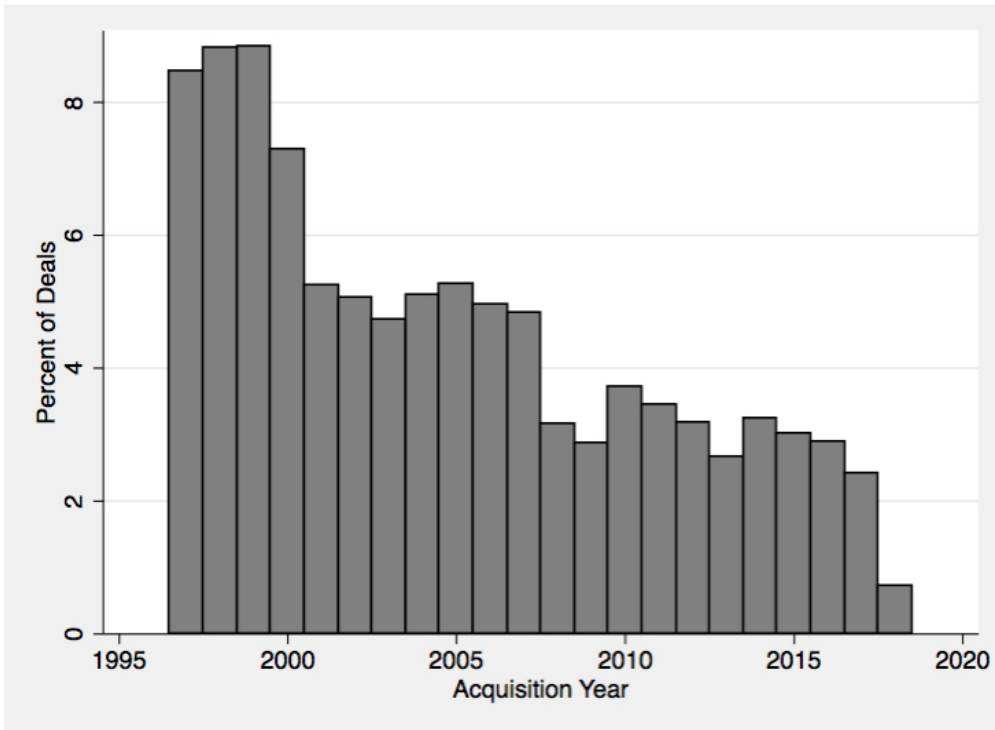


CHART 2: Trend: Mean Deal Value (\$ mil) per Year (n=5,334)

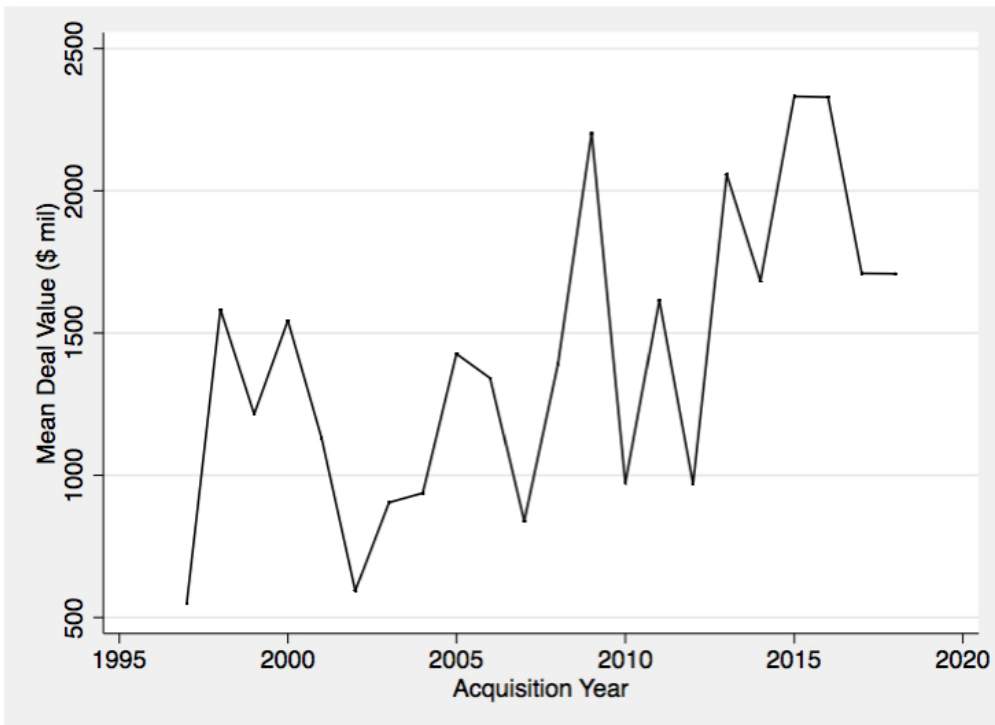


CHART 3: Reputation // Age of Acquiring Firms (years from founding)

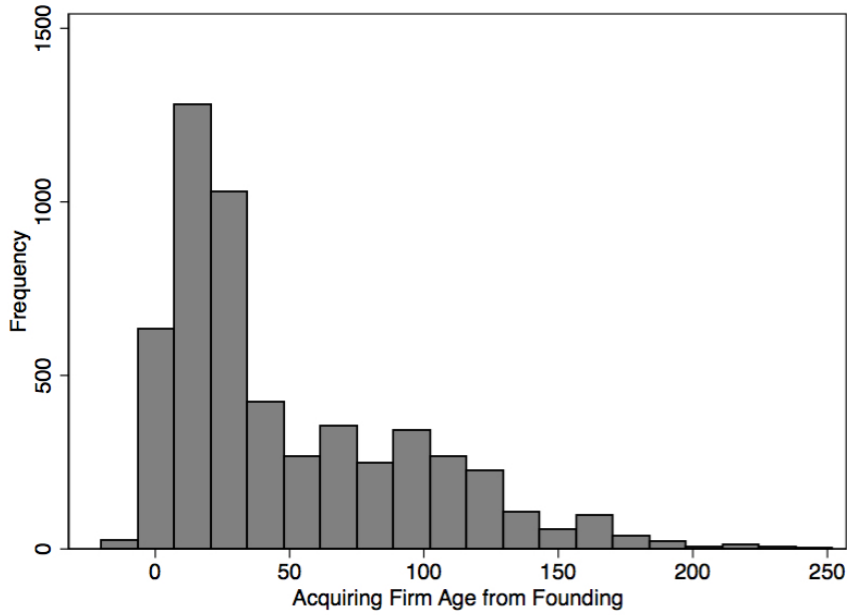


CHART 4: Reputation // Age of Acquiring Firm (years from IPO)

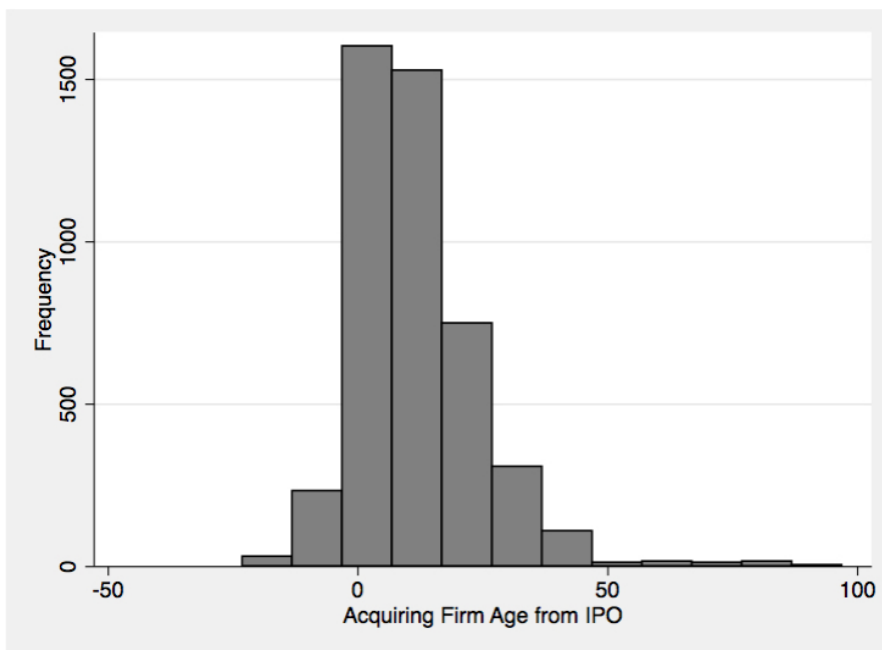


CHART 5: Reputation // Fortune Most Admired Rank

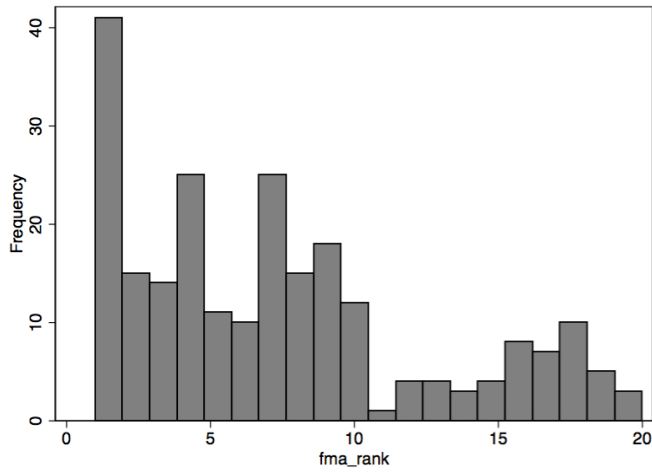


CHART 6: Reputation // Fortune 500 (size-based) Rank

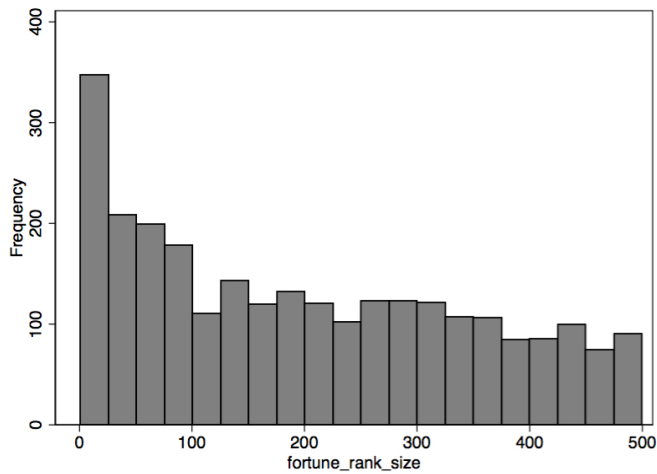


CHART 7: Reputation // Harris Rank

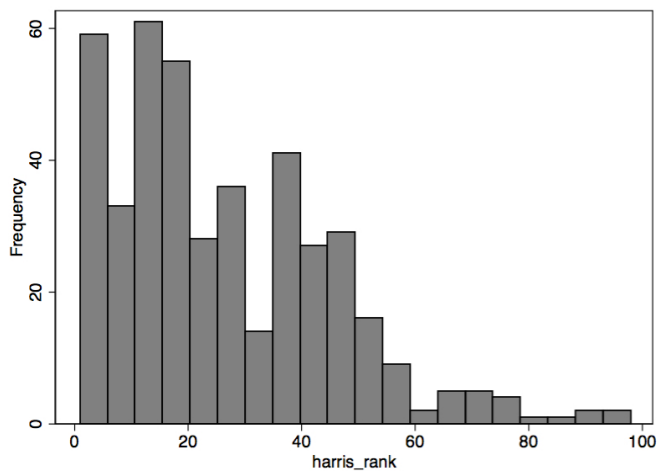


CHART 8: Performance Measure: Cumulative Abnormal Return (-3 to +3 window)

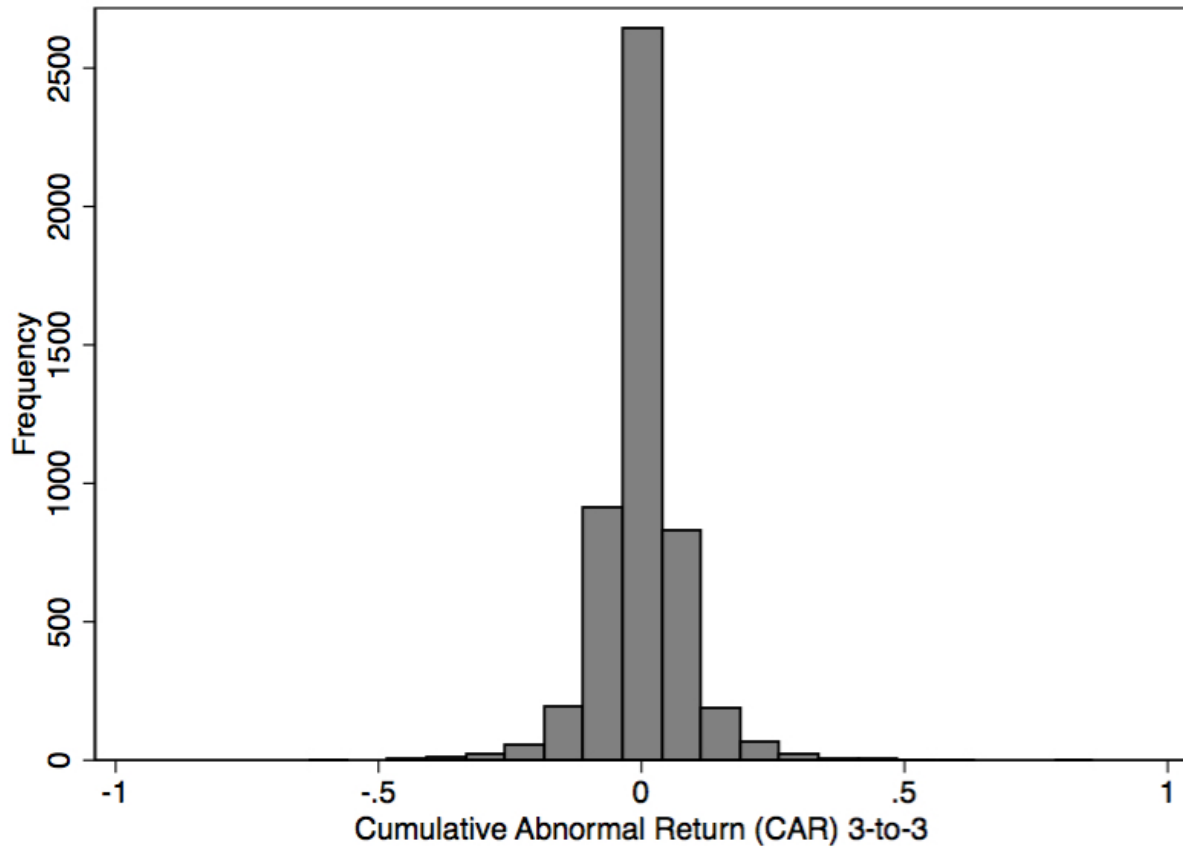


CHART 9: Mean Cumulative Abnormal Return (-3 to +3 window) by Industry (Fama-French 30)

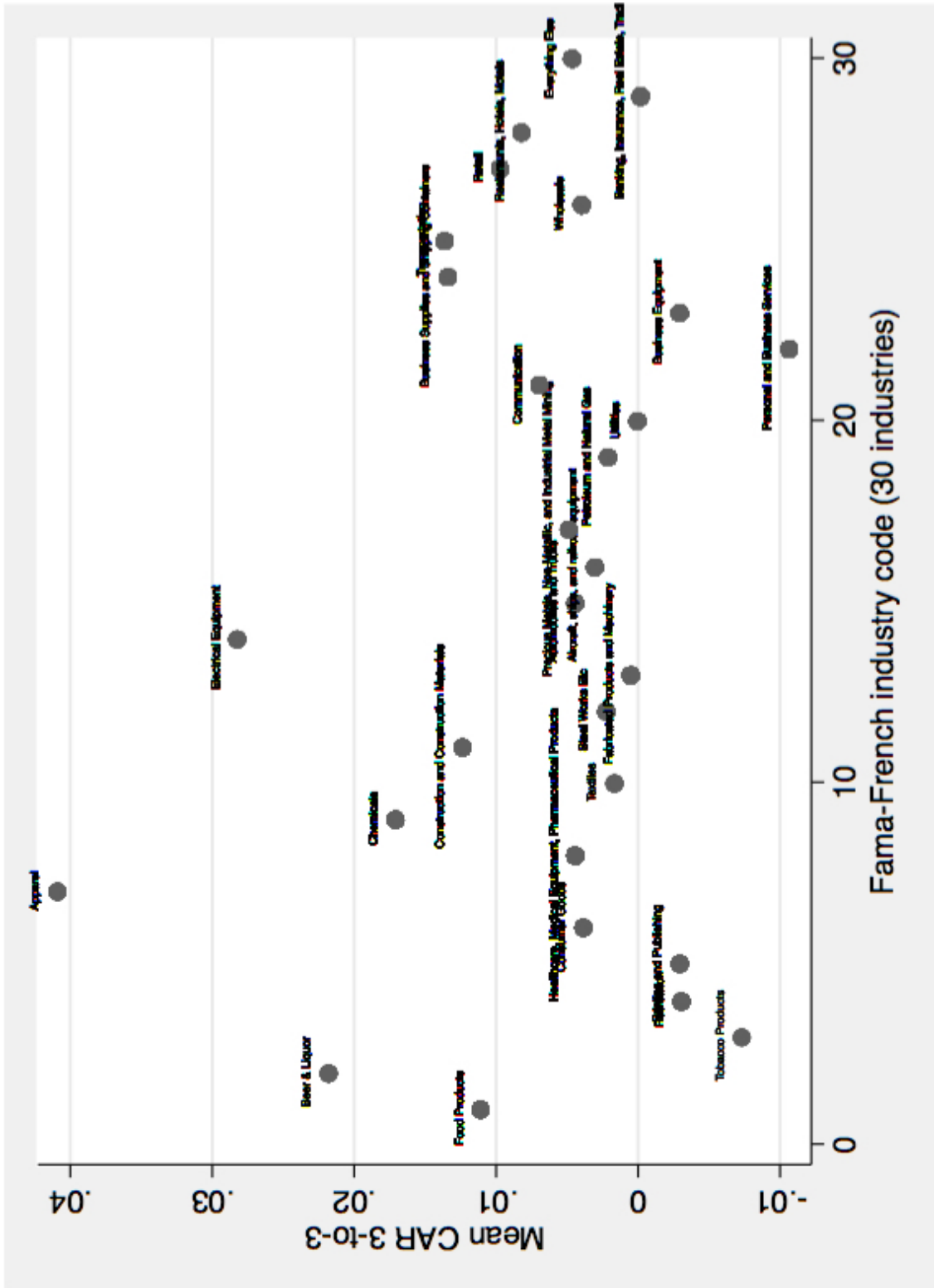


CHART 10: Rhetoric // Complexity: Body Text Word Count

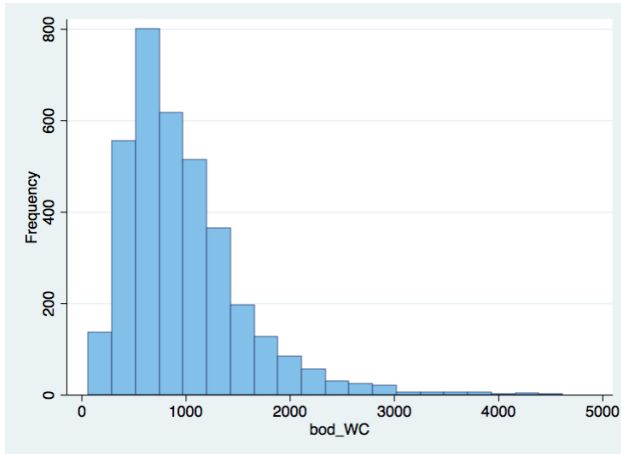


CHART 11: Rhetoric // Complexity: Body Text Words per Sentence

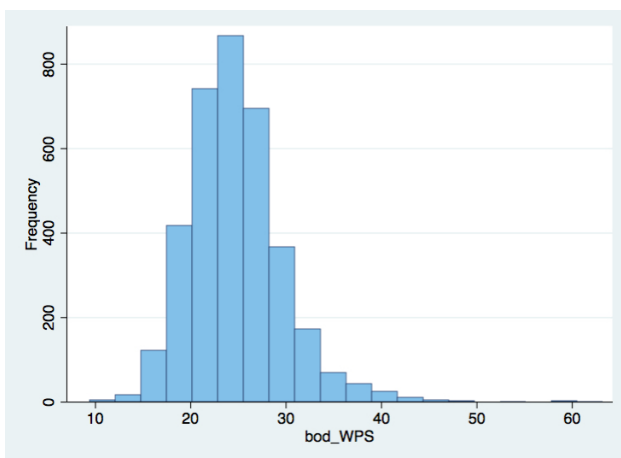


CHART 12: Rhetoric // Complexity: Body Text Words 6+ Letters

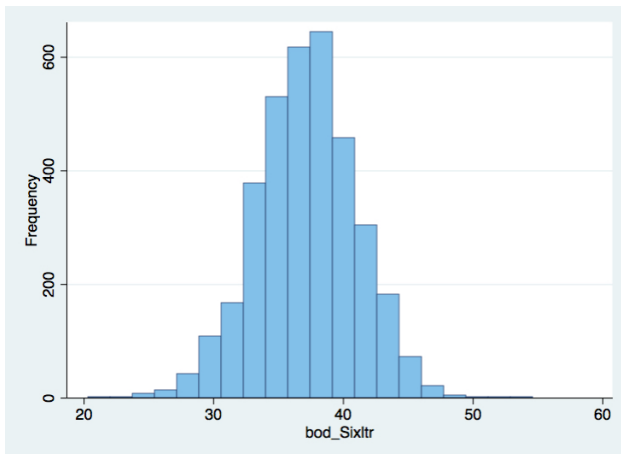


CHART 13: Rhetoric // Certainty: Body Text Causal Scale

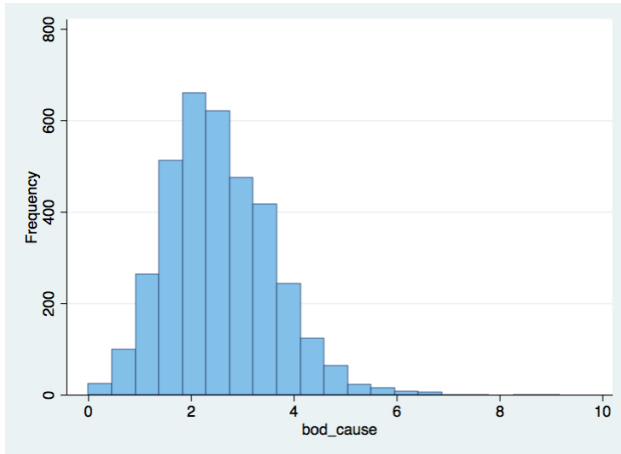


CHART 14: Rhetoric // Certainty: Body Text Certainty Scale

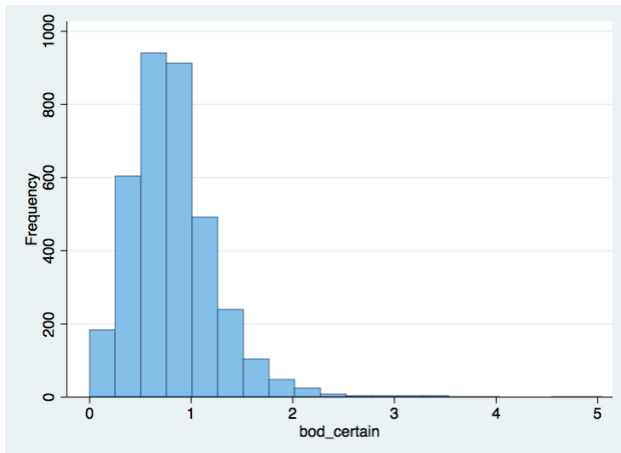


CHART 15: Rhetoric // Promotion: Body Text Tone Index

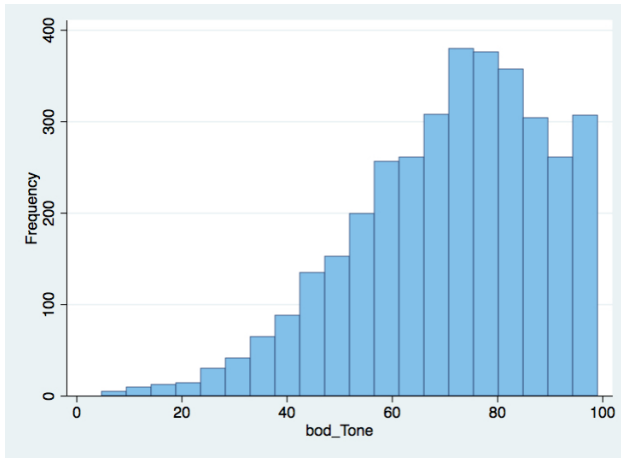


CHART 16: Rhetoric // Promotion: Body Text Positive Emotive Scale

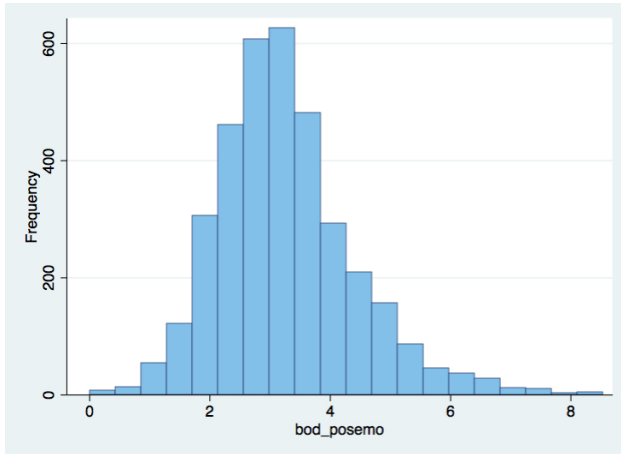


CHART 17: Rhetoric // Promotion: Body Text Negative Emotive Scale

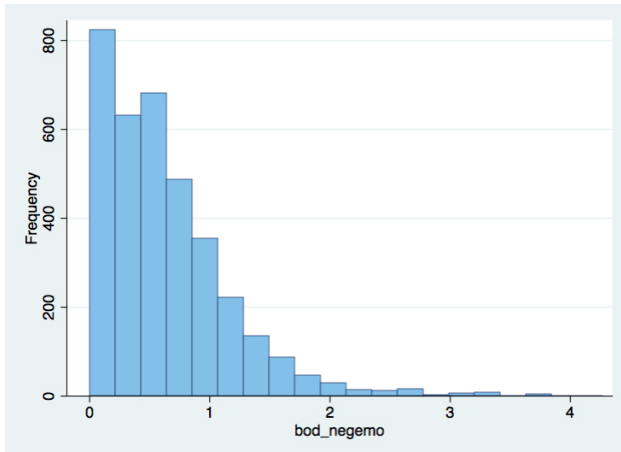


CHART 18: Main DV Residuals // Body Text Word Count (bod_WC)

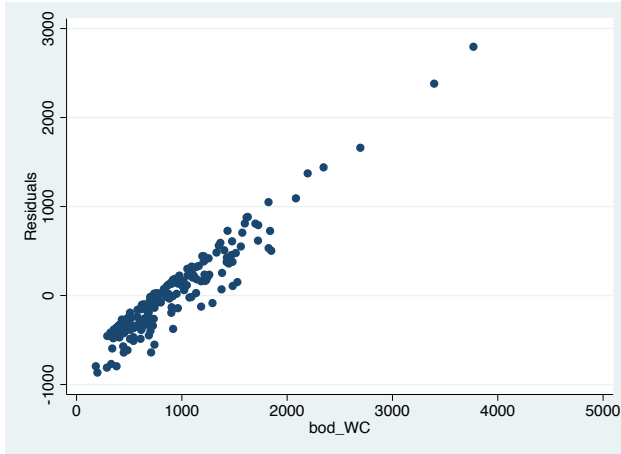


CHART 19: Main DV Residuals // Body Text Concreteness (bod_certain)

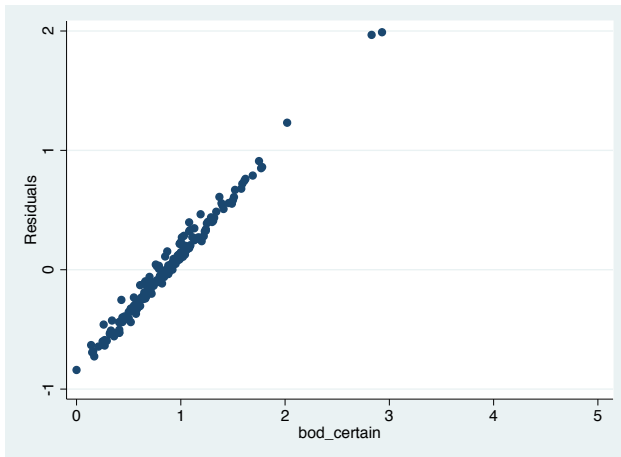


CHART 20: Main DV Residuals // Body Text Positivity (bod_posemo)

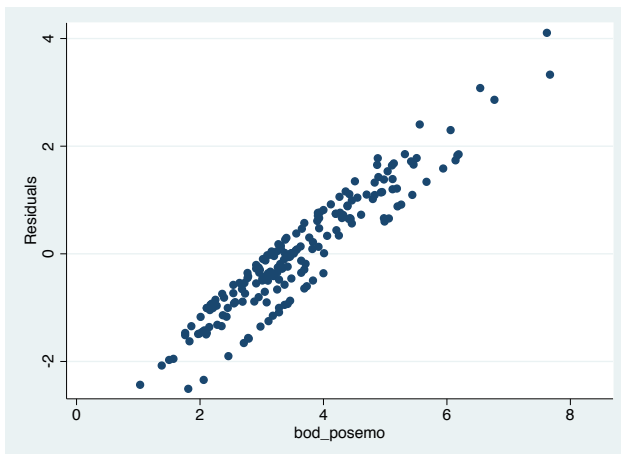


CHART 21: Main DV Residuals // Cumulative Abnormal Returns, 3-Day (car3)

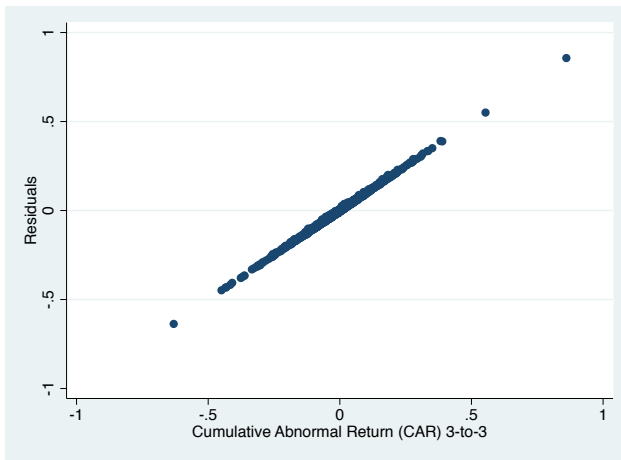


CHART 22: Distribution, Log-Transformed Body Text Word Count (cumulative)

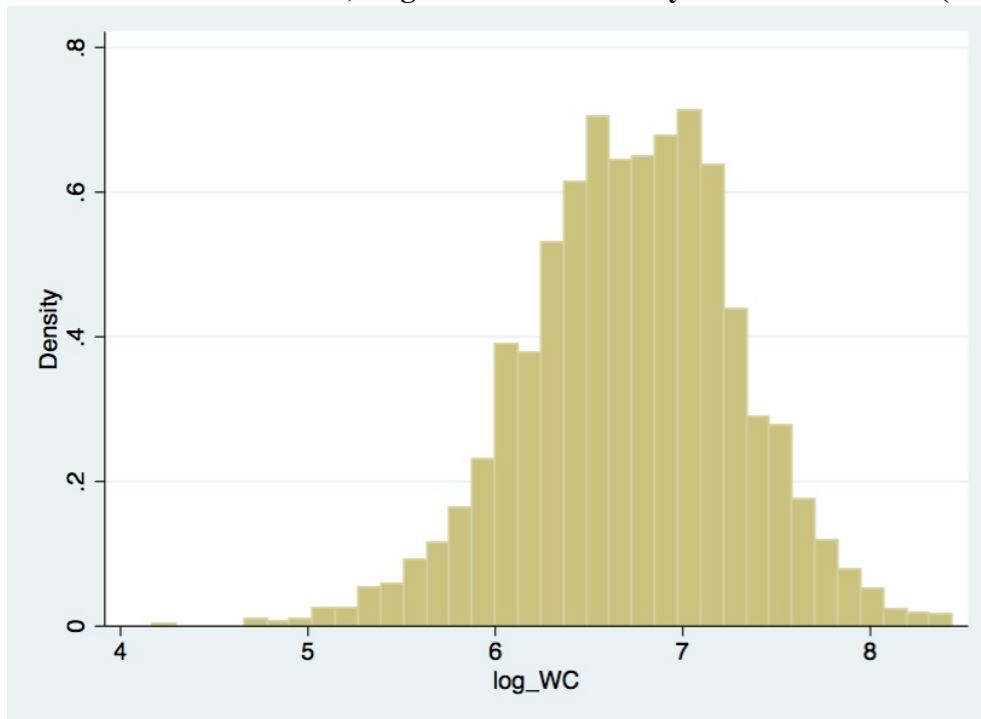


CHART 23: Distribution, Log-Transformed Body Text Word Count by Ranking (ranked vs. non)

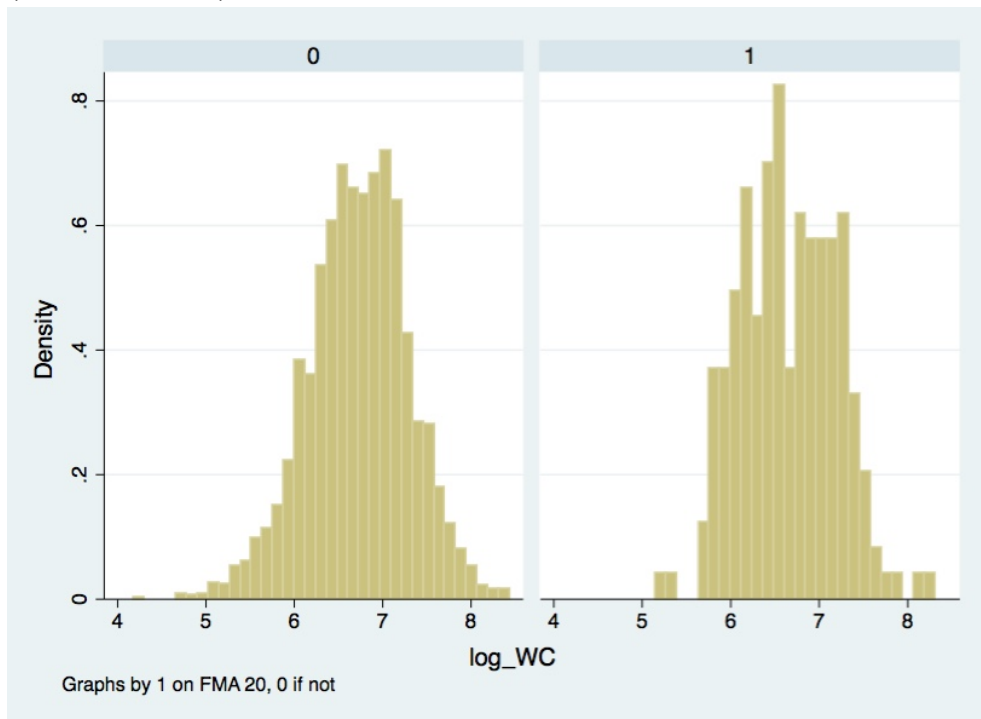
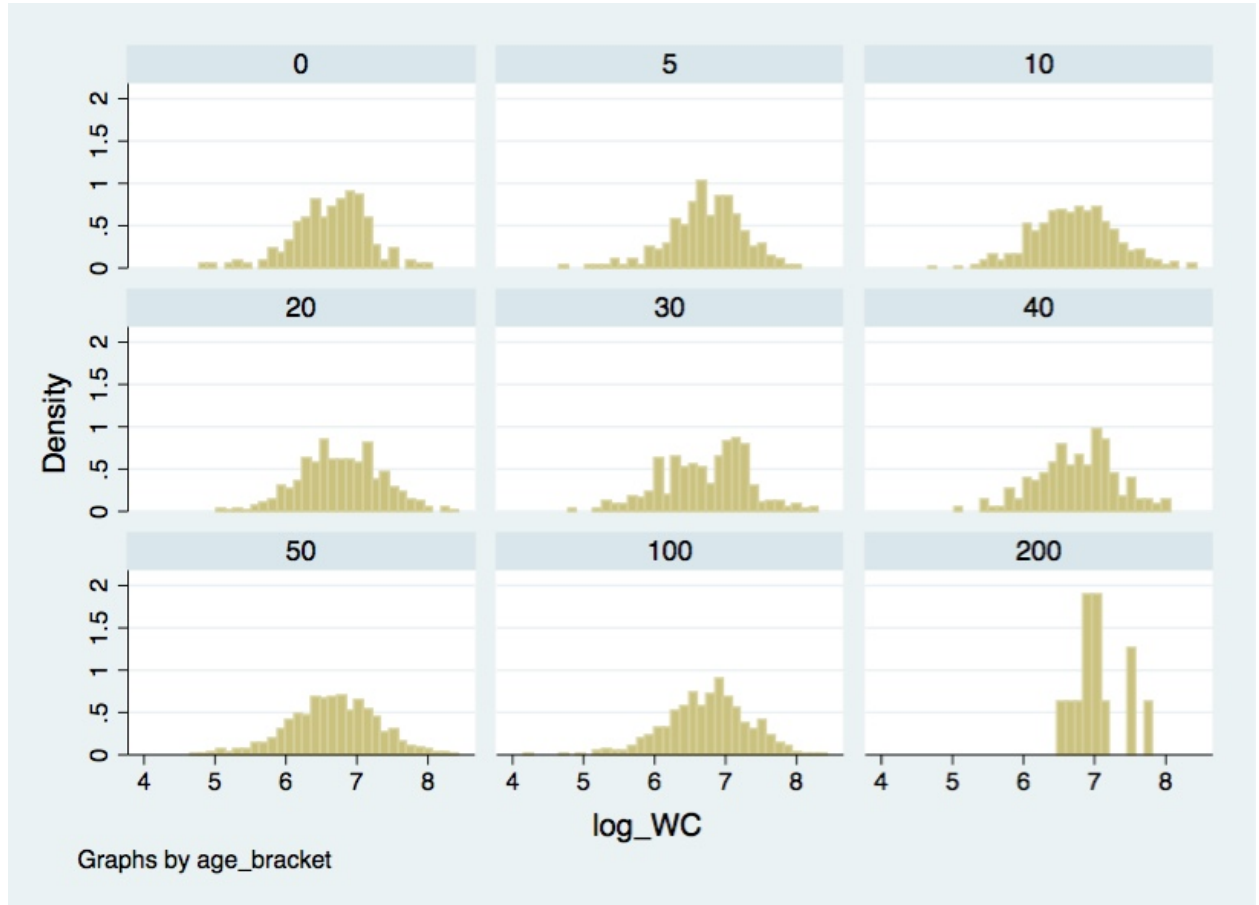


CHART 24: Distribution, Log-Transformed Body Text Word Count by Age Bracket



—> Age Bracket Breakdown: “200” = firms over 200 years old. “100” = firms over 100 years old, etc...

CHART 25: Distribution, Log-Transformed Body Text Concreteness (cumulative)

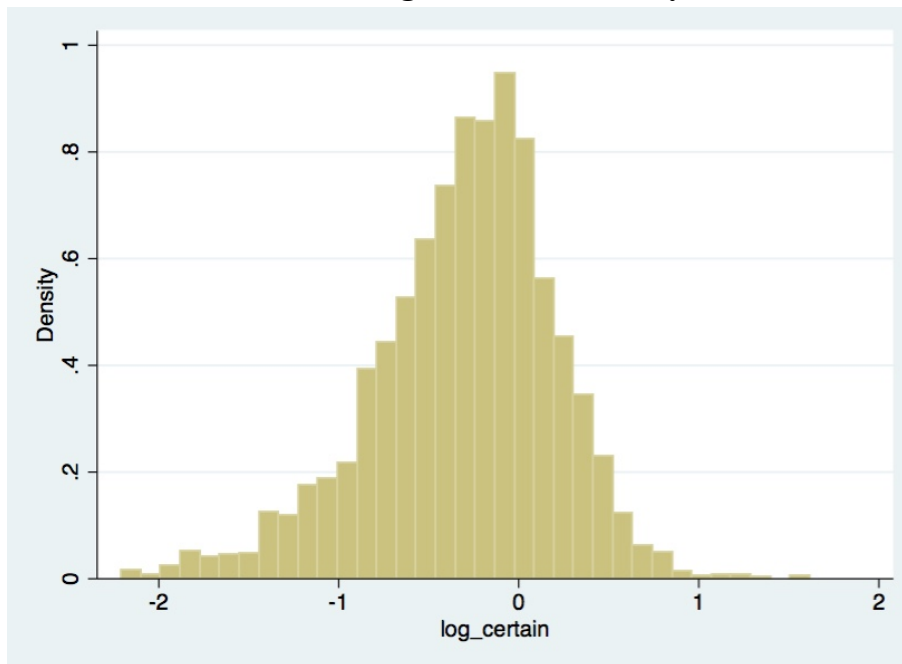
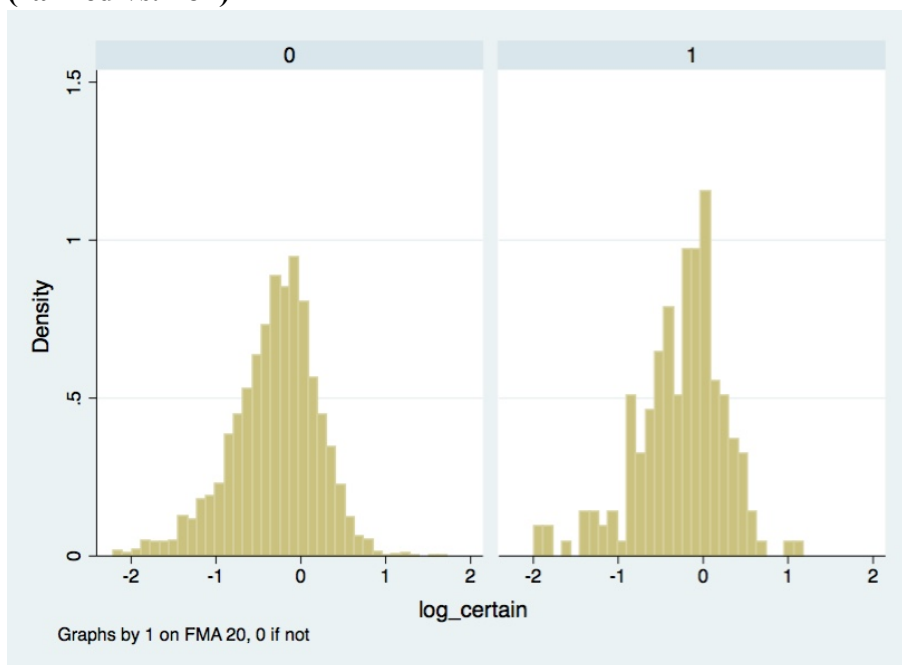
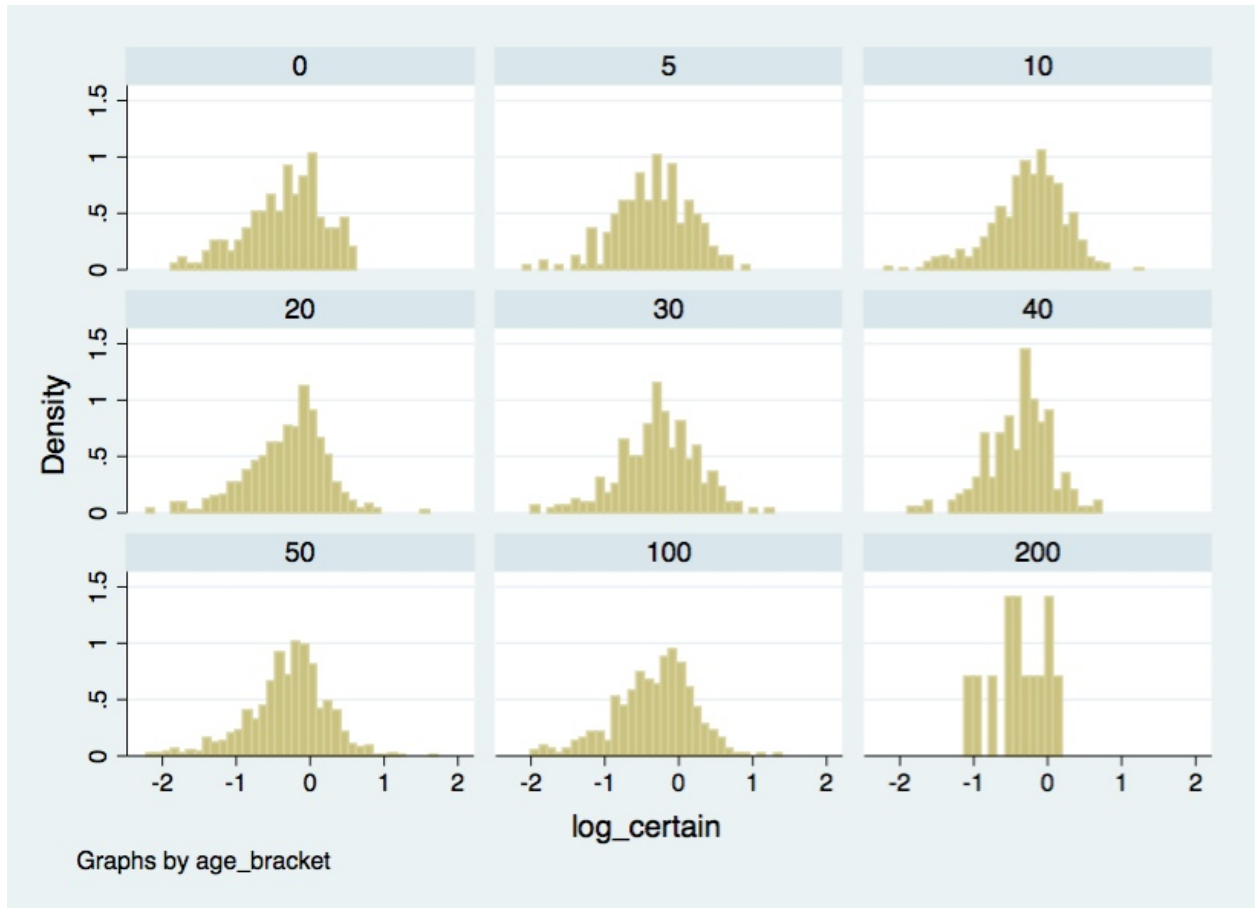


CHART 26: Distribution, Log-Transformed Body Text Concreteness by Ranking (ranked vs. non)



APPENDIX B

CHART 27: Distribution, Log-Transformed Body Text Concreteness by Age Bracket



—> Age Bracket Breakdown: “200” = firms over 200 years old. “100” = firms over 100 years old, etc...

CHART 28: Distribution, Log-Transformed Body Text Positivity (cumulative)

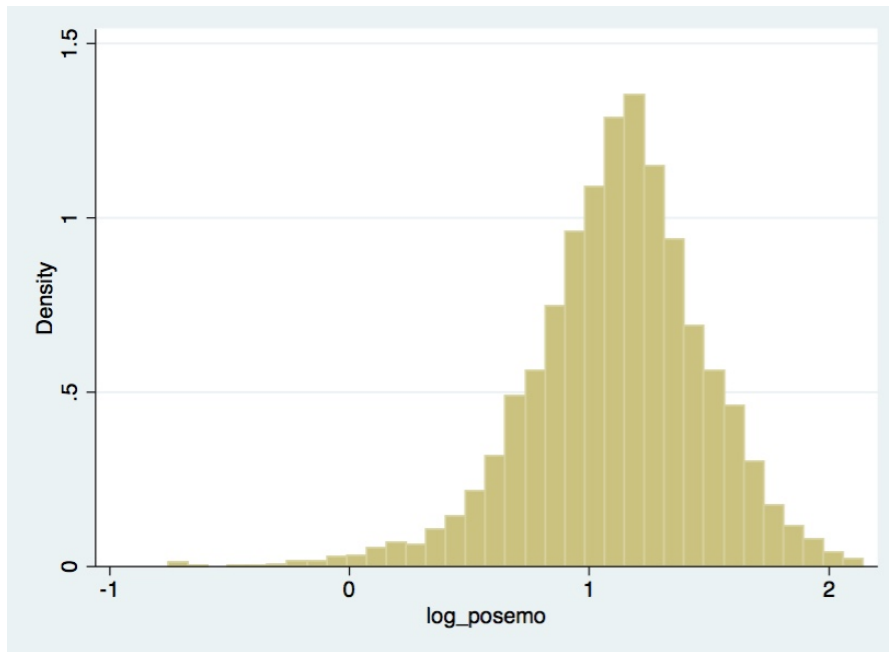
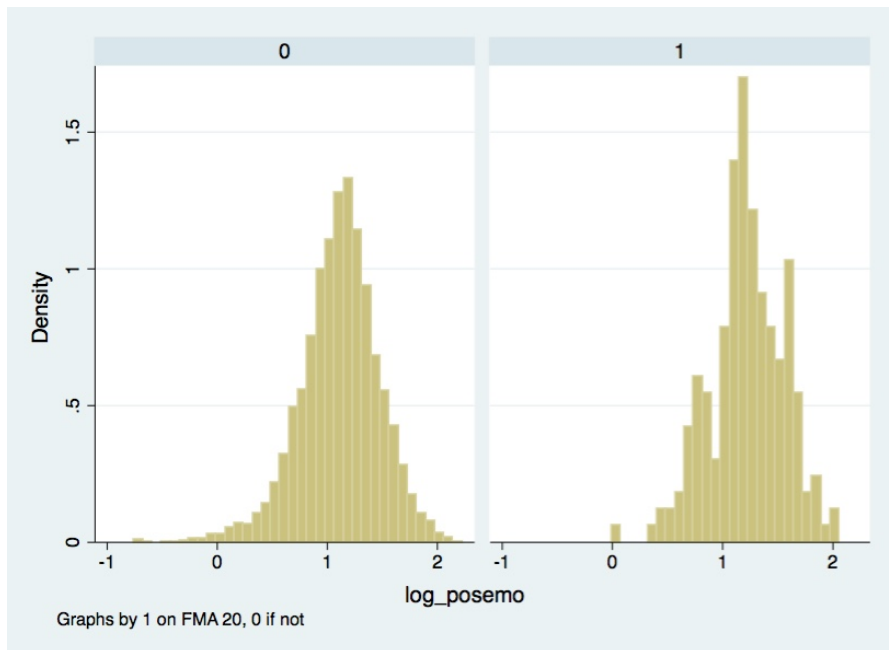
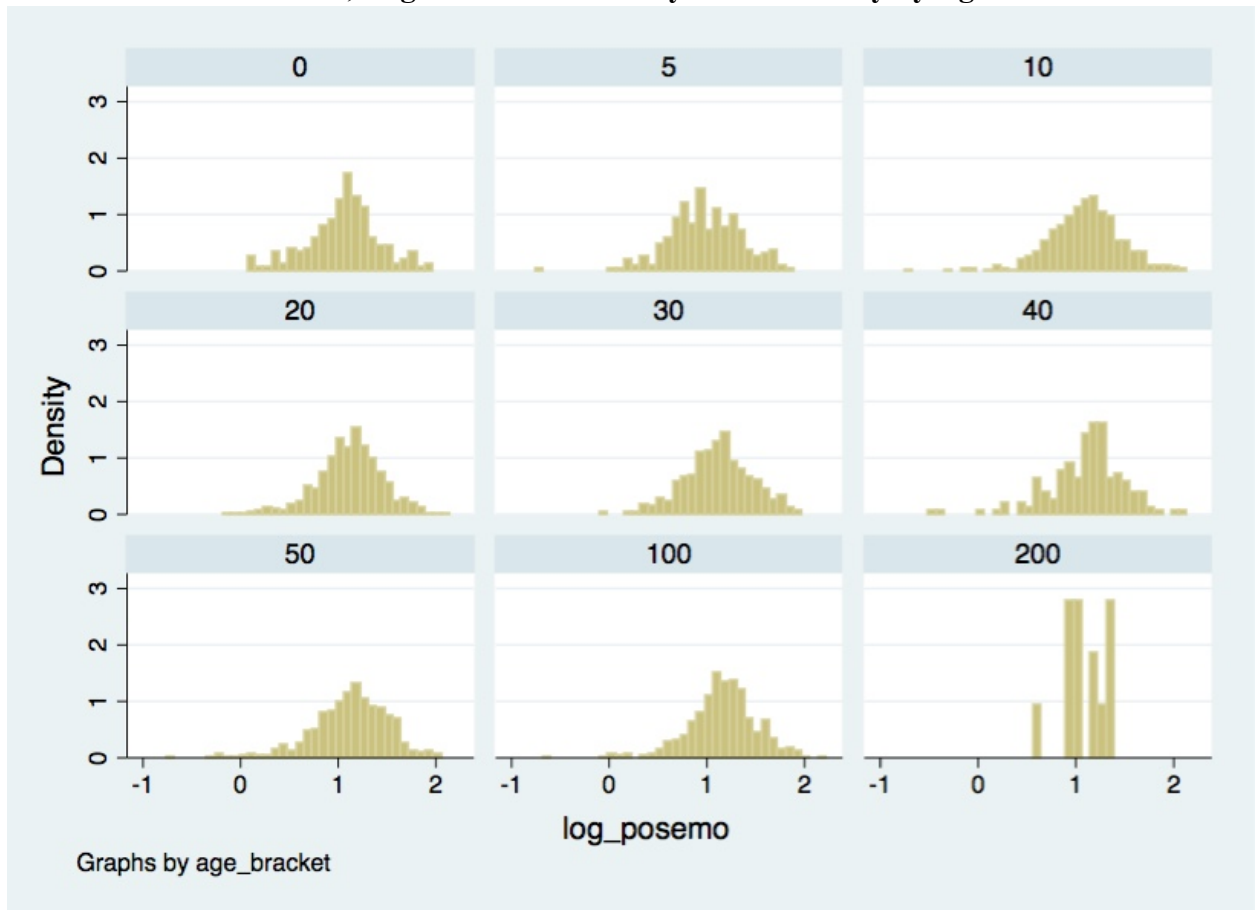


CHART 29: Distribution, Log-Transformed Body Text Positivity by Ranking (ranked vs. non)



APPENDIX B

CHART 30: Distribution, Log-Transformed Body Text Positivity by Age Bracket



—> Age Bracket Breakdown: “200” = firms over 200 years old. “100” = firms over 100 years old, etc...

MODEL BUILDS - BETWEEN GROUP ANALYSES**TABLE 25: DV: Body Text Word Count, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters**

	Full Sample			Between Group		Between Group	
	(1) Body WC	(2) Body WC	(3) Body WC	(4) Body WC FMA_20	(5) Body WC Other	(6) Body WC Fortune 500 T10	(7) Body WC Other
<u>Deal Financials</u>							
<i>deal_val_mil</i>	0.019		0.018	0.015	0.019	0.009	0.020
	(4.94)***		(4.88)***	(1.070)	(4.69)***	(1.610)	(4.64)***
<i>cash</i>	1.576		1.536	1.447	1.493	1.472	1.525
	(6.81)***		(6.41)***	(1.940)	(5.93)***	(2.29)*	(6.16)***
<i>stock</i>	4.814		4.845	1.301	4.952	3.302	4.833
	(11.88)** *		(11.15)** *	(0.850)	(12.48)** *	(3.69)**	(10.92)** *
<u>Firm Age</u>							
<i>Age from Founding</i>		-0.090	-0.008	-0.545	0.134	-0.351	0.025
		(-0.27)	(-0.03)	(1.430)	(0.430)	(-0.22)	(0.080)
<i>Age from IPO</i>		-0.461	-0.720	2.014	-0.880	2.760	-1.047
		(-0.37)	(-0.52)	(-0.96)	(-0.62)	(2.65)*	(-0.78)
Market Controls	N	N	N	N	N	N	N
Year Controls	N	N	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	199	2,913	105	3,000
R ²	0.2446	0.1217	0.2521	0.391	0.257	0.490	0.255

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

APPENDIX C

TABLE 26: DV: Body Text Words per Sentence, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group		Between Group	
	(1) Body WPS	(2) Body WPS	(3) Body WPS	(4) Body WPS FMA_20	(5) Body WPS Other	(6) Body WPS Fortune 500 T10	(7) Body WPS Other
<u>Deal Financials</u>							
<i>deal_val_mil</i>	0.0000		0.0000	0.0001	0.0000	0.0001	0.0000
	(1.720)		(2.28)**	(1.970)	(1.910)	(2.92)**	(2.15)**
<i>cash</i>	0.0034		0.0028	0.0190	0.0015	-0.0047	0.0029
	(1.480)		(1.140)	(1.590)	(0.580)	(-0.74)	(1.16)
<i>stock</i>	0.0099		0.0082	-0.0019	0.0086	-0.0104	0.0085
	(2.96)**		(2.33)**	(-0.19)	(2.50)**	(-1.71)	(2.35)**
<u>Firm Age</u>							
<i>Age from Founding</i>		-0.0039	-0.0037	0.0002	-0.0037	0.0051	-0.0036
		(-1.05)	(-0.99)	(0.030)	(-0.92)	(0.50)	(-0.95)
<i>Age from IPO</i>		-0.0095	-0.0099	0.0120	-0.0158	0.0120	-0.0136
		(-0.76)	(-0.78)	(0.640)	(-1.13)	(0.98)	(-1.08)
Market Controls	N	N	N	N	N	N	N
Year Controls	N	N	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	192	2,913	105	3,000
R ²	0.1687	0.1729	0.1773	0.3972	0.1752	0.3694	0.1779

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

APPENDIX C

TABLE 27: DV: Body Text Words 6+ Letters, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group		Between Group	
	(1) Body Sixltr	(2) Body Sixltr	(3) Body Sixltr	(4) Body Sixltr FMA_20	(5) Body Sixltr Other	(6) Body Sixltr Fortune 500 T10	(7) Body Sixltr Other
<u>Deal Financials</u>							
<i>deal_val_mil</i>	-0.0001		-0.0001	0.0000	-0.0001	-0.0000	-0.0001
	(-4.10)** *		(-4.00)** *	(0.35)	(-3.89)** *	(-0.47)	(-3.74)** *
<i>cash</i>	0.0024		0.0009	-0.0042	0.0014	-0.0055	0.0009
	(1.31)		(0.46)	(-0.66)	(0.65)	(-0.42)	(0.42)
<i>stock</i>	-0.0085		-0.0084	-0.0173	-0.0080	-0.0308	-0.0077
	(-2.85)**		(-2.68)**	(-2.00)*	(-2.47)*	(-2.41)*	(-2.46)*
<u>Firm Age</u>							
<i>Age from Founding</i>		-0.0061	-0.0061	-0.0135	-0.0060	0.0075	-0.0064
		(-1.71)	(-1.79)	(-2.69)*	(-1.61)	(0.30)	(-1.91)*
<i>Age from IPO</i>		0.0193422	0.019	0.027	0.0154305	0.011	0.0143188
		(2.08)*	(2.06)*	(2.29)*	(1.3500)	(0.5700)	(1.3300)
Market Controls	N	N	N	N	N	N	N
Year Controls	N	N	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	192	2,913	105	3,000
R ²	0.0317	0.0206	0.0385	0.2431	0.0380	0.316	0.0370

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

TABLE 28: DV: Body Text Certainty, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group		Between Group	
	(1) Body Certain	(2) Body Certain	(3) Body Certain	(4) Body Certain FMA_20	(5) Body Certain Other	(6) Body Certain Fortune 500 T10	(7) Body Certain Other
<u>Deal Financials</u>							
<i>deal_val_mil</i>	-0.0000		-0.0000	0.0000	-0.0000	0.0000	-0.0000
	-1.53		-1.56	0.16	-1.71	1.08	-1.89
<i>cash</i>	0.0004		0.0003	0.0007	0.0003	-0.0002	0.0003
	(2.16)*		1.52	1.11	1.17	-0.36	1.54
<i>stock</i>	-0.0002		-0.0004	-0.0005	-0.0004	-0.0031	-0.0004
	-0.76		-1.28	-0.53	-1.26	-2.2	-1.25
<u>Firm Age</u>							
<i>Age from Founding</i>		-0.0001	-0.0001	0.0009	-0.0001	0.0001	-0.0001
		-0.19	-0.23	1.51	-0.56	0.1	-0.24
<i>Age from IPO</i>		0.0000	-0.0001	-0.0014	-0.0000	-0.0029	0.0005
		0.01	-0.14	-1.29	-0.02	-2.82	0.56
Market Controls	N	N	N	N	N	N	N
Year Controls	N	N	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	192	2,913	105	3,000
R ²	0.0213	0.0200	0.0239	0.216	0.0216	0.233	0.0238

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

TABLE 29: DV: Body Text Causality, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group		Between Group	
	(1) Body Cause	(2) Body Cause	(3) Body Cause	(4) Body Cause FMA_20	(5) Body Cause Other	(6) Body Cause Fortune 500 T10	(7) Body Cause Other
<u>Deal Financials</u>							
<i>deal_val_mil</i>	-0.0000		-0.0000	0.0000	-0.0000	0.0000	-0.0000
	(3.95)***		(-3.94)** *	(0.16)	(-3.78)** *	(1.33)	(-3.7)***
<i>cash</i>	0.0001		-0.0002	-0.0022	-0.0001	0.0017	-0.0003
	(0.29)		(-0.36)	(-1.03)	(-0.21)	(1.05)	(-0.49)
<i>stock</i>	-0.0003		-0.0004	-0.0053	-0.0003	-0.0032	-0.0004
	(-0.39)		(-0.5)	(-1.05)	(-0.31)	(-1.58)	(-0.44)
<u>Firm Age</u>							
<i>Age from Founding</i>		-0.0023	-0.0022	-0.0072	-0.0018	-0.0021	-0.0022
		(-2.89)**	(-2.83)**	(-3.51)**	(-2.21)**	(-0.61)	(-2.73)**
<i>Age from IPO</i>		0.0053	0.0056	0.0056	0.0054	0.0155	0.0044
		(1.97)*	(2.14)*	(1.47)	(1.78)	(4.78)** *	(1.57)
Market Controls	N	N	N	N	N	N	N
Year Controls	N	N	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	192	2,913	105	3,000
R ²	0.0498	0.0433	0.0544	0.206	0.0538	0.265	0.0552

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

TABLE 30: DV: Body Text Analysis, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group		Between Group	
	(1) Body Analytic	(2) Body Analytic	(3) Body Analytic	(4) Body Analytic FMA_20	(5) Body Analytic Other	(6) Body Analytic Fortune 500 T10	(7) Body Analytic Other
<u>Deal Financials</u>							
<i>deal_val_mil</i>	0.0000		0.0000	-0.0000	0.0000	-0.0001	0.0000
	(0.28)		(0.31)	(-1.99)	(0.48)	(-4.32)** *	(1.12)
<i>cash</i>	0.0011		0.0010	0.0047	0.0007	0.0008	0.0010
	(1.17)		(0.92)	(1.32)	(0.65)	(0.23)	(0.95)
<i>stock</i>	0.0041		0.0037	0.0099	0.0034	0.0033	0.0036
	(3.33)***		(2.77)**	(2.32)*	(2.55)**	(1.14)	(2.66)**
<u>Firm Age</u>							
<i>Age from Founding</i>		-0.003	-0.003	-0.001	-0.003	0.003	-0.003
		(-2.38)**	(-2.22)**	(-0.36)	(-2.18)*	(0.40)	(-2.28)*
<i>Age from IPO</i>		0.003	0.003	10238.000	-0.001	-0.000	0.004
		(0.72)	(0.75)	(1.51)	(-0.12)	(-0.02)	(0.83)
Market Controls	N	N	N	N	N	N	N
Year Controls	N	N	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	192	2,913	105	3,000
R ²	0.0330	0.0310	0.0349	0.148	0.035	0.320	0.0372

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

TABLE 31: DV: Body Text Tone, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group		Between Group	
	(1) Body Tone	(2) Body Tone	(3) Body Tone	(4) Body Tone FMA_20	(5) Body Tone Other	(6) Body Tone Fortune 500	(7) Tone Other
<u>Deal Financials</u>							
<i>deal_val_mil</i>	0.000		0.000	0.015	0.019	0.009	0.020
	(2.60)**		(2.41)*	(1.07)	(4.69)***	(1.61)	(4.64)***
<i>cash</i>	0.029		0.026	1.447	1.493	1.472	1.525
	(3.24)***		(2.73)**	(1.94)	(5.93)***	(2.29)*	(6.16)***
<i>stock</i>	0.070		0.069	1.301	4.952	3.302	4.833
	(5.77)***		(5.51)***	(0.85)	(12.48)** *	(3.69)**	(10.92)** *
<u>Firm Age</u>							
<i>Age from Founding</i>		0.053	0.054	-0.545	0.134	-0.351	0.025
		(5.42)***	(5.55)***	(-0.80)	(0.43)	(-0.22)	(0.08)
<i>Age from IPO</i>		0.038	0.054	2.014	-0.881	2.760	-1.047
		(0.94)	(0.89)	(1.43)	(-0.62)	(2.65)**	(-0.78)
Market Controls	N	N	N	N	N	N	N
Year Controls	N	N	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	192	2,913	105	3,000
R ²	0.0535	0.0450	0.0686	0.3912	0.2566	0.4895	0.2546

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

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TABLE 32: DV: Body Text Positivity, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group		Between Group	
	(1) Body Posemo	(2) Body Posemo	(3) Body Posemo	(4) Body Posemo FMA_20	(5) Posemo Other	(6) Body Posemo Fortune 500 T10	(7) Body Posemo Other
<u>Deal Financials</u>							
<i>deal_val_mil</i>	0.00002 (4.48)***		0.00002 (4.49)***	-0.00000 (-0.27)	0.00002 (4.39)***	0.00004 (2.84)*	0.00001 (3.93)***
<i>cash</i>	0.0019 (3.54)***		0.0017 (3.02)***	0.0038 -1.470	0.0015 (2.54)**	0.0027 -1.170	0.0017 (2.93)**
<i>stock</i>	0.0036 (4.34)***		0.0032 (3.73)***	0.0004 -0.280	0.0033 (3.72)***	-0.0030 (-0.64)	0.0032 (3.73)***
<u>Firm Age</u>							
<i>Age from Founding</i>		0.0027 (3.54)***	0.0027 (3.56)***	0.0090 (5.72)***	0.0020 (3.00)**	0.0031 -0.500	0.0027 (3.51)***
<i>Age from IPO</i>		0.0005 (0.17)	0.0001 (0.02)	-0.0050 (-0.96)	-0.0014 (-0.57)	-0.0067 (-0.88)	0.0003 (0.09)
Market Controls	N	N	N	N	N	N	N
Year Controls	N	N	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	192	2,913	105	3,000
R ²	0.039	0.028	0.046	0.264	0.043	0.231	0.045

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

MODEL BUILDS - BETWEEN GROUP ANALYSES - RELATEDNESS**TABLE 33: DV: Body Text Word Count, IV: Age, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters**

	Full Sample			Between Group	
	(1) Body WC	(2) Body WC	(3) Body WC	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	0.019		0.018	0.015	0.023
	(4.94)***		(4.88)***	(4.01)***	(3.43)***
<i>cash</i>	1.576		1.536	1.409	1.755
	(6.81)***		(6.41)***	(5.58)***	(4.09)***
<i>stock</i>	4.814		4.845	4.553	5.204
	(11.88)***		(11.15)***	(8.72)***	(8.34)***
<u>Firm Age</u>					
<i>Age from Founding</i>		-0.090	-0.008	-0.026	0.100
		(-0.27)	(-0.03)	(-0.08)	(0.200)
<i>Age from IPO</i>		-0.461	-0.720	0.081	-3.709
		(-0.37)	(-0.52)	(0.05)	(-2.01)**
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	2,083	1,022
R ²	0.2446	0.1217	0.2521	0.234	0.311

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

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TABLE 34: DV: Body Text Words per Sentence, IV: Age, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group	
	(1) Body WPS	(2) Body WPS	(3) Body WPS	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	0.0000		0.0000	0.000	0.000
	(1.720)		(2.28)**	1.97**	1.200
<i>cash</i>	0.0034		0.0028	0.002	0.005
	(1.480)		(1.140)	0.540	-1.310
<i>stock</i>	0.0099		0.0082	0.007	0.012
	(2.96)**		(2.33)**	1.550	(2.59)**
<u>Firm Age</u>					
<i>Age from Founding</i>		-0.0039	-0.0037	-0.004	-0.002
		(-1.05)	(-0.99)	(1.050)	(0.340)
<i>Age from IPO</i>		-0.0095	-0.0099	-0.003	-0.025
		(-0.76)	(-0.78)	(-0.23)	(-1.39)
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	2,083	1,022
R ²	0.1687	0.1729	0.1773	0.175	0.209

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

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TABLE 35: DV: Body Text Words 6+ Letters, IV: Age, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group	
	(1) Body Sixltr	(2) Body Sixltr	(3) Body Sixltr	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	-0.0001		-0.0001	-0.0000573	-0.0000547
	(-4.10)***		(-4.00)***	-2.68**	-3.82***
<i>cash</i>	0.0024		0.0009	-0.0023889	0.0083151
	(1.31)		(0.46)	-1.07	2.33**
<i>stock</i>	-0.0085		-0.0084	-0.0131988	0.0017522
	(-2.85)**		(-2.68)**	-3.52***	0.40
<u>Firm Age</u>					
<i>Age from Founding</i>		-0.0061	-0.0061	-0.00567	-0.0078567
		(-1.71)	(-1.79)	-1.51	-1.91
<i>Age from IPO</i>		0.0193422	0.019	0.0257882	0.0030139
		(2.08)*	(2.06)*	3.06**	0.18
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	2,083	1,022
R ²	0.0317	0.0206	0.0385	0.054	0.042

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

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TABLE 36: DV: Body Text Certainty, IV: Age, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group	
	(1) Body Certain	(2) Body Certain	(3) Body Certain	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	-0.0000		-0.0000	-4.53E-07	-3.12E-06
	-1.53		-1.56	-0.39	-2.49**
<i>cash</i>	0.0004		0.0003	0.0004266	0.000089
	(2.16)*		1.52	1.72	0.22
<i>stock</i>	-0.0002		-0.0004	-0.0002682	-0.0005227
	-0.76		-1.28	-0.77	-1.12
<u>Firm Age</u>					
<i>Age from Founding</i>		-0.0001	-0.0001	-0.0001381	0.0002204
		-0.19	-0.23	-0.41	0.62
<i>Age from IPO</i>		0.0000	-0.0001	0.0001592	-0.00079
		0.01	-0.14	0.16	-0.50
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	2,083	1,022
R ²	0.0213	0.0200	0.0239	0.026	0.052

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

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TABLE 37: DV: Body Text Causality, IV: Age, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group	
	(1) Body Cause	(2) Body Cause	(3) Body Cause	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	-0.0000		-0.0000	-0.0000172	-0.0000174
	(3.95)***		(-3.94)***	-3.00**	-2.90**
<i>cash</i>	0.0001		-0.0002	-0.0008035	0.0009739
	(0.29)		(-0.36)	-1.33	1.20
<i>stock</i>	-0.0003		-0.0004	-0.0019817	0.0027601
	(-0.39)		(-0.5)	-2.02*	2.26*
<u>Firm Age</u>					
<i>Age from Founding</i>		-0.0023	-0.0022	-0.0024423	-0.0022083
		(-2.89)**	(-2.83)**	-2.98*	-2.00*
<i>Age from IPO</i>		0.0053	0.0056	0.0055737	0.0063257
		(1.97)*	(2.14)*	2.32*	1.24
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	2,083	1,022
R ²	0.0498	0.0433	0.0544	0.061	0.076

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

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TABLE 38: DV: Body Text Analysis, IV: Age, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group	
	(1) Body Analytic	(2) Body Analytic	(3) Body Analytic	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	0.0000		0.0000	-6.58E-06	0.000014
	(0.28)		(0.31)	-1.54	2.70**
<i>cash</i>	0.0011		0.0010	0.0020286	-0.00126
	(1.17)		(0.92)	1.76	-0.69
<i>stock</i>	0.0041		0.0037	0.0055662	-0.0000111
	(3.33)***		(2.77)**	3.83***	0.00
<u>Firm Age</u>					
<i>Age from Founding</i>		-0.0026833	-0.003	-0.0019729	-0.00355
		(-2.38)**	(-2.22)**	-1.66	-1.96*
<i>Age from IPO</i>		0.0029331	0.003	0.005824	-0.0066679
		(0.72)	(0.75)	1.44	-0.99
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	2,083	1,022
R ²	0.0330	0.0310	0.0349	0.042	0.048

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

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TABLE 39: DV: Body Text Positivity, IV: Age, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group	
	(1) Body Posemo	(2) Body Posemo	(3) Body Posemo	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	0.00002		0.00002	0.000	0.000
	(4.48)***		(4.49)***	3.28***	2.56**
<i>cash</i>	0.0019		0.0017	0.003	-0.000
	(3.54)***		(3.02)***	3.62***	-0.170
<i>stock</i>	0.0036		0.0032	0.003	0.003
	(4.34)***		(3.73)***	3.30***	2.28**
<u>Firm Age</u>					
<i>Age from Founding</i>		0.0027	0.0027	0.002	0.005
		(3.54)***	(3.56)***	2.11*	4.30***
<i>Age from IPO</i>		0.0005	0.0001	0.000	-0.002
		(0.17)	(0.02)	0.12	-0.460
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	3,105	3,105	2,083	1,022
R ²	0.039	0.028	0.046	0.043	0.079

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

MODEL BUILDS - BETWEEN GROUP ANALYSES - RELATEDNESS**TABLE 40: DV: Body Text Word Count, IV: Reputation, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters**

	Full Sample			Between Group	
	(1) Body WC	(2) Body WC	(3) Body WC	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	0.019		0.014	0.006	0.097
	(4.94)***		0.990	0.570	6.27***
<i>cash</i>	1.576		1.321	2.214	-4.097
	(6.81)***		1.800	3.61**	-2.78**
<i>stock</i>	4.814		1.415	2.029	-0.711
	(11.88)***		0.930	1.280	-0.320
<u>Firm Age</u>					
<i>FMA_rank</i>		8.693	5.372	13.412	29.328
		1.230	0.710	2.10*	2.97*
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	199	199	157	42
R ²	0.2446	0.3624	0.3933	0.479	0.885

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

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TABLE 41: DV: Body Text Words per Sentence, IV: Reputation, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group	
	(1) Body WPS	(2) Body WPS	(3) Body WPS	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	0.0000		0.000	0.0000838	0.000208
	(1.720)		1.660	1.91	0.93
<i>cash</i>	0.0034		0.018	0.0178775	-0.0031698
	(1.480)		1.400	1.3	-0.10
<i>stock</i>	0.0099		-0.002	-0.0027587	-0.0055479
	(2.96)**		-0.230	-0.19	-0.32
<u>Firm Age</u>					
<i>FMA_rank</i>		0.082	0.026	0.0534387	0.2589008
		1.220	0.320	0.74	0.53
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	199	199	157	42
R ²	0.1687	0.3577	0.3893	0.516	0.548

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

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TABLE 42: DV: Body Text Words 6+ Letters, IV: Reputation, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group	
	(1) Body Sixltr	(2) Body Sixltr	(3) Body Sixltr	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	-0.0001		-0.000028	-0.0000223	-0.0001698
	(-4.10)***		-1.13	-0.69	-1.45
<i>cash</i>	0.0024		-0.0026852	-0.0041949	-0.0071417
	(1.31)		-0.46	-0.45	-0.40
<i>stock</i>	-0.0085		-0.0131974	-0.0164173	-0.0232064
	(-2.85)**		-1.27	-1.66	-1.75
<u>Firm Age</u>					
<i>FMA_rank</i>		0.0555258	0.055974	0.0140066	0.1840829
		1.21	1.09	0.24	0.52
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	199	199	157	42
R ²	0.0317	0.1777	0.1912	0.208	0.530

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

APPENDIX C

TABLE 43: DV: Body Text Certainty, IV: Reputation, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group	
	(1) Body Certain	(2) Body Certain	(3) Body Certain	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	-0.0000		0.000	0.000	-0.000
	-1.53		0.460	0.090	-0.540
<i>cash</i>	0.0004		0.001	0.001	0.002
	(2.16)*		1.100	0.780	0.590
<i>stock</i>	-0.0002		-0.001	0.001	-0.004
	-0.76		-0.750	0.880	-1.000
<u>Firm Age</u>					
<i>FMA_rank</i>		0.003	0.001	0.001	-0.019
		0.580	0.160	0.160	(0.400)
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	199	199	157	42
R ²	0.0213	0.1850	0.1935	0.244	0.318

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

APPENDIX C

TABLE 44: DV: Body Text Causality, IV: Reputation, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group	
	(1) Body Cause	(2) Body Cause	(3) Body Cause	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	-0.0000		-0.0000117	-0.0000111	-0.000038
	(3.95)***		-1.53	-1.71	-0.88
<i>cash</i>	0.0001		-0.0023976	-0.0005095	-0.0199314
	(0.29)		-1.06	-0.23	-1.85
<i>stock</i>	-0.0003		-0.0034112	-0.0016324	-0.0080298
	(-0.39)		-0.63	-0.30	-0.64
<u>Firm Age</u>					
<i>FMA_rank</i>		0.011385	0.0164851	0.0053176	0.1203469
		1.06	1.46	0.43	1.11
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	199	199	157	42
R ²	0.0498	0.1137	0.1283	0.156	0.377

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$

TABLE 45: DV: Body Text Analysis, IV: Reputation, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group	
	(1) Body Analysis	(2) Body Analysis	(3) Body Analysis	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	0.0000		-0.0000304	-0.0000362	-0.0000244
	(0.28)		-2.68**	-3.27**	-0.31
<i>cash</i>	0.0011		0.0056886	0.004623	0.003475
	(1.17)		1.52	1.18	0.46
<i>stock</i>	0.0041		0.0103069	0.0120432	0.0082017
	(3.33)***		2.51*	2.85*	0.91
<u>Firm Age</u>					
<i>FMA_rank</i>		-0.0095741	-0.018466	-0.0211294	0.0763904
		-0.0000914	-0.79	-0.73	2.35*
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	199	199	157	42
R ²	0.0330	0.0992	0.1382	0.145	0.568

* $p < 0.05$ ** $p < 0.01$ *** $p < 0.001$

APPENDIX C

TABLE 46: DV: Body Text Positivity, IV: Reputation, Industry Controls, Year Fixed Effects, Firm-Level Error Clusters

	Full Sample			Between Group	
	(1) Body Posemo	(2) Body Posemo	(3) Body Posemo	(4) Not Related (SIC - 4 Digit)	(5) Related (SIC - 4 Digit)
<u>Deal Financials</u>					
<i>deal_val_mil</i>	0.00002		0.0000162	0.0000146	0.0000323
	(4.48)***		1.34	1.55	0.56
<i>cash</i>	0.0019		0.0038133	0.0036251	0.0149915
	(3.54)***		1.61	1.39	2.85*
<i>stock</i>	0.0036		-0.0017796	-0.0035814	0.0035353
	(4.34)***		-0.53	-1.15	0.89
<u>Firm Age</u>					
<i>FMA_rank</i>		0.0053639	-0.0070839	0.0144925	-0.1034618
		0.28	-0.39	0.97	-2.27*
Market Controls	N	N	N	N	N
Year Controls	N	N	N	N	N
Industry Controls	Y	Y	Y	Y	Y
Fixed Variable	Year	Year	Year	Year	Year
Standard Error Cluster	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm	Acq. Firm
Specification	OLS	OLS	OLS	OLS	OLS
Observations	3,560	199	199	157	42
R ²	0.039	0.1430	0.1684	0.204	0.597

* $p < 0.05$

** $p < 0.01$

*** $p < 0.001$