

STRATEGY SEMINAR SERIES

Speaker:

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Brief Bio:

Dr. Shavin Malhotra is an Associate Professor of Strategy and holds the Conrad Research Excellence Chair at the Conrad School of Entrepreneurship and Business, Faculty of Engineering, University of Waterloo. He previously worked as an Associate Professor at the Ted Rogers School of Management, and as the Co-director of the International Research Institute for Ryerson University. His research interests include corporate strategy, international business, and mergers and acquisitions. His recent work focuses on how heuristics and executive personality influence strategic decision making. To date, he has published 23 refereed journal articles, including publications in *Administrative Science Quarterly*, *Strategic Management Journal*, *Journal of International Business Studies*, *Entrepreneurship Theory and Practice*, *Journal of Management*, and *Journal of World Business*. His research has also featured in the *Harvard Business Review* and *Wall Street Journal*. His presentations have garnered four best paper awards and one distinguished paper award, and he is also the recipient of several external and internal grants, including the Social Sciences and Humanities Research Council of Canada Insight Grants in 2016 and 2013. He was recognized by University of Waterloo for research excellence in 2019 and for teaching excellence in 2017 and 2018; and in 2013, he was selected by undergraduate students at Ryerson University as "A Prof Who Makes a Mark".

Title: What Seems Relevant is Irrelevant, in Varying Degrees: A Study of The Diagnostic Value and Anchoring Effect of Internal and External References in Acquisition Premium Decisions

Abstract:

Managers involved in acquisition premium decisions commonly must make choices armed with incomplete and uncertain information. One way they deal with this uncertainty is by relying on references – i.e., comparable choices made in the past. While such references have diagnostic value, overemphasizing on these references can also have an anchoring effect. In this study, we articulate how and when two potentially salient references in acquisition premium decisions: the previous acquisition premium paid by another firm in the target industry (external reference), and the premium paid by a focal firm for its own preceding acquisition (internal reference) influences focal acquisition premium decisions. We theorize that while the external reference plays both a diagnostic and biasing role, the internal reference likely plays just a biasing role. We also extend this work by theorizing on how more powerful and overconfident CEOs will rely more on internal references than on external references. Our results based on a hedonic regression analysis of 3,237 completed acquisitions provide support for our hypotheses. By clarifying and elaborating the nuanced influence of multiple references, this study synthesizes and extends recent work both in the acquisition premium literature and the anchoring literature more broadly.