

Target Management and Corporate Transactions. Evidence from the German Takeover Market

Marvin Gindele, Franziska Rath, Bernhard Schwetzler

HHL Leipzig Graduate School of Management, Germany

Abstract

The participation of target CEOs in the process of takeover offers is a critical factor, as they negotiate the deal terms not only for the benefit of their shareholders but also to secure their own future prospects within the company. Moreover, target CEOs hold a significant power to influence the outcome of the offer and may endeavor to guide the transaction towards their own desired direction. Using a unique dataset of 262 takeover offers for listed German corporations, we have found compelling evidence of a quadratic relationship between the age of the target CEO and the offer premium as well as the success of the offer. However, the effects are in-verse in that middle-aged CEOs receive the highest offer premium, but also the lowest success rate. This is particularly evident in cases where the bidding company lacks controlling power or a majority in the target company. Our findings suggest that target CEOs not only negotiate on behalf of their shareholders but also align their negotiation strategy with their personal interests. From a regulatory stand- point, our analysis underscores the importance of ensuring that target CEOs adhere to their legal duty to act in the best interest of their shareholders.

Keywords: M&A, personal preferences, success determinants, takeover offer, target management