

How Does Acquisition Experience Affect Managerial Career Outcomes?

Internet Appendix

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Internet Appendix Table 1– Include Age in regressions

This table displays firm-year fixed effect regression results for our main outcomes: compensation, Board Seats, and promotion. The specifications are the same as in Tables 2, 3, and 4, except that each regression in Panel A adds the variable *SM Age* to the specification while each regression in Panel B adds the variable *SM Tenure* to the specification, which results in a smaller sample. Standard errors are clustered by firm. ***, **, and * denote significance at the 1%, 5%, and 10% levels. Variable definitions are provided in the Appendix.

Panel A: Control for SM Age

	(1)	(2)	(3)	(4)
	ln(Total Compensation)	ln(Salary)	Board Seat in t+1	CEO t+1
M&A Experience	0.155*** (0.025)	0.099*** (0.019)	0.054*** (0.019)	0.043*** (0.011)
COO or President	0.437*** (0.013)	0.249*** (0.009)	0.068*** (0.006)	0.017*** (0.004)
SM Age	0.004*** (0.001)	0.005*** (0.001)	-0.001*** (0.000)	-0.000 (0.000)
Fixed effects	Firm-year	Firm-year	Firm-year	Firm-year
Observations	27,241	27,241	24,685	27,241
Adjusted R-squared	0.770	0.642	0.062	-0.028

Panel B: Control for SM Tenure

	(1)	(2)	(3)	(4)
	ln(Total Compensation)	ln(Salary)	Board Seat in t+1	CEO t+1
M&A Experience	0.065 (0.061)	0.059 (0.039)	0.058* (0.031)	0.033** (0.016)
COO or President	0.632*** (0.027)	0.324*** (0.015)	0.092*** (0.012)	0.040*** (0.007)
SM Tenure	0.010*** (0.002)	0.013*** (0.001)	0.001* (0.001)	-0.001* (0.000)
Fixed effects	Firm-year	Firm-year	Firm-year	Firm-year
Observations	9,618	9,618	8,438	9,618
Adjusted R-squared	0.618	0.571	0.086	0.003

Internet Appendix Table 2– Direct Effects

Regressions on a sample where SMs are not promoted to CEO in the following year. The regressions replicate those in Tables 2 and 3. Controls include SIZE, ROA, LEVERAGE, STOCK_PRICE_CHANGE, MARKET_TO_BOOK, and R&D in Panels A and B. Standard errors are clustered by firm. ***, **, and * denote significance at the 1%, 5%, and 10% levels. Variable definitions are provided in the Appendix.

Panel A: Compensation

	(1) ln(Total Compensation)	(2) ln(Bonus)	(3) ln(Salary)	(4) ln(Stock and Options)	(5) ln(Other)
M&A Experience	0.080* (0.041)	-0.134 (0.094)	0.087*** (0.020)	0.155 (0.194)	-0.032 (0.067)
COO or President	0.347*** (0.015)	0.203*** (0.041)	0.142*** (0.008)	1.478*** (0.074)	0.167*** (0.024)
Controls	Y	Y	Y	Y	Y
Fixed effects	SM and year	SM and year	SM and year	SM and year	SM and year
Observations	45,934	45,934	45,934	45,934	45,934
Adjusted R-squared	0.735	0.481	0.786	0.429	0.712

Panel B: Board Seats

	(1) Board Seat in t+1	(2) Internal Board Seat t+1	(3) External Board Seat t+1
M&A Experience	0.060*** (0.018)	0.030*** (0.011)	0.030*** (0.011)
COO or President	0.037*** (0.005)	0.023*** (0.003)	0.006** (0.003)
Controls	Y	Y	Y
Fixed effects	SM and year	SM and year	SM and year
Observations	42,874	42,874	42,874
Adjusted R-squared	0.373	0.368	0.346

Internet Appendix Table 2, continued*Panel C: Compensation*

	(1) ln(Total Compensation)	(2) ln(Bonus)	(3) ln(Salary)	(4) ln(Stock and Options)	(5) ln(Other)
M&A Experience	0.132*** (0.025)	0.127** (0.049)	0.099*** (0.016)	0.158* (0.095)	0.035 (0.048)
COO or President	0.617*** (0.012)	0.420*** (0.020)	0.301*** (0.007)	1.720*** (0.043)	0.346*** (0.020)
Fixed effects	Firm-year	Firm-year	Firm-year	Firm-year	Firm-year
Observations	48,203	48,203	48,203	48,203	48,203
Adjusted R-squared	0.673	0.777	0.599	0.539	0.616

Panel D: Board Seats

	(1) Board Seat in t+1	(2) Internal Board Seat t+1	(3) External Board Seat t+1
M&A Experience	0.035** (0.014)	0.018** (0.009)	0.011 (0.009)
COO or President	0.070*** (0.005)	0.045*** (0.003)	0.015*** (0.002)
Fixed effects	Firm-year	Firm-year	Firm-year
Observations	44,609	44,609	44,609
Adjusted R-squared	0.066	0.056	0.046

Internet Appendix Table 3– Exclude potentially backfilled observations

This table displays regression results for our main outcomes: compensation, Board Seats, and promotion. In Panel A (B) the regressions include SM and year (firm-year) fixed effects. The sample is filtered to exclude potentially backfilled observations in Execucomp, following the methodology in Gillan, Hartzell, Koch, and Starks (2017, *Review of Financial Studies*). Specifically, we discard 11,975 observations (23.4% of the sample) where: (i) *Salary* is available but *TDC1* is missing or (ii) the firm is neither a current nor past member of the S&P 1500. Controls include SIZE, ROA, LEVERAGE, STOCK_PRICE_CHANGE, MARKET_TO_BOOK, and R&D in Panel A. Standard errors are clustered by firm. ***, **, and * denote significance at the 1%, 5%, and 10% levels. Variable definitions are provided in the Appendix.

Panel A: SM and year fixed effects

	(1)	(2)	(3)	(4)
	ln(Total Compensation)	ln(Salary)	Board Seat in t+1	CEO t+1
M&A Experience	0.032 (0.038)	0.084*** (0.019)	0.068*** (0.020)	0.055*** (0.015)
COO or President	0.131*** (0.015)	0.062*** (0.007)	0.023*** (0.007)	-0.061*** (0.007)
Controls	Y	Y	Y	Y
Fixed effects	SM and year	SM and year	SM and year	SM and year
Observations	35,127	35,127	32,020	35,127
Adjusted R-squared	0.778	0.852	0.418	0.123

Panel B: Firm-year fixed effects

	(1)	(2)	(3)	(4)
	ln(Total Compensation)	ln(Salary)	Board Seat in t+1	CEO t+1
M&A Experience	0.139*** (0.024)	0.109*** (0.017)	0.045*** (0.016)	0.042*** (0.010)
COO or President	0.402*** (0.012)	0.241*** (0.008)	0.074*** (0.005)	0.029*** (0.003)
Fixed effects	Firm-year	Firm-year	Firm-year	Firm-year
Observations	37,274	37,274	33,276	37,274
Adjusted R-squared	0.791	0.653	0.039	-0.037

Internet Appendix Table 4– No restriction on prior Board Seats

Replicate Table 3, except that we do not restrict the sample of SMs due to prior Board Seats. Controls include SIZE, ROA, LEVERAGE, STOCK_PRICE_CHANGE, MARKET_TO_BOOK, and R&D in Panel A. Standard errors are clustered by firm. ***, **, and * denote significance at the 1%, 5%, and 10% levels. Variable definitions are provided in the Appendix.

Panel A: SM and year fixed effects

	(1)	(2)	(3)
	Board Seat in t+1	Internal Board Seat t+1	External Board Seat t+1
M&A Experience	0.070*** (0.025)	0.016 (0.017)	0.030** (0.015)
COO or President	0.037*** (0.007)	0.023*** (0.005)	0.006 (0.004)
Controls	Y	Y	Y
Fixed effects	SM and year	SM and year	SM and year
Observations	46,942	46,942	46,942
Adjusted R-squared	0.683	0.619	0.605

Panel B: Firm-year fixed effects

	(1)	(2)	(3)
	Board Seat in t+1	Internal Board Seat t+1	External Board Seat t+1
M&A Experience	0.093*** (0.028)	0.053*** (0.017)	0.025 (0.017)
COO or President	0.189*** (0.010)	0.125*** (0.007)	0.036*** (0.005)
Fixed effects	Firm-year	Firm-year	Firm-year
Observations	49,695	49,695	49,695
Adjusted R-squared	0.097	0.108	0.077

Internet Appendix Table 5– Renée James, Intel, Functions in Acquisition

Intel – McAfee Acquisition

Filing: McAfee, Inc. DEFM14A, 09-21-2010

SM: Renée James, Senior Vice President and General Manager, Software Services Group, of Intel

Chronology Measure

First discussion of the merger: June 10, 2010

First date SM mentioned: June 10, 2010

Date Announced: August 19, 2010

Total Span of Merger Discussion: 70 days

Percentage of SM Involvement: $70/70 = 100\%$

Functions

Exploratory Talks	<i>On June 10, 2010, [David G. DeWalt, McAfee Chief Executive Officer and President] met with Renee J. James, the Senior Vice President and General Manager, Software Services Group, of Intel to discuss the companies' results of the joint development projects and ongoing businesses. During the course of this meeting, Ms. James expressed Intel's potential interest in acquiring McAfee and communicated that Intel would be sending an indication of interest to McAfee shortly.</i>
Negotiation	<i>On June 14, 2010, Mr. DeWalt contacted Ms. James to convey McAfee's willingness to provide additional information regarding McAfee that would support a higher valuation for a potential acquisition by Intel. On June 18, 2010, Mr. DeWalt had a telephone conversation with Ms. James, during which he explained the position of McAfee's board of directors that Intel's offer price of \$45.00 per share for McAfee was unacceptable, and that McAfee's board believed that a higher price per share was necessary before McAfee would be willing to engage in further discussions regarding an acquisition including providing substantial additional due diligence materials to Intel.</i>
Board Interaction	<i>On June 26, 2010, Ms. James contacted Mr. DeWalt and indicated that Intel had some flexibility to raise its offer price, but required additional due diligence to finalize a potential revised indication of interest. Mr. DeWalt indicated to Ms. James that the McAfee board of directors would not be interested in accepting an offer price below \$50.00 per share. Ms. James responded that the Intel board of directors would not support an offer price of \$50.00 per share.</i>
Investment Bank Interaction and Due Diligence	<i>On June 15 and 16, 2010, Mr. DeWalt, Joseph Gabbert, our Executive Vice President of Human Resources, Gerhard Watzinger, our Executive Vice President of Corporate Strategy and Business Development, and representatives of Wilson Sonsini and Morgan Stanley met with Ms. James, other Intel representatives, representatives of Goldman Sachs & Co. ("Goldman Sachs"), Intel's financial advisor, and Morrison & Foerster LLP ("Morrison & Foerster"), Intel's outside legal counsel (attending by teleconference), in order to provide additional information regarding</i>

McAfee. In particular, Messrs. DeWalt, Gabbert and Watzinger provided a bROAdER overview of the structure and operation of the McAfee business, its strategic partners and its product offerings. In addition, Messrs. DeWalt, Gabbert and Watzinger provided Intel and its representatives with additional financial information and engaged in a discussion with Intel and its representatives regarding potential synergies in a business combination involving Intel and McAfee.

Integration

On August 9, 2010, Mr. DeWalt, Ms. James and other representatives of McAfee and Intel discussed the retention of executive officers and other key employees of McAfee (other than Mr. DeWalt) post-acquisition, including such individuals' proposed roles within McAfee post-acquisition and potential retention terms to be offered by Intel to such individuals effective upon consummation of the transaction. On August 12, 2010, Mr. DeWalt and Ms. James discussed Mr. DeWalt's proposed retention package to be offered by Intel effective upon consummation of the transaction and his proposed role within McAfee post-acquisition. Discussions over the terms of retention of Mr. DeWalt and the other executive officers and key employees of McAfee post-acquisition continued until the execution of the merger agreement.
