



SCHOOL OF ECONOMICS AND MANAGEMENT

Department of Business Administration

Course code: BUSN79

Course title: Degree Project in Accounting and Finance

VT 2023

CEO Power in Perspective

CEO power, announcement returns and M&A decisions in the Swedish corporate setting

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Acknowledgments

First and foremost, we would like to extend our sincere appreciation to our supervisor, Reda Moursli, for his ongoing feedback and support throughout our master thesis. Mr. Moursli has provided us with invaluable guidance through critical decisions and econometrics. Secondly, we would like to express our gratitude to the data team at Modular Finance Holdings for their valuable assistance in facilitating the collection of Swedish corporate governance data.

Lund, May 28, 2023

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Abstract

Seminar: May 31, 2023

Course: BUSN79 – Degree Project in Accounting and Finance

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Key words: CEO power, Mergers & Acquisitions, Announcement return, Deal count, Controlling owners.

Purpose and research question: Firstly, we aim to investigate whether CEO power affects i) the market return surrounding M&A announcements and ii) the frequency of deals completed in a given year. Additionally, we aim to examine if controlling owners have a moderating role in both of these relationships.

Theoretical perspectives: This study adopts the agency theory perspective in association with CEO power to analyze its impact on M&A announcement returns and deal count. We further adapt the hubris theory and theories that conceptualize different power dynamics.

Methodology: To investigate our research questions, OLS regressions are employed using robust standard errors clustered by industry, as well as controlling for industry and year effects. An event study is conducted to calculate our dependent variable, CAR. To measure CEO power, a CEO power index is constructed by three components: Independent board, CEO tenure and CEO founder. Additionally, CEO in board is used as a proxy for CEO power in the Swedish setting. Further, the moderating role of controlling owners is investigated using interaction terms. Lastly, the findings endure a comprehensive set of robustness checks.

Empirical foundation: The empirical analysis relies on a sample of 771 acquisitions conducted by 204 firms on the Swedish market between 2017-2022.

Conclusions: Our findings suggest a negative relationship between CEO power and acquiring firm announcement returns. The results remain robust when using both the traditional CEO power index and the proxy, CEO in board. Additionally, our findings indicate that powerful CEOs engage more frequently in M&A activities. The study does, however, not find any moderating effect of controlling owners.

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1. Introduction

This chapter covers the background, problem discussion, and the study's purpose and research questions. Thereafter, the main findings and the contribution are presented, followed by the study's limitations.

1.1. Background

"Power tends to corrupt, and absolute power corrupts absolutely."

- Lord Acton, British historian and politician (1887)

The quote by Lord Acton (1887) suggests that granting power to individuals tends to lead to its abuse, with individuals who possess absolute power being particularly prone to corruption. The thoughts and influences of historical individuals such as Acton have impacted today's belief towards power and its presence in the corporate world. Drawing a parallel to the business context, Chief Executive Officers (CEOs) make critical decisions, some of which can have substantial implications for the corporate entity (Adams, Almeida & Ferreira, 2005). Acquisitions are a common strategic investment pursued by influential CEOs, frequently linked to hubris and agency costs. These theories posit that CEOs with excessive power may overestimate their capacity to achieve corporate growth while pursuing personal gains at the expense of shareholders (Jensen, 1976; Roll, 1986). Conversely, not all CEOs with substantial power engage in activities that prioritize their personal interests over those of shareholders. This viewpoint is supported by academic research, proposing that strategic investments such as acquisitions may enhance firms' efficiency and returns. Finkelstein and D'Aveni (1994) argue that powerful CEOs can increase organizational efficiency by exhibiting quicker responses to sudden problems and changes in the market, consequently resulting in enhanced decision-making procedures and fostering the perception of strong leadership. Prevalent literature finds that the target shareholders are the ones pocketing the gains associated with the deal, while the acquiring shareholders are left with zero or negative returns (Alexandridis, Petmezas & Travlos, 2010; Jensen & Ruback, 1983). Adams, Almeida and Ferreira (2005) find that companies with the most powerful CEOs are not only associated with the worst performance, but also the greatest. This suggests that some of the decisions a powerful CEO makes can have drastic consequences for the firm in question.

Sweden has historically been recognized for its innovative business environment, which has been the birthplace of various well-known and international corporate entities. The span of well-established corporations ranges from household names like Electrolux to manufacturing companies such as Atlas Copco and ABB. What all of these global multi-billion dollar companies have in common is that they are all, to a large extent, controlled by the Wallenberg sphere. The Swedish corporate setting is colored by a highly concentrated ownership structure and the distinct presence of controlling owners (Agnblad, Berglöf, Högfeldt & Svancar, 2002). The unique setting, where a few families, like the Wallenbergs, control a large proportion of the publicly traded firms, creates a compact interlocking network (Lubatkin, Lane, Collin & Very, 2005). The abovementioned ownership structure, along with corporate governance rules, thus hamper the ability of a Swedish CEO to exert power to the same degree as prior literature suggests, which mainly concentrates on the U.S. market. However, in addition to the traditional measurements of CEO power, there are dynamics in the Swedish setting that stand out relative to other countries, thereby enabling Swedish CEOs to increase their decision-making capacity. Hence, the question arises, who benefits from acquisitions, and can a CEO of a Swedish publicly traded firm exert power, despite the dominant presence of controlling owners?

1.2. Problem Discussion

Empirical research within the field of CEO power has predominantly concentrated on the U.S. market, utilizing different proxies for CEO power in investigating the impact on firm value (Gong & Guo, 2014; Han, Nanda & Silveri, 2016; Lee, Park & Park, 2015; Sheikh, 2018). Despite the fact that most studies examining CEO power find an impact on firm performance, there is a lack of consensus regarding whether powerful CEOs are harmful or beneficial for company performance. Some scholars examining this issue find a positive relationship (García & Herrero, 2022; Lee, Park & Park, 2015; Sheikh, 2018), while other empirical studies find that CEO power affects firm performance negatively (Gong & Guo, 2014; Han, Nanda & Silveri, 2016). García and Herrero (2022) explore the European market and find that the market reaction surrounding M&A announcements is positively associated with duality, which is a common proxy for CEO power. The authors argue that powerful CEOs tend to make less acquisitions and focus on maximizing profitability and returns in order to satisfy the shareholder's interests. In contrast, Han, Nanda and Silveri (2016) argue that powerful CEOs instead make suboptimal investment decisions that ultimately lead to adverse effects, especially in competitive industries where poor decisions from powerful CEOs can have drastic

consequences. Furthermore, Hwanga, Kim and Kim (2020) emphasize the essence of monitoring a powerful CEO to reduce the risk of developing overconfidence, thus avoiding value-destructive empire-building. In contrast to the above findings, Dutta, MacAulay, and Saadi (2011) suggest that powerful CEOs do not necessarily use acquisitions as a means of wealth expropriation and, hence, do not typically engage in value-destroying deals. Additionally, they find that powerful CEOs engage more frequently in M&As to increase the asset pool under management and, thus, the compensation level.

It is crucial to emphasize that the concept of power differs between countries, where factors such as ownership structure, laws, and culture, impact the decision-making capacity attributed to the CEO. The Swedish setting is characterized by a highly concentrated ownership structure, where family-spheres have a dominant presence, further strengthened by the separation of ownership and control (Cronqvist & Nilsson, 2003). As a result, controlling owners in Sweden possess extensive power over the decision-making process in publicly traded firms. Moreover, the Swedish corporate setting gives the board of directors, especially the chairman of the board, greater power in relation to the CEO (Randøy & Nielsen, 2002). The Swedish Companies Act prohibits CEOs of Swedish-listed companies from serving as the chairman of the board (Companies Act, ch. 8, 49§), which is a clear distinction between the potential CEO power in comparison to other countries where duality is common (Gong & Guo, 2014; Han, Nanda & Silveri, 2016; Hwanga, Kim & Kim, 2020; Sheikh, 2018). Although CEOs in Sweden are forbidden to serve as the chairman, the act allows them to hold a position in the board of directors, thereby still being able to influence decision-making processes. All this together, we recognize the complex corporate setting in Sweden, where the power dynamics are, to some extent, diverse from commonly studied markets. Consequently, the components constituting CEO power and the proxies used must be directly tailored to the specific context in question. The underlying position of the study is that power in the hands of a Swedish CEO can have drastic consequences for a firm's performance, both positive and negative. Further, individual components of CEO power used in prior literature do not necessarily explain the relationship between CEO power, M&A announcement returns, and deal count in the Swedish corporate context. Therefore, examining the effect of CEO power on Swedish acquirers' performance complements the studies within the corporate governance literature of Sweden.

1.3. Purpose and Research Questions

The purpose of this study is to investigate whether CEO power affects i) the market return surrounding M&A announcements and ii) the frequency of deals completed in a given year. Additionally, we aim to examine if controlling owners have a moderating role in both of these relationships. To address the purposes, the following research questions (RQ) will be used:

RQ1: How does CEO power impact acquiring firms' announcement return?

RQ2: How does CEO power affect deal count?

RQ3: Do controlling owners have a moderating role in the relationship between CEO power and acquiring firms' announcement return?

RQ4: Do controlling owners have a moderating role in the relationship between CEO power and deal count?

1.4. Main Findings

A CEO power index with traditional attributes to CEO power has been constructed by the components: Independent board, CEO tenure and CEO founder. Additionally, our study uses a proxy for CEO power in the Swedish corporate setting, namely CEO in board, contributing to the existing literature. Using a sample of 771 acquisitions between 2017-2022, this study has examined the relationship between CEO power and i) CAR and ii) deal count. In extension, our study has examined the moderating role of controlling owners in the abovementioned relationships by including interaction terms. Using OLS regressions with robust standard errors clustered by industry as well as controls for industry and year effects, our findings suggest a negative relationship between CEO power and acquiring firm announcement returns. The results remain robust when using both the traditional CEO power index and the proxy, CEO in board. Additionally, our findings indicate that powerful CEOs engage more frequently in M&A activities. However, our study does not find any moderating effect of controlling owners.

1.5. Contributions

Although previous empirical literature has examined the relationship between CEO power and M&A announcement returns as well as deal count, a notable contribution of this paper is its unique approach to investigating the relationship. The proxy of CEO power, namely, CEO in board, contributes to a nuanced understanding of the power dynamics and influences wielded by CEOs within the Swedish corporate setting. Furthermore, this study appears to be one of the first to investigate the moderating role of controlling owners in the relationship between

CEO power and acquiring firms' announcement returns, as well as deal count. The findings of this study are deemed valuable for numerous stakeholders, including investors, regulators, and boards of directors, in deepening the understanding of the complex internal power mechanism attributed to the CEO. Moreover, our study contributes to the growing body of corporate governance literature, especially since the Swedish market is considered to have a unique context in comparison to other well-studied markets, e.g., the U.S. By shedding light on the relationship between CEO power and M&A outcomes, our findings contribute important insights into the complexities of Swedish corporate governance and decision-making processes.

1.6. Limitations

The primary limitation of our research results stems from the limited availability of Swedish corporate governance data. More specifically, a noteworthy constraint is the limitation of data prior to 2016, which ultimately impedes the accurate assessment of CEO power preceding 2017. Consequently, these constraints should be taken into account when analyzing and interpreting findings related to CEO power and corporate governance prior to 2017. Furthermore, CEO compensation and ownership data for Swedish publicly traded firms could have contributed to a more extensive CEO power index of traditional measurements. Moreover, the potential issue of reverse causality when using the CEO power index could have been enhanced further by using a suitable instrumental variable. Additionally, measuring the CEO's power in conjunction with the chairman of the board could strengthen the results of our study, especially since the chairman could have a moderating effect on CEO power in the Swedish corporate setting.

2. The Swedish Context

Before analyzing previous literature, it is imperative to evaluate the characteristics of the regulatory and social environment as well as the financial circumstances in Sweden. It is essential to effectively apply relevant theories within the appropriate practical circumstances when devising hypotheses and deliberating upon the outcomes. In contrast to other countries where listed companies have a varied ownership structure, Sweden is characterized by a concentration of ownership in the hands of one or a few controlling shareholders. Cronqvist and Nilsson (2003) investigate the Swedish market and classify an owner that controls more than 25% of the firm's votes as a controlling owner, and find that the majority of the firms have controlling owners, while 12,7% have dispersed ownership structure. To put this number in perspective, Holderness and Sheehan (1988) study U.S. publicly listed firms and find that only 13% have a controlling owner. In the Swedish context, the most frequent type of controlling owner is family or private persons, constituting approximately 62% of all listed Swedish companies. Two of the most influential families in Sweden are the Wallenberg- and Lundberg-sphere, which control a large proportion of Swedish corporations through their pyramid holdings (Agnblad, Berglöf, Högfeldt & Svancar, 2002).

According to the Swedish corporate governance code, approximately fifty percent of the listed companies in Sweden exhibit a further strengthening of ownership positions by possessing shares carrying higher voting rights, commonly referred to as dual-class shares (SCGC, 2019). The presence of controlling shareholders is often characterized by considerable influence, which can hold authority within firm decision makings in certain instances. Agnblad, Berglöf, Högfeldt, and Svancar (2002) argue that social prestige is crucial for controlling owners of Swedish corporations due to the risk of costly consequences like decreased sales and access to capital in case of expropriation of minority shareholder rights. Moreover, the context of Sweden is distinguished from other countries in the essence of dominant shareholders monitoring and transparency (Randøy & Nielsen, 2002).

CEO duality, which means that the CEO also serves as the chairman of the board, is forbidden for Swedish publicly traded companies (Companies Act, ch. 8, 49§). This rule strengthens the monitoring function of the chairman (Randøy & Nielsen, 2002) and limits the potential power attributed to the CEO. The aforementioned is a distinctive difference in relation to other countries, where duality is a common proxy for CEO power, mainly in U.S. studies (Gong &

Guo, 2014; Han, Nanda & Silveri, 2016; Hwanga, Kim & Kim, 2020; Sheikh, 2018). The Swedish corporate climate and investor preferences are shaped by historical socialistic traditions, prioritizing equality as a fundamental corporate policy. The Swedish approach to entrepreneurship and corporate governance differs in some respects from that of other countries. In Sweden, there is notably a lower tolerance for significant corporate discrepancies in power and wealth, further reflected in corporate entities' strong union representation (Randøy & Nielsen, 2002).

The Swedish corporate governance code advocates the representation of unions and employees on the corporate board, a practice uncommon in other countries (Randøy & Nielsen, 2002). The Swedish Board Representation Act states that firms can elect employee representatives to the board. A firm with 25 to 1000 employees can select two employee representatives, while a firm with more than 1000 employees can employ three representatives. This approach to corporate governance reflects the broader socialist tradition of Sweden, which emphasizes the importance of collective decision-making and ensuring that the interests of all stakeholders are taken into account. As a result, the compensation and power of the CEO are determined by the board members based on their rational perception of the CEO's effort and what legitimately can be agreed upon by shareholders. This is further reflected in the CEO remuneration, which is substantially lower in Sweden compared to other countries (Randøy & Nielsen, 2002). Further, Lubatkin, Lane, Collin and Very (2005) investigate the origins of corporate governance in Sweden, France and the U.S.. When comparing the countries, the authors find that executive management in Sweden is less inclined to expropriate shareholders as means of increasing personal objectives. This approach fosters an egalitarian leadership style that aligns the interest of the shareholders and managers to a greater extent (Lubatkin, Lane, Collin & Very, 2005).

3. Theoretical Review

In this chapter, we establish the theoretical foundation of our study. We first introduce the motives behind M&A, further exploring its connections with other theoretical frameworks, such as the hubris and agency theory in relation to CEO power. Finally, ownership theories are conceptualized.

3.1. Conceptualization of M&A Motives

The reasoning behind M&A activities can be conceptualized from different standpoints and theoretical frameworks. In corporate investments, the underlying strategy is of relative importance to different organizations, and it is essential to recognize that multiple motivations can coexist. Trautwein (1990) presents a thorough theoretical review of some of the most well-known theories behind the motives of acquisitions. The author groups the theories into categories based on the underlying motives, suggesting that some mergers are driven by rational choices and others predominantly benefit managers. The efficiency theory suggests that acquisitions are executed to achieve financial, operational, or managerial synergies to create more value than if the companies would operate independently (Fama, 1970). Another recurring theory when explaining the rationale behind a merger and acquisition is the monopoly theory, which, according to the author, relies on gaining increased power and fending off competitors by consolidating the market (Porter, 1987).

3.2. Hubris Theory

In order to understand the motives behind mergers and acquisitions, Richard Roll (1986) conceptualized the reasoning in the context of the hubris hypothesis. Roll describes the hypothesis by stating that corporate takeovers are arguably motivated by managerial overconfidence that considers themselves having the necessary tools to generate corporate value through acquiring other corporations. The theory is further justified by the belief that managers tend to overlook the following risk associated with conducting M&A activities, regardless of the interest of shareholders or the corporation itself. The underlying decision-making process of acquisitions is generally influenced by a multitude of factors, including previous successful acquisitions, favorable economic climate and growth of the acquisition target, to mention a few. Nonetheless, the potential benefits from M&A the theory stipulates that these strategies often follow excessive risk-taking and deficient due-diligence assessments during the acquisition phase. As a further development, the author applies this theoretical framework to

ascertain the rationale behind the willingness of managers to pay a premium price for a target that the market has already valued. The author described that managers often prioritize their own valuations over the market's objective assessments due to their egoistic tendencies.

In further context, DePamphilis (2018) links hubris to the winner's curse, where acquirers tend to overspend the target due to competitive managers with egocentric behaviors. The expected synergies from the target are exaggerated, and the premium is subsequently unfeasible, thereby exceeding the firm's intrinsic value. Anandalingam and Lucas (2004) express that the valuation and bidding process is closely coupled with firms, especially CEOs, experiencing market pressure to deliver value to their stakeholders. The authors emphasize that ex post a company succeeds with an acquisition, the CEO may become complacent and view the acquisition's success as a result of their superior skills and knowledge. This can lead to a feeling of overconfidence and a tendency to underestimate future acquisitions and risks. As a result, the management could rely on their previous success and thereafter make inadequate decisions in the future, potentially harming the overall performance and perception of the company.

3.3. Agency Theory

The agency theory framework refers to the study of conflicts arising when one body, known as the principal, stipulates a contract with another body, known as the agent, in order to execute its desired decision-making. The foundation of the theory is that the principal delegates authority to the agent to act in the principal's interest. Despite the decision-making authority given, the theory suggests that the agent may not act in the best interest of the principal. The reasoning of this assumption is based on the premise that both the principal and the agent are rational and will seek to maximize their own utility. Additionally, the agent is presumed to have greater access to information in relation to the principal, which in turn could create space for the agent to undertake opportunistic behaviouralism. Consequently, the conflict between the parties may emerge when there is a misalignment between the proposed objective of the partnership or from principal challenges to conducting direct monitoring of the agent's performance as a consequence of information asymmetry (Jensen & Meckling, 1976).

When applying the framework in a corporate setting, the principal is referred to as the shareholders, alternatively, the board, while the agent generally denotes the managing directors. In fulfillment of managerial duties, corporate contracting regulates the behavior and execution of the chief executive officer (CEO) in relation to the expected performance (Jensen

& Meckling, 1976). Further studies by Fama and Jensen (1983) have highlighted the agency costs and risks associated with contractual relationships and that enforcing this can become demanding to monitor. Contracts generally follow extensive costs for maintaining and governing the two parties' incentives regarding capital investments and firm-specific decisions. As a consequence of misalignments, the agency conflict could trigger the agent's proceeding with personal objectives, for instance, M&A, instead of the intended agenda of the principal.

3.4. CEO Power

The structure and dynamics of a corporate setting create circumstances that offer opportunities for CEOs to prioritize their own interests. Agency conflicts within corporations may lead to fraudulent activities and other unethical behaviors by the CEO. By delegating authority to an individual responsible for the firm's future, it also follows different types of power structures that, in different ways, can both be mitigated and expropriated. According to Finkelstein (1992), power can be defined as *"the capacity of individual actors to exert their will"* (Finkelstein, 1992, p. 506). The author describes the corporate concept of power based on four dimensions: structural, ownership, expert, and prestige. The first mentioned dimension, structural power, originates upon firms' formal organizational structure and levels of authority. Finkelstein argues that top executives that possess the authority to enforce influence are influential in the corporate setting. As a result, a CEO's influence empowers the person to a certain extent to operate the organization in a way that is believed to be the most desirable strategy for attaining the company's target. Ultimately, the decision-making in an organization depends on which person has the highest level of formal power over the staff.

In development of ownership power, Finkelstein (1992) advances further into the determinants of power, which is directly coupled to the principal-agency relationship. The power is determined based on the agent's capacity to act on behalf of the firm's shareholders' interest. A manager's dependency on the principal depends on their ownership position of the firm, and if the manager possesses knowledge and experience inside the firm, that cannot easily be replaced. A longstanding relationship with the firm and owners tends to develop into unique tools which can result in some control of board incentives and strategies. A manager with significant shareholdings in the company can further give large amounts of control in relation to managers without considerable shareholdings.

The third power structure is expert power which Finkelstein describes as the manager's capacity to handle corporate contingencies and further develop organizational accomplishments. Top managers' expertise is highly valued to cope with unforeseen organizational and industrial changes that could potentially endanger the corporate agenda and development. As a result, a manager with extensive experience managing the firm's supplier and customer relationships will ultimately retain expansive expert power. Managers possessing this expertise in a specific strategic domain often wield substantial influence over the decision-making process and are frequently requested for their opinion.

Lastly, prestige is believed to be an essential source of power. Finkelstein (1992) argues that executives with prestige power can exert significant influence over strategic decisions within an organization. The rationale behind the influence of managers with high levels of prestige lies in their personal reputation and perceived expertise, which tend to enhance their credibility and legitimacy among stakeholders, in contrast to their formal authority within the organizational hierarchy. Consequently, executives with high levels of prestige are more likely to have their opinions valued and considered in decision-making processes. Organizations characterized by decentralized structures are often believed to have a considerable reliance on prestige power where a manager's formal authority is insufficient. In such situations, managers with high levels of prestige power may have a greater ability to influence processes in contrast to managers with additional formal authority. Despite this, Finkelstein highlights the potential downsides of organizational reliance on prestige power. Corporate over-reliance on prestige characteristics may result in decisions that serve personal interests rather than organizational objectives.

3.5. Ownership Theory

The agency theory frequently appears when examining the influence of concentrated ownership, given the potential conflicts between the controlling owner and the firm's management (Jensen & Meckling, 1976). The authors suggest that controlling owners work as a monitoring mechanism due to their incentive to ensure that the managers endeavor value maximization that benefits them as owners. A further dimension of agency conflict is the relationship between controlling owners and minority shareholders. La Porta, Lopez-de-Silanes and Shleifer (1999) argue that when controlling owners have a separation between their ownership (cash flow rights) and control (voting rights), the risk of expropriation increases.

Having controlling rights in excess of cash flow rights often stems from the use of dual-class shares, which enables controlling owners to maintain control while mitigating exposure to the downside risk of equity. Controlling owners often use the separation of ownership and control as a means to control a large number of firms through pyramid structures, thereby being able to pursue agendas that are in their best interest. Another aspect of the pyramid structure is the possibility to diversify the equity stake while at the same time maintaining control. In contrast, Zhang (1998) examines controlling owners with concentrated portfolios in relation to diversified portfolios and finds the first mentioned to be more risk-averse, thereby neglecting potential value-creating investment opportunities. Additionally, the expropriation of minority shareholders could take the form of tunneling, which refers to controlling owners transferring resources from the company to benefit themselves (Johnson, Lopez-de-Silanes, La Porta & Shleifer, 2000). Tunneling can take many forms, e.g., engaging in suboptimal acquisitions.

4. Empirical Literature Review

This section connects the concepts and theories discussed in the theoretical background. It emphasizes the topics commonly recognized in previous empirical studies related to M&A, CEO power and corporate governance.

4.1. CEO Power and the Board

Prior academic literature investigating the relationship between CEOs and the board of directors has encompassed various dimensions, emphasizing the regulatory framework of corporate governance. Notably, one recurring theme is the concept of CEO duality, which involves the CEO concurrently serving as the chairman of the board. However, it is essential to note that in the context of Sweden, CEO duality is not permitted by law (Companies Act, ch. 8, 49§). Nevertheless, researchers (Gong & Guo, 2014; Han, Nanda & Silveri, 2016; Hwang, Kim & Kim, 2020; Sheikh, 2018) have extensively examined the magnified impact of CEO duality in other jurisdictions, characterizing it as a manifestation of absolute power due to the CEO's combined roles as both the executive leader and the chairman of the board. Despite CEO duality not being directly applicable within the Swedish corporate governance context, it still underscores the potential influence CEOs can wield when involved in the board of directors. The CEO involvement in the board of directors has been examined by Shivdasani and Yermack (1999) and they find that companies tend to choose less inclined directors to engage in vigilant monitoring. In such circumstances, companies demonstrate a greater inclination to appoint outside directors who may possess conflicting interests, consequently leading to a decrease in the presence of independent board members. Their research findings highlight the dynamics of corporate governance, revealing a potential trade-off between CEO participation in board activities and the intensity of board oversight. Hermalin and Weisbach (1998) further confirm this tendency as CEOs aim to retain control over the board of directors by strategically selecting board members less inclined to challenge their dominance.

In previous academic research, firm-specific board structures are further examined by board independence and its relationship with CEO power. Notably, these studies find that independent directors play a crucial role in effectively monitoring the CEO (Fama & Jensen, 1983; Bhagat & Black, 2002; Ryan & Wiggins, 2004). However, the literature on board independence presents diverse conclusions about its relationship with CEO performance and monitoring. Hermalin and Weisbach (1998) suggest a negative relationship between CEO

turnover and firm performance and that this relationship is further strengthened by a higher presence of independent board of directors. Furthermore, the authors find that the level of board independence decreases the longer the CEO has been in his/her position, which leads to less monitoring and reduced risk of CEO turnover. Bhagat and Black (2002) find similar results as Hermalin and Weisbach (1998) regarding higher levels of board independence following poor performance. However, the authors do not find evidence that increased board independence improves performance. Further results from Laux (2008) suggest that CEOs who do not act in the best interest of the shareholders face a greater risk of dismissal when the firm has a larger proportion of independent directors due to increased monitoring of the CEO's actions.

4.2. CEO Power and Expertise

Managers possessing expertise in a specific strategic domain often wield substantial influence over the decision-making process and are frequently requested for their opinion (Finkelstein, 1992). The manifestation of the expertise dimension can vary depending on the specific attributes of the corporate environment in which the firm operates. In previous academic literature, two common measurements to assess expertise within the literature are CEO tenure and the presence of the founder as the CEO. Simsek (2007) examines the U.S. market and finds a positive relationship between CEO tenure and firm performance, further suggesting that a long-tenured CEO increases the risk-taking level of the top management team. The author suggests that long tenure might indicate a track record of solid performance and a clear focus on value creation. As the length of the CEO tenure increases, the monitoring from the board tends to deliberate as influential relationships between the CEO and the board grow stronger (Hermalin & Weisbach, 1998; Ryan & Wiggins, 2004). More specifically, Hermalin & Weisbach (1998) and Ryan & Wiggins (2004) find that the board's independence decreases as the CEO's tenure increases. Finkelstein (1992) states that power related to CEO tenure and expertise tends to arise when the CEO's expertise is critical for a specific area in the organization, suggesting that CEO power is related to dependency on expertise and knowledge.

An additional measure of expertise is CEO founders, which Finkelstein (1992) attributes to CEOs' ability to exert power through their long-lasting relationships and interactions with the board. This ability enables them to utilize their status as founders to effectively influence decisions, thereby amplifying their relative power to the board. Adams, Almeida and Ferreira (2005) support this notion and find a positive relationship between CEO power and firm

performance. More specifically, they find that the variable CEO founder has the most robust effect on the previously mentioned relationship. Han, Nanda and Silveri (2016) likewise use founder CEO as a variable to measure CEO power and suggest that CEO founders or descendants of CEO founders are more likely to have a greater influence on the board. Furthermore, a study by Sheikh (2018) finds that founder CEOs exert more power relative to non-founder CEOs as they can influence the board of directors in their apportionment of the chairman.

4.3. CEO Power and Firm Performance

Prior academic literature investigating the relationship between CEO power and firm performance finds contradicting results. Gong and Guo (2014) investigate the relationship between CEO power and announcement returns of U.S. acquiring firms between 1996-2009 and find a negative relationship between CEO power and CAR. More specifically, the authors find that acquiring firms' return surrounding the M&A announcements is less scattered for firms with more powerful CEOs compared to CEOs with less power. Contrary, García and Herrero (2022) investigate European acquirers and find that market reactions surrounding M&A announcements are positively associated with duality, which is a common proxy for CEO power. Deviating from the above, Dutta, MacAulay and Saadi (2011) study acquisitions in the Canadian market and find no relationship between CEO power and acquiring firm performance in relation to M&A announcements. They suggest that CEOs with greater power do not necessarily engage in value-destroying deals, i.e., powerful CEOs do not use acquisitions as a method of wealth expropriation.

When taking a broader perspective and considering Tobin's Q and Market-to-Book as proxies for firm value, the literature lacks consensus regarding the relationship between CEO power and firm value. Sheikh (2018) constructs a CEO power index and examines the relationship between CEO power and firm value for listed U.S. firms between 1992-2015. The author finds that CEO power positively affects firm value in highly competitive markets, suggesting that competition influences CEOs to use their power to make valuable business decisions. Lee, Park and Park (2015) also examine the U.S. market and estimate a normal ('optimal') level of CEO power, using the CEO pay slice as a proxy. They find that CEO power is positively related to firm value when the level of power is optimal and negatively related for firms with excess or insufficient CEO power. Contrary to the above, Han, Nanda and Silveri (2016) find a negative relationship between CEO power and firm performance, especially during market downturns.

The authors examine a U.S. sample of 4012 CEOs during 1992-2012, and their results indicate that the relationship between CEO power and firm value is dependent on the market conditions.

4.4. CEO Power and Deal Frequency

The previous empirical literature has investigated the relationship between CEO power and the frequency of acquisitions in different corporate environments. One of the studies examines a sample of U.S. acquisitions between 1996-2009 and finds a negative relationship between powerful CEOs and deal frequency (Gong & Guo, 2014). According to the authors, lower M&A activity is associated with powerful and entrenched CEOs being more conservative due to the risk of dismissal or loss of reputation as a possible result of a failed acquisition. In contrast, Dutta, MacAulay and Saadi (2011) investigate the Canadian market and find that powerful CEOs engage more frequently in M&A activities. According to the authors, in a country with greater protection and healthier legal systems, CEOs' expropriation incentives reduce as they enhance their power. Furthermore, the authors argue that powerful CEOs are more likely to frequently engage in acquisitions to increase firm size, with the objective of increased compensation and, thus, personal benefits.

4.5. CEO Power and Controlling Owners

The concentrated ownership structure inherent to the Swedish setting has a discernible impact on the potential CEO power. Hill and Snell (1989) argue that controlling owners have the incentive and ability to monitor the CEO, which results in a constrained decision-making capacity for the CEO to pursue a particular strategy. A Swedish study by Cronqvist and Nilsson (2003) finds evidence of controlling families extracting private benefits at the expense of minority shareholders, mainly by utilizing dual-class shares. The Swedish context thus enables controlling owners to control the firm's investment decisions, e.g., M&A decisions, while only owning a fraction of the equity. The measure of firm performance, return on assets (ROA), is remarkably lower for firms with controlling owners, arguably due to suboptimal investment decisions. The lower profitability is associated with a discount on firm value due to agency costs of controlling minority shareholders. Anderson and Reeb (2003) contradict the idea that controlling owners expropriate minority shareholders, as they find that family-controlled owners positively impact firm value in the U.S. market. Ben-Amar and André (2006) examine the relationship between ownership structure and acquiring firm performance in the Canadian market. Contrary to Cronqvist and Nilsson (2003), the authors do not find that the separation

of ownership and control is associated with negative market returns. However, looking solely at majority ownership, Ben-Amar and André (2006) find a negative relationship with firm performance surrounding M&A announcements.

5. Hypothesis Development

As the front figure of a company, the CEO plays a crucial role in creating value for the company's shareholders. In order to achieve this, the CEO must make strategic decisions about the organization's day-to-day management and identify opportunities for development and expansion to ensure long-term success. The decision-making capacity varies depending on the CEO's level of power (Finkelstein, 1992). A powerful CEO can enhance the decision-making process and provide the company with solid leadership (Finkelstein & D'Aveni, 1994). However, the hubris theory suggests that overconfident CEOs can potentially harm the company as they become arrogant and disconnected from reality, thus conducting strategic decisions which are not in the best interest of the shareholders of the firm (Roll, 1986). The abovementioned arguments exemplify the inconsistent beliefs concerning the outcome of a powerful CEO in regard to firm performance.

Prior studies find that CEO power has an impact on firm performance and the market reactions to M&A announcements (García & Herrero, 2022; Gong & Guo, 2014; Han, Nanda & Silveri, 2016; Lee, Park & Park, 2015; Sheikh, 2018). In the Swedish context, the perception of a CEO's power and decision-making capacity is differentiated from other countries, which is largely influenced by the Swedish corporate governance system. Although the extent of CEO power is more limited in Sweden due to legal requirements, the CEO can still play an essential role by influencing the board of directors, thereby impacting the decision-making. Most prior literature agrees with the belief that traditional CEO power proxies related to expertise and ownership, e.g., tenure and founder, impact the power of the CEO in conjunction with the board as a result of long-lasting relationships and knowledge dependency (Hermalin & Weisbach, 1998; Ryan & Wiggins, 2004; Han, Nanda & Silveri, 2016; Adams, Almeida & Ferreira, 2005). Additionally, there are board characteristics that could potentially impact the CEO's ability to exert power. For example, the monitoring function of the board could be diminished if the proportion of independent directors decreases, thereby increasing the risk of CEO entrenchment and lowering the probability of CEO turnover following sub-optimal decisions (Hermalin & Weisbach, 1998). Additionally, when the CEO simultaneously holds a position

on the board, it might interfere with the monitoring duties of the board, which could influence the ability of the CEO to exert power. Given the conflicting views of how a powerful CEO can impact firm performance, both positively and negatively, in combination with the abovementioned power attributes that can increase the decision-making capacity of a Swedish CEO, we argue that CEO power might impact acquiring firms' announcement returns. Therefore, this paper will test the following hypothesis:

H1: CEO power impacts acquiring firms' announcement return

The capacity to make decisions that maximize a CEO's personal benefits is dependent on the relative level of power that the CEO possesses. Dutta, MacAulay and Saadi (2011) argue that robust legal systems diminish the CEO's incentive to expropriate shareholders and engage in self-interested actions as they accumulate more power. In the corporate setting of Sweden, where a strong legal system is prevalent, one can expect that the cost of expropriation is substantial. A powerful CEO is, however, left with another solution to benefit oneself, namely by expanding the firm's size, which often leads to increased remuneration. Oxelheim and Randøy (2005) examine the Swedish market and find a positive relationship between firm size and CEO compensation. This observation may suggest that a CEO is more inclined to pursue M&A activity to expand the company's size, aiming to maximize compensation.

Increased CEO power within an organization may impart greater flexibility to the decision-making process. However, this could potentially generate a misguided perception of security and disregard the associated risks following acquisitions. Thus, overconfidence could lead to the execution of transactions occurring, despite not being aligned with the best interest of the firm or its shareholders (Roll, 1986). A powerful CEO may become complacent and ascribe the success of an acquisition to their own abilities, thereby exacerbating the situation (Anandalingam & Lucas, 2004), resulting in an additional cycle of acquisitions and overconfidence. Drawing on the preceding arguments, the second hypothesis to be examined is:

H2: CEO power has a positive impact on deal count

The ability of a CEO to utilize power could, however, be mitigated by the strong influence of a controlling owner, particularly in the Swedish setting, where the prevalence of controlling

owners is considerable. Hill and Snell (1989) argue that controlling owners have the incentive and ability to monitor the CEO, which results in a constrained decision-making capacity for the CEO to pursue a specific strategy, thus limiting the CEO's power. Gillian and Starks (2003) assert that controlling owners are typically more incentivized to generate an adequate return on their investment, which justifies the associated expenses of monitoring and control. Consequently, controlling shareholders will likely endorse a long-term growth strategy to minimize the risks associated with detrimental and unprofitable acquisitions. Considering the high monitoring incentives, we expect the presence of a controlling owner to have a moderating effect on the relationship between CEO power and CAR. Additionally, we anticipate controlling owners to play a moderating role between CEO power and deal count, given their likelihood of pursuing a long-term growth strategy, thus being more reluctant towards aggressive growth strategies. In the Swedish context, family owners are highly prevalent and possess specific characteristics that make them unique as controlling owners. For instance, family-controlling owners represent their family name and reputation, which in many cases are associated with a long and proven history, resulting in greater accountability for their investment decisions and rationale. Thus, it is arguably in their best interest to portray their legacy in the best possible manner, thereby being highly incentivized to monitor the strategic decisions. As a result, we anticipate that family-controlling owners have a moderating role in the relationship between CEO power and i) acquiring firms' announcement returns and ii) deal frequency. We will therefore test the following hypotheses:

H3: Controlling owners have a moderating role in the relationship between CEO power and acquiring firms' market reactions to M&A announcements

H4: Controlling owners have a moderating role in the relationship between CEO power and deal count

6. Methodology

This chapter initially presents the event study used to calculate the dependent variable. Thereafter we introduce two approaches to measuring CEO power, followed by our OLS-regression models and the control variables. Furthermore, we discuss the issue of endogeneity and, finally, the sample universe. The different robustness checks are discussed throughout the methodology section.

6.1. Econometric Methodology

Consistent with previous studies (Duttaa, MacAulay & Saadi, 2011; García & Herrero, 2022; Gong & Guo, 2014), an event study is executed to assess the abnormal return of a company's stock surrounding the M&A announcement. The methodology follows MacKinley's (1997) guidance, where the calculation of the abnormal return for each firm (i) at date (t) within the event window is derived as follows:

$$AR_{i,t} = R_{i,t} - E(R_{i,t}) \quad (1)$$

Subtracting the expected return $E(R_{i,t})$, also known as normal return, over the event window from the actual ex post return $R_{i,t}$ over the matching period yields the abnormal return $AR_{i,t}$. Following prior studies, this study employs the market model to calculate the normal return (Duttaa, MacAulay & Saadi, 2011; García & Herrero, 2022; Gong & Guo, 2014). According to MacKinlay (1997), the market model exhibits a higher capacity to detect effects related with the particular event, in contrast to the constant mean return model, which is another common model for measuring normal return. The market model removes the part of the return that is related with the disparity in the market's return, leading to reduced variance in the abnormal return (MacKinlay, 1997). To compute the normal return for any given stock, the market model is expressed as follows:

$$R_{i,t} = \alpha_i + \beta_i R_{mt} + \varepsilon_{i,t}$$
$$E(\varepsilon_{i,t} = 0) \quad var(\varepsilon_{i,t}) = \sigma_{\varepsilon_i}^2 n \quad (2)$$

The given equation (2) represents a market model where $R_{i,t}$ denotes the returns of stock i during period (t), and R_{mt} represents the returns in the market portfolio. In development the $\varepsilon_{i,t}$ is defined as the disturbance term with a zero mean, whereof α_i , β_i , and ε_i represent the parameters of the market model. The study uses the applied index of OMXSPI as the chosen

proxy for the market portfolio, as it is viewed as valid to represent the Swedish market (De Ridder & Råsbrant, 2014) and can potentially be used, excluding the risk of industry biases. Additionally, the study controls for potential biases by including the OMXS All-Share benchmark. In order to estimate the M&A announcements' impact on individual stocks, the abnormal returns of security (i) surrounding each announcement are computed using equation (1). The cumulative abnormal return (CAR), illustrated in equation (3), is thereafter calculated with the aggregating abnormal returns of security (i) over a specific event window, following the methodology outlined by MacKinley (1997).

$$CAR_{i,t_1,t_2} = \sum_{t_1}^{t_2} AR_{i,t} \quad (3)$$

In accordance with Duttaa, MacAulay and Saadi (2011) and García and Herrero (2022), this study employs a 3-day event window (-1; 1), continued with the estimation window of 120 days prior to the M&A announcement (-30; -120). To assess the robustness of the results, two additional event windows have been constructed. Firstly, the event window of 5 days (-2; 2) has been adapted in line with studies by Duttaa, MacAulay and Saadi (2011) and Gong and Guo (2014). The study lastly examines the robustness of the results by employing an event window of 19 days (-15; 3), as suggested by Faccio, McConnell and Stolin (2006). A wider event window is intended to capture the potential impact of information leakage prior to the M&A announcement. To avoid any potential bias, the estimation window and event window are non-overlapping, in accordance with the methodology proposed by MacKinley (1997).

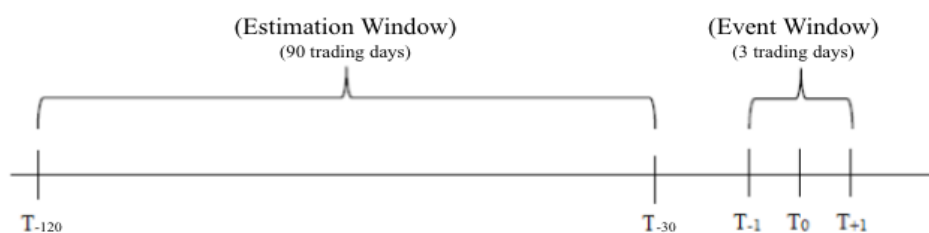


Figure 1: Timeline of event study used in the main model

6.2. CEO Power

Two different approaches to measuring CEO power have been conducted. Firstly, a CEO power index is made, consisting of three components that are commonly used in the literature: Independent board, CEO tenure and CEO founder. Secondly, the variable CEO in board is applied as a proxy for CEO power to capture the unique context of Sweden, where duality is

forbidden by law, but the CEO is still allowed to hold a position at the board. The compositions of the CEO power index and the proxy, CEO in board, will further be presented in the following sections.

6.2.1. CEO Power Index

A multi-dimensional CEO power index is constructed, consisting of all equally weighted components. The index is computed by summing all the dummy variables, described in the following paragraphs as well as Appendix A. Thus, the index can range from 0 - 3, by which 3 represents the most powerful CEOs and 0 the least powerful CEOs.

6.2.1.1. Board Independence

The existing body of literature consistently demonstrates that independent directors are more effective in fulfilling their monitoring function compared to dependent directors (Fama & Jensen, 1983; Bhagat & Black, 2002; Ryan & Wiggins, 2004). A higher fraction of independent directors thus gives rise to increased monitoring of the CEO, which restricts the CEO's capacity to make decisions that mainly benefit his/her own agenda. Thus, a negative relationship is expected between independent directors and CEO power. A dummy variable is therefore constructed, equal to one if the percentage of independent directors on the board is less than the industry median, and zero otherwise, in accordance with Han, Nanda and Silveri (2016).

6.2.1.2. CEO Tenure

Finkelstein (1992) suggests that CEOs with substantial expertise have a greater influence over the decision-making process. CEO tenure enhances the potential decision-making capacity due to weaker monitoring and increased influence when it comes to the election of new directors (Hermalin & Weisbach, 1998; Ryan & Wiggins, 2004). Simsek (2007) finds that CEOs with longer tenures contribute positively to firm performance and increase top executives' risk-taking levels. Following the abovementioned arguments, a positive relationship is expected between CEO tenure and CEO power. Consistent with Gong & Guo (2014), a dummy variable is constructed that equals one if the CEO's tenure is in the sample's top quartile, and zero otherwise.

6.2.1.3. CEO Founder

CEO founder is a recurring component of the CEO power index in prior literature (Gong & Guo, 2014; Han, Nanda & Silveri, 2016; Hwanga, Kim & Kim, 2020; Sheikh, 2018). CEOs that have founded the firm could exert power through their robust relationships with the board, thus having a more significant influence over the decision-making processes (Finkelstein, 1992). Given the abovementioned arguments, a positive relationship is anticipated between founder CEO and CEO power. Consequently, a dummy variable is constructed, equal to one if the firm's founder is the CEO, and zero otherwise.

6.2.2. CEO in Board

The variable, CEO in board, is used as a proxy for CEO power, with the aim to capture the unique corporate governance setting in Sweden. In other countries, duality is a commonly used proxy for CEO power (Gong & Guo, 2014; Han, Nanda & Silveri, 2016; Hwanga, Kim & Kim, 2020; Sheikh, 2018), but as this is forbidden by law in Sweden (Companies Act, ch. 8, 49§), this variable cannot be measured. However, we see similarities in that if a CEO is a board member, albeit not chairman, there is still considerable potential to exert influence over the decision-making. Hence, a positive association between the CEO being a member of the board and CEO power is anticipated. As Sweden deviates from most other countries, where duality is prevalent, CEO in board enables us to measure CEO power with a proxy suitable to our specific context. This measurement is constructed with a dummy variable, equal to one if the CEO is on the board, and zero otherwise.

6.3. Ordinary Least Squares (OLS)

To examine our first hypothesis - whether CEO power impacts acquiring firms' announcement return - a multiple regression (OLS) is carried out with CAR as our dependent variable, CEO power as our main explanatory variable, together with a set of control variables. Additionally, we control for industry and year effects in all models. The two different measures of CEO power will be used in the regression models, and our base model follows:

$$CAR_{i,t} = \beta_0 + \beta_1 CEO\ Power_{i,t-1} + \beta_2 Firm\ Controls_{i,t-1} + \beta_3 Deal\ Controls_{i,t} + \varepsilon_{i,t} \quad (4)$$

To test our second hypothesis - whether CEO power has a positive impact on deal count - we execute a multiple regression that looks as follows:

$$Deal\ Count_{i,t} = \beta_0 + \beta_1 CEO\ Power_{i,t-1} + \beta_2 Firm\ Controls_{i,t-1} + \beta_3 Deal\ Controls_{i,t} + \varepsilon_{i,t} \quad (5)$$

The variable *Deal count* follows the methodology by Gong and Guo (2014) and represents the number of acquisitions made within a given firm-year. In order to verify the robustness of our findings, both with CAR and Deal count as dependent variables, we conduct additional regressions where we exclude outliers based on the number of deals in a given year, ensuring that our results are not solely influenced by the firms that acquire most frequently.

Interaction terms are created to examine whether controlling owners have a moderating role in the relationship between CEO power and i) acquiring firms' announcement returns (CAR) and ii) deal count. As discussed throughout the paper, the ownership structure plays a significant role in the Swedish context of CEO power. The literature suggests a variety of different measures for controlling owners. We test two variables representing controlling owners in the Swedish setting to minimize the risk of the results being driven solely on a specific measurement. Our first measure is the dummy variable, Controlling owner, equal to one if the largest owner by voting rights exceeds 10%, and zero otherwise. Furthermore, the variable Family owner is used to capture the degree of family ownership in the Swedish setting. Hence, a dummy variable is constructed, equal to one when an individual or family holds the ultimate largest controlling block, zero otherwise (Ben-Amar & André, 2006). To test H3 and H4, we specify the following models:

$$CAR_{i,t} = \beta_0 + \beta_1 CEO\ Power_{i,t-1} + \beta_2 Controlling\ Owners_{i,t-1} + \beta_3 CEO\ Power \times Controlling\ Owners_{i,t-1} + \beta_4 Firm\ Controls_{i,t-1} + \beta_5 Deal\ Controls_{i,t} + \varepsilon_{i,t} \quad (6)$$

$$Deal\ Count_{i,t} = \beta_0 + \beta_1 CEO\ Power_{i,t-1} + \beta_2 Controlling\ Owners_{i,t-1} + \beta_3 CEO\ Power \times Controlling\ Owners_{i,t-1} + \beta_4 Firm\ Controls_{i,t-1} + \beta_5 Deal\ Controls_{i,t} + \varepsilon_{i,t} \quad (7)$$

An issue when using OLS is the presence of heteroskedasticity, which proposes that non-constant variance exists between the error term and the explanatory variables, potentially leading to invalid standard errors in the regression models (Woolridge, 2016). A White's test will be conducted to determine if heteroskedasticity is present in our models. We will employ

robust standard errors clustered by industry if heteroscedasticity is detected. This accounts for the potential unequal variance of errors across observations and helps ensure the validity of our statistical inferences. The rationale behind clustering by industry arises from the fact that most of the firms in our sample conduct one or two acquisitions during the whole period, as seen in Table 3. Hence, we argue that clustering the acquisitions by industry is adequate to capture the specific patterns and characteristics in the data.

6.3.1. Firm and Deal Controls

To enhance the robustness of our results, our empirical research will contain commonly used control variables in addition to the abovementioned variables. The control variables are divided into firm and deal controls. The firm control variables consist of *Leverage*, *Total assets*, Return of assets (hereafter "*ROA*"), *Cash holdings* and *Firm age*. *Leverage* is measured as long-term debt over total assets, whereas total assets are the natural logarithm of the book value of total assets. *ROA* is measured as net income divided by total assets, and the variable *Cash holdings* as cash and cash equivalents divided by total assets. *Firm age* is the difference between the year the acquiring firm was founded and the year of the announcement. If not stated, all control variables are measured one year prior to the announcement (t-1) of the acquisition, which is consistent with prior studies in the same research field (Duttaa, MacAulay & Saadi, 2011; Gong & Guo, 2014; Hwanga, Kim & Kim, 2020). The deal control variables comprise variables attributed to the specific acquisition. The first dummy variable, *Cash payment*, is equal to one if the acquisition is financed with 100% cash, and zero otherwise. *Diversification* is a dummy variable, equal to one if the acquiring firm and the target firm have different industry classifications, and zero otherwise. Finally, the dummy variable, *Domestic*, is equal to one if the target firm is Swedish, and zero otherwise. For a detailed summary of the variable description and origin of data, see Appendix A.

6.4. Endogeneity

Endogeneity is considered a widespread challenge in research studies. It can be defined as the presence of a correlation between the explanatory variables and the error term in a regression model. The existence of endogenous variables could result in biases and inconsistency in parameter estimates, which could impede reliable interpretations of the statistical result and thereby significantly undermine the study's validity. One common way of dealing with the issue of endogeneity is instrumental variables (IV) (Roberts & Whited, 2013). Breaking down the components of our CEO power index facilitates examining whether our variables could be

endogenous or not, especially when considering the reverse causality issue. First of all, our dependent variable, CAR, is driven by the reaction from the market. Our CEO power index consists of; *CEO tenure*, *CEO founder* and *Independent board*. We argue that the two variables mentioned subsequently are exogenous in nature since they are predetermined prior to the acquisition. Additionally, we argue that the variable *CEO in board*, used as a proxy for CEO power, also is exogenous as it is predetermined prior to the acquisition. However, we acknowledge that the variable *CEO tenure* could potentially suffer from reverse causality. In a scenario of a failed acquisition, accompanied by a negative market reaction, the board's evaluation of the CEO's suitability could be influenced, potentially resulting in CEO turnover. The potential reverse causality bias is further argued by Lehn and Zhao (2006), who finds that acquiring firms' announcement returns can influence CEO turnover decisions. Following Zhou, Dutta and Zhu (2020), we will run a regression that only includes the CEOs that have maintained their positions during the initial years. We exclude all firms from the bottom quartile of CEO tenure, equivalent to excluding firms with CEO tenure less than 2,25 years prior to the M&A announcement. By creating this subsample, we aim to mitigate the potential issue of reverse causality as the model only includes CEOs who successfully managed to retain their position during the initial years. To further mitigate potential issues of reverse causality, all firm-specific control variables were intentionally lagged by one year (Duttaa, MacAulay & Saadi, 2011; Gong & Guo, 2014; Hwanga, Kim & Kim, 2020). We subsequently account for industry- and year-effects, allowing us to control potential influences of unobserved variables that are constant over time. Altogether, we acknowledge the possibility of endogeneity but do not perceive this as a significant issue compromising the validity or reliability of the study.

6.5. The Sample Universe

The sample used in our empirical study comprises acquisitions in the Swedish market between 2017 - 2022. M&A data were obtained from Bureau Van Dijk's ORBIS (hereafter "Orbis"). Consistent with Duttaa, MacAulay and Saadi (2011), our study imposed the following restrictions on the data: i) The acquisition must be 100% completed and ii) financial institutions and real estate companies are excluded. In addition, the acquiring firm must have stock return data for at least 120 days before the M&A announcement as well as sufficient financial data.¹

¹ Obtained from the following databases: Bloomberg, Holdings and Orbis.

The raw dataset obtained from Orbis comprised 960 acquisitions made by 257 firms. Following the abovementioned restrictions, our final sample consists of 771 acquisitions carried out by 204 firms between 2017-01-02 and 2022-12-22. Daily stock return data for our sample firms and market model indexes were obtained from Bloomberg. The data for the variables that constitute the CEO power index and the proxy CEO in board were obtained from Holdings and Bloomberg. Furthermore, Bloomberg was used to gathering data for our firm controls, while data for the deal controls were obtained from Orbis. Appendix A summarizes the origin of the variables mentioned above. Table 1 shows a summary of the industry distribution, while Table 2 shows the distribution by year. Almost half of the acquirers in our sample (47.34%) operate in the Service industry, with two-digit SIC codes ranging from 70-89. Manufacturing is the second largest industry, which makes up 30,35% of our sample firms. Table 3 shows the distribution of the number of acquisitions made during the sample period, categorized by the number of firms. The table shows that the majority (60%) of the sample conducts one or two acquisitions during the period. As previously mentioned, financial institutions and real estate companies are excluded. The companies representing the "*Finance, Insurance, Real Estate*" category consist of serial acquirers with the two-digit SIC-code 67: Holding and other investment offices, e.g., Lifco AB and Seafire AB. Therefore, we do not exclude companies with the two-digit SIC-code of 67.

Table 1: Industry Distribution

Primary SIC code	Industry	Number of Firms	Number of Firm Observations	Percentage of sample
15-17	Construction	8	31	4,02%
20-39	Manufacturing	75	234	30,35%
40-49	Transportation & Public Utilities	13	61	7,91%
50-51	Wholesale Trade	12	48	6,23%
52-59	Retail Trade	7	12	1,56%
60-67	Finance, Insurance, Real Estate	6	20	2,59%
70-89	Services	83	365	47,34%
Total		204	771	100%

Table 2: Year Distribution

Year	Number of Firms	Number of Firm Observations	Percentage of sample
2017	65	132	17,12%
2018	80	144	18,68%
2019	69	116	15,05%
2020	53	85	11,02%
2021	92	176	22,83%
2022	69	118	15,30%
Total	428	771	100%

Table 3: Number of Acquisitions 2017-2022

# of Acquisitions 2017-2022	Number of Firms	Percentage of sample	Accumulated percentage
#1	83	41%	41%
#2	39	19%	60%
#3	17	8%	68%
#4	18	9%	77%
#5	8	4%	81%
#6-10	22	11%	92%
#11-20	11	5%	97%
#21-33	6	3%	100%
Total	204	100%	

7. Empirical Results

This section begins with an analysis of the descriptive statistics and correlation, followed by regression results for hypotheses (1) to (4). Regression diagnostics are employed to assess the accuracy of the findings and the study's undertaken robustness checks to ensure reliable regression outcomes.

7.1. Descriptive Statistics and Correlation analysis

7.1.1. Descriptive Statistics

Summary statistics for our variables are presented in Table 4. Panel A of Table 1 shows that the average (median) firm generates 1,1% (0,7%) positive abnormal return surrounding the announcement of an acquisition, measured as the three-day CAR. The wide spread between the min (-25,9%) and the max (32%) indicates that the market rewards some firms when announcing a promising deal, while the share price of some firms takes a substantial hit. The average (median) Deal count is 2,982 (2,000).

Panel B of Table 4 shows the summary statistics for the variables attributed to the CEO power index. The average (median) firm has a board that consists of 74,9% (72,7%) independent directors and a CEO that has been in the position for 6,888 (4,580) years. There is a large discrepancy between the CEO with the shortest and longest tenure, captured in the min (0,08 years) and max (35,75 years). The dummy variable *CEO founder* shows an average of 0,091, indicating that only 9,1% of the companies in our sample have a CEO that founded the firm. The variable *CEO power index* ranges from 0-3, and the average (median) is 0,905 (1), which suggests that most CEOs have relatively low power in the Swedish setting. The majority of the CEOs in our sample are not board members, as seen in the dummy variable, *CEO in board*, which shows an average of 0,438.

Panel C of Table 4 shows the summary statistics for the variables attributed to the controlling owners. The variable *Largest owner (votes)* is used to calculate the interaction terms *Controlling owner*, and shows that, on average, the largest owner in our sample firms controls 27,7% of the votes. The high presence of controlling owners is evident in the dummy variable denoted as *Controlling owner*. The average is 0.914, indicating that 91,4% of the sample firms have the largest owner controlling more than 10% of the votes. Furthermore, in 66% of the firms, an individual or family holds the ultimate largest controlling block.

Panel D of Table 4 presents the summary statistics for our firm controls. The average acquiring firm in our sample is moderately leveraged with a long-term debt to total assets ratio of 17,6%. The average firm has total assets of MSEK 26 278, while the median firm has total assets of MSEK 4 855, indicating that the distribution is highly right-skewed. Furthermore, the average (median) firm has a *ROA* of 6,2% (6,9%), *Cash holdings* of 10,6% (6,6%) and a *Firm age* of 54,348 (30) years.

Finally, panel E of Table 4 shows the deal controls. The dummy variable, *Cash payment*, shows an average of 0,2. The level of firms that acquired with sole cash appears to be fairly low. The dummy variable, *Diversification*, indicates that 46,7% of the firms make diversifying mergers. The dummy variable, *Domestic*, shows an average of 0,297, indicating that most target firms are non-Swedish.

Table 4: Summary Statistics

Panel A: Dependent	Obs.	Mean	Median	Std. Dev.	Min	Max
CAR (-1; 1)	771	0,011	0,007	0,053	-0,259	0,32
Deal count	771	2,982	2	2,259	1	10
Panel B: CEO power						
Independent board (%)	771	0,749	0,727	0,186	0	1
Independent board	771	0,527	1	0,5	0	1
CEO tenure (years)	771	6,888	4,58	6,778	0,08	35,75
CEO tenure	771	0,288	0	0,453	0	1
CEO founder	771	0,091	0	0,287	0	1
CEO power index	771	0,905	1	0,771	0	3
CEO in board	771	0,438	0	0,497	0	1
Panel C: Controlling owners						
Largest owner (votes)	771	0,277	0,26	0,156	0,046	0,954
Controlling owner	771	0,914	1	0,28	0	1
Family owner	771	0,66	1	0,474	0	1
Panel D: Firm controls						
Leverage	771	0,176	0,174	0,122	0	0,507
Total assets	771	26278,357	4855	47663,142	34,654	253493
ROA	771	0,062	0,069	0,079	-0,358	0,297
Cash holdings	771	0,106	0,066	0,12	0,004	0,675
Firm age	771	54,348	30	46,599	3	159
Panel E: Deal controls						
Cash payment	771	0,2	0	0,4	0	1
Diversification	771	0,467	0	0,499	0	1
Domestic	771	0,297	0	0,457	0	1

(1) **CAR (-1; 1)** (cumulative abnormal return surrounding the announcement of an M&A), (2) **Deal count** (number of deals within a given firm year), (3) **Independent board (%)** (ratio of independent board members by the total board size, t-1), (4) **Independent board** (dummy variable equal to 1 if the ratio of independent directors is below the industry median, 0 otherwise), (5) **CEO tenure (years)** (CEO tenure in years, t), (6) **CEO tenure** (dummy variable equal to 1 if the CEO tenure is in the top quartile of the sample, 0 otherwise), (7) **CEO founder** (dummy variable equal to 1 if the founder of the firm is the CEO, 0 otherwise), (8) **CEO power index** (sum of the dummy variables in the CEO power index, ranging from 0-3), (9) **CEO in board** (dummy variable equal to 1 if the CEO is in the board, 0 otherwise), (10) **Largest owner (votes)** (largest owner by voting rights, t-1), (11) **Controlling owner** (dummy variable equal to 1 if the largest owner by voting rights exceeds 10%, and 0 otherwise), (12) **Family owner** (dummy variable equal to 1 when an individual or family holds the ultimate largest controlling block, 0 otherwise), (13) **Leverage** (the book value of LT-debt over the book value of total assets, t -1), (14) **Total assets** (book value of total assets, t-1), (15) **ROA** (net income divided by the book value of total assets, t-1), (16) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (17) **Firm age** (number of years between the founding of the company and the year of the announcement), (18) **Cash payment** (dummy variable equal to 1 if the acquisition is payed with 100% cash, 0 otherwise), (19) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (20) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise).

7.1.2. Correlation Analysis

Pairwise correlation coefficients between our variables are shown in Table 5. The table illustrates that the correlation between *CAR* and *CEO power index* is low, negative (-0,027) and insignificant. The correlation between *CAR* and *CEO in board* is also low and negative (-0,093), but shows statistical significance at the five-percent level. Looking at the firm and deal controls, *Leverage*, *Total assets*, and *Firm age* are negatively correlated with *CAR* and are statistically significant. *Cash holdings* are highly statistically significant and positively correlated with *CAR*. The variable that shows the relatively highest, albeit low, correlation with *CAR* is *Total assets* (-0,182). The correlation between *CAR* and *Family owner* is low and negative, and shows weak statistical significance. The other dependent variable, *Deal count*, is positively and highly significantly correlated with *CEO in board*, *Family owner*, *Leverage*, *Total assets*, *ROA* and *Firm age*. Furthermore, *Deal count* exhibits a negative and statistically significant correlation with *CEO tenure*, *CEO founder*, *CEO power index*, *Cash holdings* and *Cash payment*. Altogether, the correlations seem to have the expected signs and magnitudes.

Table 5: Correlation Analysis

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
(1) CAR (-1; 1)	1.000																			
(2) Deal count	-0.099***	1.000																		
(3) Independent board (%)	-0.014	-0.014	1.000																	
(4) Independent board	-0.028	-0.048	-0.724***	1.000																
(5) CEO tenure (years)	-0.035	-0.010	0.092**	-0.148***	1.000															
(6) CEO tenure	-0.031	-0.075**	0.036	-0.108***	0.822***	1.000														
(7) CEO founder	0.023	-0.103***	-0.052	-0.008	0.489***	0.417***	1.000													
(8) CEO power index	-0.027	-0.114***	-0.467***	0.581***	0.569***	0.673***	0.613***	1.000												
(9) CEO in board	-0.093**	0.242***	-0.103***	0.037	0.239***	0.206***	0.158***	0.203***	1.000											
(10) Largest owner (votes)	-0.030	-0.021	-0.201***	0.049	0.183***	0.174***	0.118***	0.178***	0.102***	1.000										
(11) Controlling owner	0.017	0.063*	-0.069*	-0.049	0.098***	0.102***	0.081**	0.059*	0.140***	0.378***	1.000									
(12) Family owner	-0.070*	0.107***	-0.074**	-0.011	0.178***	0.166***	0.084**	0.121***	0.369***	0.240***	0.426***	1.000								
(13) Leverage	-0.077**	0.176***	0.114***	-0.063*	-0.004	-0.102***	-0.155***	-0.159***	0.015	0.110***	-0.055	-0.049	1.000							
(14) Total assets (log)	-0.182***	0.366***	-0.085**	0.109***	-0.041	-0.104***	-0.275***	-0.093**	0.221***	0.049	0.032	0.046	0.278***	1.000						
(15) ROA	-0.015	0.162***	-0.018	-0.011	0.052	0.058*	-0.076**	-0.001	0.132***	0.067*	0.130***	0.152***	0.007	0.301***	1.000					
(16) Cash holdings	0.116***	-0.260***	-0.109***	0.044	-0.005	0.069*	0.315***	0.187***	0.011	-0.049	-0.014	-0.054	-0.294***	-0.374***	-0.180***	1.000				
(17) Firm age	-0.087**	0.179***	0.079**	-0.056	-0.135***	-0.089**	-0.245***	-0.180***	0.214***	-0.023	0.157***	0.116***	0.044	0.407***	0.231***	-0.205***	1.000			
(18) Cash payment	0.025	-0.206***	0.038	-0.079**	0.102***	0.091**	0.136***	0.053	-0.121***	0.002	-0.033	0.030	-0.006	-0.287***	-0.028	0.102***	-0.141***	1.000		
(19) Diversification	-0.013	0.020	0.036	0.018	-0.025	-0.004	-0.024	0.000	-0.015	-0.005	0.045	0.024	-0.039	0.025	0.039	-0.064*	0.018	-0.025	1.000	
(20) Domestic	0.042	-0.055	-0.066*	0.110***	-0.029	-0.031	0.042	0.069*	-0.180***	0.021	-0.045	-0.127***	-0.117***	-0.310***	-0.150***	0.015	-0.184***	0.002	-0.011	1.000

(1) **CAR (-1; 1)** (cumulative abnormal return surrounding the announcement of an M&A), (2) **Deal count** (number of deals within a given firm year), (3) **Independent board (%)** (ratio of independent board members by the total board size, t-1), (4) **Independent board** (dummy variable equal to 1 if the ratio of independent directors is below the industry median, 0 otherwise), (5) **CEO tenure (years)** (CEO tenure in years, t), (6) **CEO tenure** (dummy variable equal to 1 if the CEO tenure is in the top quartile of the sample, 0 otherwise), (7) **CEO founder** (dummy variable equal to 1 if the founder of the firm is the CEO, 0 otherwise), (8) **CEO power index** (sum of the dummy variables in the CEO power index, ranging from 0-3), (9) **CEO in board** (dummy variable equal to 1 if the CEO is in the board, 0 otherwise), (10) **Largest owner (votes)** (largest owner by voting rights, t-1), (11) **Controlling owner** (dummy variable equal to 1 if the largest owner by voting rights exceeds 10%, and 0 otherwise), (12) **Family owner** (dummy variable equal to 1 when an individual or family holds the ultimate largest controlling block, 0 otherwise), (13) **Leverage** (the book value of LT-debt over the book value of total assets, t-1), (14) **Total assets** (the natural logarithm of the book value of total assets, t-1), (15) **ROA** (net income divided by the book value of total assets, t-1), (16) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (17) **Firm age** (number of years between the founding of the company and the year of the announcement), (18) **Cash payment** (dummy variable equal to 1 if the acquisition is paid with 100% cash, 0 otherwise), (19) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (20) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise).

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

7.2. Cumulative Abnormal Return (CAR)

Table 6 presents the results from the t-tests on our dependent variable, CAR, using three different event windows. As observed in the table, the CAR is highly statistically significant for the event window of 3- and 7-days, using both our main market model index (OMXSPI) as well as OMXS-All share. Thus, we reject the null hypothesis that the acquiring firm's announcement returns are zero. However, the CAR shows no statistical significance when using a longer event window of 19 days (-15; 3) and we therefore fail to reject the null hypothesis.

7.3. The Effect of CEO Power on CAR

7.3.1. Base Models

In order to detect the presence of heteroskedasticity, a White's test is conducted, and the results are reported in Table 7. The results of the tests imply that we can reject the null hypothesis of homoscedasticity. Hence, we cannot rely on inferring our default standard errors, and therefore, robust standard errors clustered by industry are applied in all models. Table 8 shows the OLS regression results of the individual components of the CEO power index and their effect on CAR, to illustrate which components drive the effect of the index. Model (1) shows no statistically significant relationship between Independent board and CAR. However, Model (2) - (3) show that CEO tenure and CEO founder are negatively related to CAR, both highly statistically significant at the one-percent level. The results presented in Table 9 shows the regression models using both CEO power index and CEO in board as measures of CEO power. Models (1) - (5) use CEO power index as the main explanatory variable, while Models (6) - (9) examines the relationship between CEO in board and CAR. We control for industry- and year-effects in all models.

In Model (1) of Table 9, our CEO power index shows a negative relationship with CAR at the five-percent level of statistical significance. The coefficient implies that, on average, an increase of one unit in the CEO power index is associated with a decrease of 0,5 percentage points in acquiring firms' announcement return. The robustness of the results is confirmed when using an alternative market model index to calculate CAR, demonstrated in Model (2). In Model (3), we show the results for the base model where we extend the event window to a broader timeframe of 5 days (-2; 2). The coefficient (-0,008) shows that the negative magnitude

of the relationship between the CEO power index and CAR increases, and the effect is statistically significant at the five-percent level. Moreover, even after excluding firms with the highest deal count in our sample, the results remain robust and consistent, as seen in Model (4)². Model (5) shows the regression results when addressing the potential reverse causality between CEO tenure and CAR. The results remain consistent and show a negative relationship between CEO power index and CAR (-0,6%), statistically significant at the five-percent level³. The level-log relationship between CAR and Total assets implies that a 10% increase in total assets is associated with a decrease of 0,04 percentage points in CAR, statistically significant at the five-percent level. For the remaining control variables larger Cash holdings are positively associated with CAR, also significant at the five-percent level.

Model (6) of Table 9 shows the relationship between CEO in board and CAR, which is the measure of CEO power that is attributed to the Swedish context. Similar to using the CEO power index, the relationship is negative and statistically significant at the five-percent level. The coefficient implies that, on average, a firm with a CEO present in the board of directors is associated with a decrease of 0,8 percentage points in acquiring firms' announcement return. Model (7) shows that the results remain robust when using a different market model index. Furthermore, when using a wider event window (-2; 2), the magnitude of the coefficient increases (-0,011), but the significance level drops to the ten-percent level, seen in Model (8). Lastly, after excluding firms with the highest deal count, the results remain robust and consistent with the base model, as seen in Model (9). Considering the fact that we have examined the relationship between CEO power and CAR, using both a CEO power index with traditional measures as well as the proxy CEO in board, and received similar and robust results, we have decided to use Model (6) to test H1. Given that the relationship between CEO power and CAR shows a t-value of -3,27 in Model (6), the null hypothesis that CEO power, proxied as CEO in board, has no impact on acquiring firms' announcement returns can be rejected. The obtained result aligns with prior research studies examining the relationship between CEO power and firm performance (Gong & Guo, 2014; Han, Nanda & Silveri, 2016).

² Excluding firms with more than seven deals per year, which accounts for approximately 6.7% of the total sample.

³ Excluding firms with CEO tenure less than 2,25 years, which accounts for the bottom quartile of the total sample.

Table 8: Regression Results CEO Power Index Components (CAR)

VARIABLES	(1) CAR (-1; 1)	(2) CAR (-1; 1)	(3) CAR (-1; 1)
Independent board	-0.001 (0.004)		
CEO tenure		-0.009*** (0.002)	
CEO founder			-0.010*** (0.002)
Leverage	-0.009 (0.018)	-0.008 (0.018)	-0.007 (0.016)
Total assets (log)	-0.005** (0.002)	-0.005** (0.002)	-0.005** (0.002)
ROA	0.038 (0.029)	0.044 (0.032)	0.039 (0.028)
Cash holdings	0.026* (0.013)	0.026** (0.010)	0.030** (0.010)
Firm age	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Cash payment	-0.005 (0.003)	-0.004 (0.003)	-0.004 (0.003)
Diversification	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)
Domestic	-0.001 (0.006)	-0.002 (0.005)	-0.001 (0.005)
Constant	0.053*** (0.012)	0.057*** (0.012)	0.054*** (0.012)
Observations	771	771	771
Market model index	OMXSPI	OMXSPI	OMXSPI
Standard errors	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)
Industry controls	Yes	Yes	Yes
Year controls	Yes	Yes	Yes
Adjusted R-squared	0.018	0.023	0.020

Note: The following table displays the results of our OLS-regression models using **industry-** and **year-controls** as well as **robust standard errors** clustered by industry, in order to illustrate the relationship between the individual components in the CEO power index and CAR. **Model (1)** shows the relationship between the main explanatory variable, Independent board, and CAR (-1; 1). **Model (2)** shows the relationship between the main explanatory variable, CEO tenure, and CAR (-1; 1). **Model (3)** shows the relationship between the main explanatory variable, CEO founder, and CAR (-1; 1). The variables included in the table are (1) **CAR (-1; 1)** (cumulative abnormal return surrounding the announcement of an M&A), (2) **Independent board** (dummy variable equal to 1 if the ratio of independent directors is below the industry median, 0 otherwise), (3) **CEO tenure** (dummy variable equal to 1 if the CEO tenure is in the top quartile of the sample, 0 otherwise), (4) **CEO founder** (dummy variable equal to 1 if the founder of the firm is the CEO, 0 otherwise), (5) **Leverage** (the book value of LT-debt over the book value of total assets, t-1), (6) **Total assets** (the natural logarithm of the book value of total assets, t-1), (7) **ROA** (net income divided by the book value of total assets, t-1), (8) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (9) **Firm age** (number of years between the founding of the company and the year of the announcement), (10) **Cash payment** (dummy variable equal to 1 if the acquisition is paid with 100% cash, 0 otherwise), (11) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (12) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise). Clustered robust standard errors by industry in parentheses.

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

Table 9: Regression Results for Equation (4)

VARIABLES	(1) CAR (-1; 1)	(2) CAR (-1; 1)	(3) CAR (-2; 2)	(4) CAR (-1; 1)	(5) CAR (-1; 1)	(6) CAR (-1; 1)	(7) CAR (-1; 1)	(8) CAR (-2; 2)	(9) CAR (-1; 1)
CEO power index	-0.005** (0.001)	-0.005** (0.001)	-0.008** (0.003)	-0.006*** (0.001)	-0.006** (0.002)				
CEO in board						-0.008** (0.002)	-0.008** (0.002)	-0.011* (0.006)	-0.008** (0.003)
Leverage	-0.010 (0.015)	-0.010 (0.016)	-0.011 (0.018)	-0.009 (0.017)	-0.004 (0.017)	-0.008 (0.017)	-0.008 (0.017)	-0.009 (0.019)	-0.009 (0.019)
Total assets (log)	-0.004** (0.002)	-0.004** (0.002)	-0.004** (0.001)	-0.005** (0.002)	-0.005* (0.002)	-0.004* (0.002)	-0.004* (0.002)	-0.003* (0.001)	-0.004* (0.002)
ROA	0.041 (0.028)	0.041 (0.027)	0.077** (0.023)	0.041 (0.023)	-0.005 (0.059)	0.042 (0.028)	0.043 (0.027)	0.079** (0.023)	0.042 (0.028)
Cash holdings	0.031** (0.012)	0.030** (0.012)	0.043** (0.015)	0.031** (0.012)	0.053 (0.028)	0.029* (0.012)	0.028* (0.012)	0.039** (0.014)	0.028* (0.012)
Firm age	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Cash payment	-0.004 (0.003)	-0.005 (0.003)	-0.001 (0.005)	-0.005 (0.003)	-0.007 (0.004)	-0.006* (0.003)	-0.006* (0.003)	-0.003 (0.006)	-0.006* (0.003)
Diversification	-0.001 (0.004)	-0.001 (0.004)	0.001 (0.006)	-0.001 (0.005)	-0.001 (0.007)	-0.001 (0.004)	-0.001 (0.004)	0.000 (0.005)	-0.001 (0.004)
Domestic	-0.001 (0.005)	-0.000 (0.005)	0.002 (0.004)	-0.001 (0.006)	0.002 (0.006)	-0.002 (0.005)	-0.002 (0.005)	0.000 (0.003)	-0.002 (0.005)
Constant	0.057*** (0.011)	0.057*** (0.011)	0.043*** (0.012)	0.057*** (0.012)	0.056** (0.015)	0.054*** (0.013)	0.054*** (0.013)	0.038** (0.012)	0.054*** (0.014)
Observations	771	771	771	719	565	771	771	771	719
Market model index	OMXSPI	OMXS All-Share	OMXSPI	OMXSPI	OMXSPI	OMXSPI	OMXS All-Share	OMXSPI	OMXSPI
Standard errors	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)
Industry controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.023	0.022	0.013	0.019	0.025	0.023	0.022	0.012	0.018

Note: The following table displays the results of our OLS-regression models using **industry-** and **year-controls** as well as **robust standard errors** clustered by industry, in order to illustrate the relationship between CEO power and CAR. **Model (1)** is the base model where CEO power index is the main explanatory variable and CAR is the dependent variable. **Model (2)** shows the results when using a different market model index, namely OMXS All-share. **Model (3)** shows the results when using a different event window (-2; 2). **Model (4)** shows the results when excluding the firms with the highest deal count, i.e. acquisitions exceeding 7 in a given year. **Model (5)** shows the regression results when addressing the potential reverse causality between CEO tenure and CAR. The model only includes the CEOs that have maintained their positions for a duration of 2,25 years prior to the M&A announcement. **Model (6)** is the base model where the proxy, CEO in board, is the main explanatory variable and CAR is the dependent variable. **Model (7)** shows the results when using a different market model index, namely OMXS All-share. **Model (8)** shows the results when using a different event window (-2; 2). **Model (9)** shows the results when excluding the firms with the highest deal count, i.e. acquisitions exceeding 7 in a given year. The variables included in the table are (1) **CAR (-1; 1)** (cumulative abnormal return surrounding the announcement of an M&A), (2) **CAR (-2; 2)** (cumulative abnormal return surrounding the announcement of an M&A), (3) **CEO power index** (sum of the dummy variables in the CEO power index, ranging from 0-3), (4) **CEO in board** (dummy variable equal to 1 if the CEO is in the board, 0 otherwise), (5) **Leverage** (the book value of LT-debt over the book value of total assets, t-1), (6) **Total assets** (the natural logarithm of the book value of total assets, t-1), (7) **ROA** (net income divided by the book value of total assets, t-1), (8) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (9) **Firm age** (number of years between the founding of the company and the year of the announcement), (10) **Cash payment** (dummy variable equal to 1 if the acquisition is paid with 100% cash, 0 otherwise), (11) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (12) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise).

Clustered robust standard errors by industry in parentheses.

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

7.3.2 The Moderating Role of Controlling Owners

The results of Table 10, when testing our interaction terms based on two different measurements of controlling owners, are seen in Models (2), (4), (6) and (8). The interaction terms show no statistically significant moderating effect on the relationship between CEO power and CAR, using both the CEO power index and the proxy CEO in board. However, running the regressions with the CEO power index and the controlling owner variables as controls, the coefficients remain negative and statistically significant at the one- and five-percent level, seen in Models (1) and (3). Using CEO in board as proxy for CEO power and including the variable Controlling owner as control, the coefficient remains the same (-0,008) and still statistically significant at the five-percent level, demonstrated in Model (5). However, when including the variable Family owner as control in Model (7), the statistical significance disappears. Since the interaction terms showed no statistical significance, we cannot reject the null hypothesis that controlling owners have no moderating role in the relationship between CEO power and CAR.

Table 10: Regression Results for Equation (6)

VARIABLES	(1) CAR (-1; 1)	(2) CAR (-1; 1)	(3) CAR (-1; 1)	(4) CAR (-1; 1)	(5) CAR (-1; 1)	(6) CAR (-1; 1)	(7) CAR (-1; 1)	(8) CAR (-1; 1)
CEO power index	-0.005*** (0.001)	0.021* (0.011)	-0.004** (0.001)	0.004 (0.003)				
CEO in board					-0.008** (0.003)	-0.002 (0.017)	-0.006 (0.003)	-0.007 (0.005)
Controlling owner	0.004 (0.013)	0.025 (0.017)			0.004 (0.013)	0.005 (0.017)		
CEO power x Controlling		-0.028** (0.011)						
CEO in board x Controlling						-0.007 (0.019)		
Family owner			-0.009* (0.004)	0.000 (0.004)			-0.007 (0.005)	-0.008 (0.006)
CEO power x Family				-0.011** (0.004)				
CEO in board x Family								0.002 (0.006)
Leverage	-0.010 (0.016)	-0.014 (0.013)	-0.009 (0.015)	-0.011 (0.013)	-0.008 (0.017)	-0.009 (0.017)	-0.008 (0.016)	-0.008 (0.016)
Total assets (log)	-0.004** (0.002)	-0.004** (0.002)	-0.005** (0.002)	-0.005** (0.002)	-0.004* (0.002)	-0.004* (0.002)	-0.005** (0.002)	-0.005** (0.002)
ROA	0.039 (0.025)	0.034 (0.019)	0.047 (0.027)	0.047 (0.026)	0.041 (0.024)	0.041 (0.024)	0.047 (0.025)	0.047 (0.025)
Cash holdings	0.031** (0.012)	0.031** (0.012)	0.028** (0.011)	0.026* (0.011)	0.029* (0.012)	0.029* (0.013)	0.026* (0.011)	0.026* (0.011)
Firm age	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Cash payment	-0.004 (0.003)	-0.004 (0.003)	-0.004 (0.003)	-0.004 (0.003)	-0.006* (0.003)	-0.006* (0.003)	-0.005 (0.003)	-0.005 (0.003)
Diversification	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)
Domestic	-0.001 (0.005)	-0.001 (0.005)	-0.001 (0.005)	-0.001 (0.005)	-0.002 (0.005)	-0.002 (0.005)	-0.002 (0.005)	-0.002 (0.005)
Constant	0.052*** (0.014)	0.032* (0.014)	0.065*** (0.009)	0.060*** (0.010)	0.050** (0.016)	0.049** (0.017)	0.062*** (0.010)	0.062*** (0.010)
Observations	771	771	771	771	771	771	771	771
Market model index	OMXSPI	OMXSPI	OMXSPI	OMXSPI	OMXSPI	OMXSPI	OMXSPI	OMXSPI
Standard errors	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)
Industry controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.022	0.027	0.026	0.029	0.022	0.021	0.025	0.024

Note: The following table displays the results of our OLS-regression models using industry- and year-controls as well as robust standard errors clustered by industry, in order to illustrate the moderating effect of controlling owners on the relationship between CEO power and CAR. Model (1) includes Controlling owner (dummy variable equal to 1 if the largest owner by voting rights exceeds 10%, and 0 otherwise) as a control variable. Model (2) includes CEO power x Controlling (interaction term between CEO power index and Controlling owner). Model (3) includes the variable Family owner (dummy variable equal to 1 when an individual or family holds the ultimate largest controlling block, 0 otherwise). Model (4) includes CEO power x Family (interaction term between CEO power index and Family owner). Model (5) includes Controlling owner (dummy variable equal to 1 if the largest owner by voting rights exceeds 10%, and 0 otherwise) as a control variable. Model (6) includes CEO in board x Controlling (interaction term between CEO in board and Controlling owner). Model (7) includes the variable Family owner (dummy variable equal to 1 when an individual or family holds the ultimate largest controlling block, 0 otherwise). Model (8) includes CEO in board x Family (interaction term between CEO in board and Family owner). The other variables included in the table are (1) CAR (-1; 1) (cumulative abnormal return surrounding the announcement of an M&A), (2) CEO power index (sum of the dummy variables in the CEO power index, ranging from 0-3), (3) CEO in board (dummy variable equal to 1 if the CEO is in the board, 0 otherwise), (4) Leverage (the book value of LT-debt over the book value of total assets, t-1), (5) Total assets (the natural logarithm of the book value of total assets, t-1), (6) ROA (net income divided by the book value of total assets, t-1), (7) Cash holdings (cash & cash equivalents over the book value of total assets, t-1), (8) Firm age (number of years between the founding of the company and the year of the announcement), (9) Cash payment (dummy variable equal to 1 if the acquisition is paid with 100% cash, 0 otherwise), (10) Diversification (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (11) Domestic (dummy variable equal to 1 if the target firm is domestic, 0 otherwise).

Clustered robust standard errors by industry in parentheses.

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

7.4. The Effect of CEO Power on Deal Count

7.4.1. Base Models

White's test is conducted to detect the presence of heteroskedasticity, and the results are reported in Table 7. The results of the tests imply that we can reject the null hypothesis of homoscedasticity. Hence, we cannot rely on inferring our default standard errors, and therefore, robust standard errors clustered by industry are applied in all models. The results of Table 11 show the components of the CEO power index and their relationship with Deal count, to examine which components drive the effect of the index. Model (1) shows that there are no statistically significant relationships between Independent board and Deal count. Additionally, an insignificant relationship is observed between CEO tenure and Deal count, seen in Model (2). However, CEO founder appears to be positively associated with Deal count, and is statistically significant at the one-percent level. We control for industry- and year-effects in all models.

Models (1) - (2) of Table 12 use CEO power index as the main explanatory variable, while Models (3) - (4) examines the relationship between CEO in board and Deal count. Model (1) of Table 12 finds no statistically significant relationship between the CEO power index and Deal count. When excluding the firms with the highest deal count, the relationship is positive and weakly significant, observed in Model (2). Model (3) shows the relationship between CEO in board and Deal count. The results indicate that, on average, a firm with a CEO in the board makes 1,003 more deals in a given year, and the relationship is statistically significant at the five-percent level. When excluding the firms with the highest deal count, the results indicate a notable enhancement in statistical significance, reaching the one-percent level, along with a decrease in the coefficient (0.886). Looking at the control variables, it is worth mentioning that Model (1) - (4) finds a negative and statistically significant relationship between Cash holdings and Deal count. This indicates that, on average, a firm that increases the cash on the balance sheet is expected to do less acquisitions in a given year. The variable, CEO in board, appears to be the most appropriate measure of CEO power in this context. Therefore, we have decided to use regression model (3) to test H2. Considering the t-value of 2,56 in Model (3), the null hypothesis that CEO power has no positive impact on deal count can be rejected. This result aligns with prior research studies investigating the relationship between CEO power and deal count (Dutta, MacAulay & Saadi, 2011).

Table 11: Regression Results CEO Power Index Components (Deal Count)

VARIABLES	(1) Deal count	(2) Deal count	(3) Deal count
Independent board	-0.395 (0.489)		
CEO tenure		0.177 (0.117)	
CEO founder			0.901*** (0.151)
Leverage	0.240 (0.332)	0.425 (0.551)	0.377 (0.695)
Total assets (log)	0.299** (0.112)	0.274 (0.145)	0.288 (0.161)
ROA	0.565 (0.818)	0.540 (0.872)	0.587 (0.984)
Cash holdings	-2.260** (0.886)	-2.474* (1.099)	-2.927** (1.077)
Firm age	0.003 (0.004)	0.003 (0.004)	0.004 (0.004)
Cash payment	-0.675 (0.399)	-0.674 (0.377)	-0.698* (0.349)
Diversification	0.043 (0.126)	0.032 (0.122)	0.034 (0.123)
Domestic	0.073 (0.130)	0.009 (0.131)	-0.001 (0.137)
Constant	-0.265 (0.836)	-0.395 (0.773)	-0.432 (0.872)
Observations	771	771	771
Standard errors	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)
Industry controls	Yes	Yes	Yes
Year controls	Yes	Yes	Yes
Adjusted R-squared	0.270	0.264	0.273

Note: The following table displays the results of our OLS-regression models using **industry-** and **year-controls** as well as **robust standard errors** clustered by industry, in order to illustrate the relationship between the individual components in the CEO power index and Deal count. **Model (1)** shows the relationship between the main explanatory variable, Independent board, and Deal count. **Model (2)** shows the relationship between the main explanatory variable, CEO tenure, and Deal count. **Model (3)** shows the relationship between the main explanatory variable, CEO founder, and Deal count. The variables included in the table are (1) **Deal count** (number of deals within a given firm year), (2) **Independent board** (dummy variable equal to 1 if the ratio of independent directors is below the industry median, 0 otherwise), (3) **CEO tenure** (dummy variable equal to 1 if the CEO tenure is in the top quartile of the sample, 0 otherwise), (4) **CEO founder** (dummy variable equal to 1 if the founder of the firm is the CEO, 0 otherwise), (5) **Leverage** (the book value of LT-debt over the book value of total assets, t -1), (6) **Total assets** (the natural logarithm of the book value of total assets, t-1), (7) **ROA** (net income divided by the book value of total assets, t-1), (8) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (9) **Firm age** (number of years between the founding of the company and the year of the announcement), (10) **Cash payment** (dummy variable equal to 1 if the acquisition is paid with 100% cash, 0 otherwise), (11) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (12) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise)

Clustered robust standard errors by industry in parentheses.

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

Table 12: Regression Results for Equation (5)

VARIABLES	(1) Deal count	(2) Deal count	(3) Deal count	(4) Deal count
CEO power index	0.007 (0.242)	0.186* (0.077)		
CEO in board			1.003** (0.391)	0.886*** (0.157)
Leverage	0.434 (0.499)	0.911 (0.792)	0.476 (0.652)	0.968 (0.741)
Total assets (log)	0.270 (0.142)	0.201** (0.078)	0.234 (0.156)	0.169* (0.077)
ROA	0.642 (0.956)	0.671 (0.729)	0.167 (0.767)	0.408 (0.566)
Cash holdings	-2.468** (0.828)	-1.708** (0.528)	-2.898** (1.025)	-1.832** (0.520)
Firm age	0.003 (0.004)	0.001 (0.004)	0.002 (0.003)	-0.000 (0.003)
Cash payment	-0.665 (0.364)	-0.380* (0.182)	-0.553* (0.282)	-0.278 (0.149)
Diversification	0.031 (0.123)	0.005 (0.125)	0.072 (0.110)	0.047 (0.107)
Domestic	0.003 (0.121)	0.013 (0.164)	0.076 (0.125)	0.083 (0.100)
Constant	-0.311 (0.943)	-0.056 (0.585)	-0.454 (0.733)	0.002 (0.538)
Observations	771	719	771	719
Standard errors	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)
Industry controls	Yes	Yes	Yes	Yes
Year controls	Yes	Yes	Yes	Yes
Adjusted R-squared	0.263	0.285	0.305	0.339

Note: The following table displays the results of our OLS-regression models using **industry-** and **year-controls** as well as **robust standard errors** clustered by industry, in order to illustrate the relationship between CEO power and Deal count. **Model (1)** is the base model where CEO power index is the main explanatory variable and Deal count is the dependent variable. **Model (2)** shows the results when excluding the firms with the highest deal count, i.e. acquisitions exceeding 7 in a given year. **Model (3)** is the base model where the proxy, CEO in board, is the main explanatory variable and Deal count is the dependent variable. **Model (4)** shows the results when excluding the firms with the highest deal count, i.e. acquisitions exceeding 7 in a given year. The variables included in the table are (1) **Deal count** (number of deals within a given firm year), (2) **CEO power index** (sum of the dummy variables in the CEO power index, ranging from 0-3), (3) **CEO in board** (dummy variable equal to 1 if the CEO is in the board, 0 otherwise), (4) **Leverage** (the book value of LT-debt over the book value of total assets, t-1), (5) **Total assets** (the natural logarithm of the book value of total assets, t-1), (6) **ROA** (net income divided by the book value of total assets, t-1), (7) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (8) **Firm age** (number of years between the founding of the company and the year of the announcement), (9) **Cash payment** (dummy variable equal to 1 if the acquisition is payed with 100% cash, 0 otherwise), (10) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (11) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise).

Clustered robust standard errors by industry in parentheses.

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

7.4.2 The Moderating Role of Controlling Owners

Table 13 presents our results when examining the moderating effect of controlling owners, using two measurements, on the relationship between CEO power and deal count. When adding the interaction terms to the regressions, seen in Models (2), (4), (6) and (8), we find no statistically significant moderating effect. The relationship between CEO power index and deal count remained insignificant when adding the controlling owner variables as controls, seen in Model (1) and (3). However, when adding the controlling owner variables as controls and using CEO in board as a proxy for CEO power, the results remain fairly robust compared to Table 12. Model (5) of Table 13 shows the results when adding the variable controlling owners, and the coefficient of 0,996 drops statistical significance to the ten-percent level. However, when controlling for family owners, the relationship is statistically significant at the five-percent level. Since none of the interaction terms showed statistical significance, when testing different variables of controlling owners, we cannot reject the null hypothesis that controlling owners have no moderating role in the relationship between CEO power and deal count.

Table 13: Regression Results for Equation (7)

VARIABLES	(1) Deal count	(2) Deal count	(3) Deal count	(4) Deal count	(5) Deal count	(6) Deal count	(7) Deal count	(8) Deal count
CEO power index	-0.003 (0.240)	-0.059 (0.627)	-0.044 (0.269)	0.012 (0.121)				
CEO in board					0.996* (0.413)	1.134 (0.883)	0.873** (0.355)	0.082 (0.316)
Controlling owner	0.298 (0.578)	0.253 (0.404)			0.120 (0.613)	0.148 (0.543)		
CEO power x Controlling		0.058 (0.568)						
CEO in board x Controlling						-0.149 (0.776)		
Family owner			0.725** (0.295)	0.787 (0.452)			0.406*** (0.095)	0.135 (0.125)
CEO power x Family				-0.076 (0.225)				
CEO in board x Family								1.092** (0.426)
Leverage	0.425 (0.533)	0.432 (0.546)	0.363 (0.537)	0.352 (0.500)	0.474 (0.673)	0.470 (0.678)	0.442 (0.696)	0.383 (0.676)
Total assets (log)	0.274 (0.144)	0.274 (0.144)	0.285* (0.140)	0.285* (0.140)	0.236 (0.162)	0.236 (0.163)	0.246 (0.158)	0.233 (0.156)
ROA	0.524 (1.121)	0.535 (1.089)	0.109 (0.853)	0.106 (0.845)	0.121 (0.962)	0.125 (0.964)	-0.082 (0.811)	-0.184 (0.857)
Cash holdings	-2.452** (0.805)	-2.451** (0.803)	-2.241** (0.770)	-2.255** (0.805)	-2.893** (1.033)	-2.899** (1.031)	-2.746** (1.060)	-2.759** (1.000)
Firm age	0.003 (0.003)	0.003 (0.003)	0.002 (0.003)	0.002 (0.003)	0.002 (0.003)	0.002 (0.003)	0.002 (0.003)	0.001 (0.003)
Cash payment	-0.655 (0.363)	-0.656 (0.366)	-0.671 (0.349)	-0.666* (0.339)	-0.550 (0.291)	-0.551 (0.289)	-0.572* (0.283)	-0.557* (0.286)
Diversification	0.026 (0.123)	0.025 (0.118)	0.033 (0.115)	0.034 (0.116)	0.070 (0.113)	0.072 (0.107)	0.068 (0.107)	0.063 (0.107)
Domestic	0.009 (0.119)	0.010 (0.118)	0.063 (0.113)	0.066 (0.113)	0.077 (0.127)	0.076 (0.125)	0.096 (0.131)	0.044 (0.121)
Constant	-0.613 (1.270)	-0.571 (1.246)	-1.062 (0.696)	-1.104 (0.615)	-0.578 (1.268)	-0.597 (1.240)	-0.877 (0.773)	-0.628 (0.788)
Observations	771	771	771	771	771	771	771	771
Standard errors	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)
Industry controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.263	0.262	0.281	0.280	0.304	0.303	0.309	0.316

Note: The following table displays the results of our OLS-regression models using **industry-** and **year-controls** as well as **robust standard errors** clustered by industry, in order to illustrate the moderating effect of controlling owners on the relationship between CEO power and Deal count. **Model (1)** includes **Controlling owner** (dummy variable equal to 1 if the largest owner by voting rights exceeds 10%, and 0 otherwise) as a control variable. **Model (2)** includes **CEO power x Controlling** (interaction term between CEO power index and Controlling owner). **Model (3)** includes the variable **Family owner** (dummy variable equal to 1 when an individual or family holds the ultimate largest controlling block, 0 otherwise). **Model (4)** includes **CEO power x Family** (interaction term between CEO power index and Family owner). **Model (5)** includes **Controlling owner** (dummy variable equal to 1 if the largest owner by voting rights exceeds 10%, and 0 otherwise) as a control variable. **Model (6)** includes **CEO in board x Controlling** (interaction term between CEO in board and Controlling owner). **Model (7)** includes the variable **Family owner** (dummy variable equal to 1 when an individual or family holds the ultimate largest controlling block, 0 otherwise). **Model (8)** includes **CEO in board x Family** (interaction term between CEO in board and Family owner). The other variables included in the table are (1) **Deal count** (number of deals within a given firm year), (2) **CEO power index** (sum of the dummy variables in the CEO power index, ranging from 0-3), (3) **CEO in board** (dummy variable equal to 1 if the CEO is in the board, 0 otherwise), (4) **Leverage** (the book value of LT-debt over the book value of total assets, t-1), (5) **Total assets** (the natural logarithm of the book value of total assets, t-1), (6) **ROA** (net income divided by the book value of total assets, t-1), (7) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (8) **Firm age** (number of years between the founding of the company and the year of the announcement), (9) **Cash payment** (dummy variable equal to 1 if the acquisition is payed with 100% cash, 0 otherwise), (10) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (11) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise). Clustered robust standard errors by industry in parentheses.

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

8. Analysis

In this chapter, we examine the findings in relation to existing theories and studies relevant to our research topic. We specifically analyze the impact of CEO power on CAR and deal count within the Swedish corporate landscape.

8.1 CEO Power and Announcement Returns

Based on the regression results, all models in Table 9 indicate a statistically significant negative relationship between CEO power and announcement returns for acquiring firms. This relationship is robust when accounting for an additional market model index, employing different event windows, and excluding firms with the highest deal count, using the CEO power index as well as the proxy CEO in board. Furthermore, the results remain consistent when addressing the endogeneity issue regarding reverse causality between CEO tenure and CAR. The consistency of these results aligns with the previous findings of Gong and Guo (2014) and Han, Nanda and Silveri (2016). In the context of the Swedish market, there are several reasons why the market, on average, could exhibit a negative reaction to the announcement of an acquisition.

First of, viewing the CEO power index in Table 8, we see that both CEO tenure and CEO founder showed the strongest negative relationships with the announcement return of an M&A. Applying our findings to prior literature, it is reasonable to anticipate a negative market reaction as a consequence of long-tenured CEOs adopting a greater inclination toward risk-seeking behavior (Simsek, 2007). Shareholders of a company with a long-tenured CEO might perceive an acquisition as a drastic fundamental change to its original strategy, thereby associating the announcement with a high degree of uncertainty. Risk-averse investors might want to limit their exposure to the uncertainty, potentially resulting in a sell-off and a desire to observe how the company evolves from the sideline. Another angle of long-tenured CEOs is the diminished oversight and monitoring due to long-lasting relationships with the board (Finkelstein, 1992). A potential drawback of the CEO's influence and power within the organization is the increased opportunity for pursuing self-serving agendas, which, in turn, increases the risk of shareholder expropriation.

Another component in our CEO power index is whether the CEO is the firm's founder. Finkelstein (1992) argues that the firm's founder often possesses knowledge and skills that are hard to exchange, thus increasing the key-person dependency. While acknowledging the potential advantages of having a CEO who possesses a deep understanding of the company, the presence of a CEO founder could partly account for the negative market reaction surrounding an M&A announcement. On the one hand, dependency within the CEO-founder relationship may result in indulgence and reduced monitoring, thereby enabling the CEO to pursue personal agendas not aligned with shareholder interest (Hermalin & Weisbach, 1998; Ryan & Wiggins, 2004). On the other hand, a discrepancy in investment horizon may arise between the market and the founder CEO, where the latter are more prone to accept a long-term investment that will bear fruit in the future, while, in contrast, the market is more short-term oriented, resulting in a negative market reaction.

In line with our findings, Bhagat and Black (2002) find no relationship between board independence and firm performance. Most literature, however, agrees with the notion that the monitoring of the CEO reduces as the level of independent directors decreases (Fama & Jensen, 1983; Bhagat & Black, 2002; Ryan & Wiggins, 2004). Although our results find no statistical significance, the three components together could potentially capture the monitoring level of the CEO to a greater extent compared to examining the components alone, thereby contributing to the overall picture of CEO power.

In the Swedish corporate setting, CEOs possess the authority to hold a board seat, albeit not the chair, which is an arrangement that gives CEOs greater capacity to exert influence over M&A decisions. What the variable, CEO in board, has in common with traditional measures used in the CEO power index is to which degree the board of directors' monitoring function can be influenced. The agency theory suggests that the role of the board, representing the shareholder, is to ensure that the CEO acts in the owners' best interests (Jensen & Meckling, 1976). When the CEO simultaneously holds a position on the board, the relationship between the principal and the agent risk being deranged, which potentially could lead to the board of directors not fulfilling their monitoring function properly. Arguably, the ability to influence strategic decisions that might serve personal interest more than those of the shareholders is more prominent when the CEO is in the board. The market might question whether the CEO's role has impacted the board members' objectivity, thereby neglecting the following risk of an acquisition and potentially exposing the company to unnecessary contingencies. Given that a

CEO in the board can directly wield significant influence, we argue that investors perceive this phenomenon as an increased exposure to future adversities, thereby resulting in a negative market reaction. This further aligns with Roll (1986), who emphasizes a general belief that managers tend to overlook the following risk associated with conducting M&A activities, and thereby disregard the interest of shareholders or the corporation itself. Finkelstein (1992) defines power as: *"the capacity of individual actors to exert their will"* (Finkelstein, 1992, p. 506). Furthermore, the author argues that prestige is an essential source of power, leading to the ability to influence decision-making processes. Hence, the market might recognize the increased influence attributed to the CEO as a prestigious declaration, thereby being extra cautious when the corporation announces strategic decisions, knowing that personal rather than organizational objectives might influence the motive behind it. Altogether, our findings highlight that in the Swedish governance structure, CEOs wield significant influence despite their inability to assume the role of chairman, as previous studies examine (Gong & Guo, 2014; Han, Nanda & Silveri, 2016; Hwanga, Kim & Kim, 2020; Sheikh, 2018).

8.2 CEO Power and Deal Count

Based on the regression results in Table 12, Model (3) provides statistical evidence supporting a significant positive relationship between CEO in board and deal count. This relationship holds robust in Model (4) when excluding firms with the highest deal count. The consistency of these results aligns with the previous findings of Dutta, MacAulay and Saadi (2011).

In the first place, the traditional CEO power index showed no statistically significant relationship with deal count. However, when breaking up the components, our results suggest that CEO founder is positively associated with the number of acquisitions in a given year. Anandalingam and Lucas (2004) contend that ex post a successful acquisition, a company may develop a sense of complacency, attributing the acquisition's success to, in this case, the CEO's superior expertise and knowledge. This perception can lead to a subsequent cycle of acquisitions as the company seeks to replicate the previous accomplishment. The aforementioned arguments could be attributed to the CEO's experience, e.g., CEO founder, thereby seeking validation for their hard work and dedication. As the CEO becomes increasingly entrenched in their position over time, complacency may arise, resulting in an increased M&A frequency.

When using the proxy CEO in board, our findings align with Hwanga, Kim and Kim (2020), who finds that powerful CEOs engage more frequently in M&A, irrespective of the prevailing

economic conditions. Considering that a CEO's presence in the board diminishes the monitoring function (Shivdasani & Yermack, 1999), one can assume that the board is less inclined to scrutinize actions made by the CEO, hence, the relative power of the CEO increases. Hwanga, Kim and Kim (2020) emphasize the essence of monitoring a powerful CEO to reduce the risk of developing overconfidence, thus avoiding value-destructive empire-building. On the one hand, it could be argued that the positive relationship between CEO in board and deal count could be a consequence of the increased confidence that stems from the entrenched position of having a seat in the boardroom. More specifically, one potential strategy for pursuing a personal agenda, facilitated by reduced monitoring, could be to acquire more frequently, thereby increasing the prestige by trying to build an empire. Another angle to view the relationship between CEO power and deal count in the Swedish setting is related to indirect compensation incentives, given that Swedish CEOs' remuneration is substantially lower compared to other countries. Oxelheim and Randøy (2005) find a positive relationship between firm size and CEO compensation. Given this insight, one alternative way of indirectly increasing the compensation is by managing a larger pool of assets, thereby requiring more reimbursement due to having more responsibility. A CEO who holds a position in the board could acquire more frequently given the diminished monitoring, thereby increasing the firms' size and, hence, facing a greater possibility of an increased compensation package.

8.3 The Moderating Role of Controlling Owners

Drawing on the insights of Hill and Snell (1989), it could be argued that controlling owners possess both the incentive and the ability to effectively monitor the actions of the CEO. Despite the theoretical rationale, our study did not find any significant evidence of the moderating effect of controlling owners in the relationship between CEO power and i) CAR and ii) deal count. The absence of the anticipated effect may be attributed to the complex ownership structure prevalent in the Swedish setting, including cross-ownership, pyramid structures and other arrangements. This introduces considerable challenges in accurately measuring the explicit extent of controlling owners, potentially explaining our study's absence of the moderating effect.

9. Conclusion

The concentration of power in the hands of CEOs has been a subject of extensive research, comprising well-known theoretical frameworks in different settings. This power dynamic becomes particularly relevant in M&A activities, where the CEO's power and incentives can shape strategic decisions and investments. A CEO power index with traditional attributes to CEO power has been constructed by the components: Independent board, CEO tenure and CEO founder. Additionally, our study uses a proxy for CEO power in the Swedish corporate setting, namely CEO in board, which contributes to the existing literature. Using a sample of 771 acquisitions between 2017-2022, this study has examined the relationship between CEO power and i) CAR and ii) deal count. In extension, our study has examined the moderating role of controlling owners in the abovementioned relationships by including interaction terms. Using regressions with robust standard errors clustered by industry as well as industry- and year-controls, our findings show a negative relationship between CEO power and acquiring firms' announcement returns. The results remain robust when using both the traditional CEO power index and CEO in board. Additionally, our findings indicate that powerful CEOs engage more frequently in M&A activities. However, our study does not find any moderating effect of controlling owners.

The findings of this study are deemed valuable for numerous stakeholders, including investors, regulators, and boards of directors, in deepening the understanding of the complex internal power mechanism attributed to the CEO. We mainly consider the proxy, CEO in board, to be a good contribution to the traditional measurements of CEO power given that it captures the unique power dynamic of the Swedish corporate setting. Moreover, our study contributes to the growing body of corporate governance literature, especially since the Swedish market is considered to have a unique context in comparison to other well-studied markets, e.g., the U.S. By shedding light on the relationship between CEO power and M&A outcomes, our findings contribute important insights into the complexities of Swedish corporate governance and decision-making processes.

The primary limitation of our research results stems from the limited availability of Swedish corporate governance data. More specifically, a noteworthy constraint is the limitation of data prior to 2016, which ultimately impedes the accurate assessment of CEO power preceding 2017. Consequently, these constraints should be considered when analyzing and interpreting

findings related to CEO power and corporate governance before 2017. Furthermore, CEO compensation and ownership data for Swedish publicly traded firms could have contributed to a more extensive CEO power index of traditional measurements. Moreover, the potential issue of reverse causality when using the CEO power index, could have been enhanced further by using a suitable instrumental variable. Additionally, measuring the CEO's power in conjunction with the chairman of the board could strengthen the results of our study, especially since the chairman could have a moderating effect on CEO power in the Swedish corporate setting. With respect to the limitations of the currently available corporate governance data, future research could explore alternative approaches to capture the complex ownership structures in the Swedish context. This could involve employing alternative methodologies that provide a further understanding of the relationship between controlling ownership, CEO power, and M&A activities. By addressing these components, future studies can potentially establish if there exists a moderating effect of controlling owners in the Swedish corporate landscape.

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Appendices

Appendix A: Variable Description

Variable	Description	Source
Dependent variables		
CAR (-1, 1)	Three-day cumulative abnormal return calculated using the market model with OMXSPI as the market index	(a)
Deal count	Number of deals within a given firm year	(c)
CEO power		
Independent board (%)	Ratio of independent board members by the total board size (t-1)	(b)
Independent board	Dummy variable equal to 1 if the ratio of independent directors is below the industry median, 0 otherwise	(b)
CEO tenure (Years)	CEO tenure in years (t)	(a); (b)
CEO tenure	Dummy variable equal to 1 if the CEO tenure is in the top quartile of the sample, 0 otherwise	(a); (b)
CEO founder	Dummy variable equal to 1 if the founder of the firm is the CEO, 0 otherwise	(a)
CEO power index	Sum of the dummy variables in the CEO power index, ranging from 0-3	(a); (b)
CEO in board	Dummy variable equal to 1 if the CEO is in the board, 0 otherwise	(a); (b)
Controlling owners		
Largest owner (votes)	Largest owner by voting rights (t-1)	(b)
Controlling owner	Dummy variable equal to 1 if the largest owner controls more than 10% of the votes, 0 otherwise	(b)
Family owner	Dummy variable equal to 1 when an individual or family holds the ultimate largest controlling block, 0 otherwise	(b)
Firm controls		
Leverage	Book value of LT-debt over book value of total assets (t-1)	(a)
Total assets	The natural logarithm of book value of total assets (t-1)	(a)
ROA	Net income divided by the book value of total assets (t-1)	(a)
Cash holdings	Cash & cash equivalents over book value of total assets (t-1)	(a)
Firm age	Number of years between the founding of the company and the year of the announcement	(a)
Deal controls		
Cash payment	Dummy variable equal to 1 if the acquisition is payed with 100% cash, 0 otherwise	(c)
Diversification	Dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise.	(c)
Domestic	Dummy variable equal to 1 if the target firm is domestic, 0 otherwise	(c)

Source: (a) Bloomberg; (b) Holdings; (c) Orbis

Appendix B: Literature Review

Title	Source	Authors & year	Findings	Dependent variable	Country	Sample and time period	CEO power measure
CEO power, M&A decisions, and market reactions	Journal of Multinational Financial Management	Duttaa, MacAulay & Saadi (2011)	Market reactions to M&A announcements are not related to CEO power.	CAR (-1; 1) (-2; 2)	Canada	1109 acquisitions (1997-2005)	CEO excess pay & CEO pay slice
Corporate entrepreneurship and governance: Mergers and acquisitions in Europe	Technological Forecasting & Social Change	García & Herrero (2022)	Acquisitions create value for the acquiring firm and the market reaction is positively related to CEO duality.	CAR (-1; 1)	Europe	2395 acquisitions (2002-2020)	Duality
CEO Power and Mergers and Acquisitions	FIRN research paper	Gong & Guo (2014)	CEO power index has a negative relationship with CAR.	CAR (-2; 2)	U.S.	2160 observations (1996-2009)	CEO power index: Duality, board size, board independence, tenure, entrenchment index
CEO Power and Firm Performance under Pressure	Financial Management	Han, Nanda & Silveri (2016)	CEO power affects firm performance negatively, especially in competitive industries.	Change in market-to-book ratio ($\Delta M/\Delta B$)	U.S.	4012 CEOs in 2,167 firms (1992-2012)	CEO power index: CEO Pay Slice, Duality, Triality, Tenure, Ownership, Dependent Directors, and Founding Family.
The blind power: Power-led CEO overconfidence and M&A decision making	North American Journal of Economics and Finance	Hwanga, Kim & Kim (2020)	Power-led, overconfident CEOs are more likely to complete an acquisition, pay for deals with non-cash, and make diversifying mergers.	Overconfident CEO	U.S.	6389 acquisitions (1997-2012)	CEO power index: CEO pay slice, duality, tenure, nmr. of insider directors, and founding CEO
Revisiting CEO power and firm value	Applied Economics Letters	Lee, Park & Park (2015)	The normal ('optimal') level of CEO power is positively associated with firm value while deviations from normal levels destroy firm value.	Tobin's Q	U.S.	6186 firm year observations (1993-2011)	CEO pay slice
CEO power, product market competition and firm value	Research in International Business and Finance	Sheikh (2018)	CEO power is positively associated with firm value.	Tobin's Q	U.S.	32,966 firm year observations, 2805 companies (1992-2015)	CEO power index: CEO pay slice, CEO pay gap, duality, board independence, tenure, founding CEO

Tables

Table 1: Industry Distribution

Primary SIC code	Industry	Number of Firms	Number of Firm Observations	Percentage of sample
15-17	Construction	8	31	4,02%
20-39	Manufacturing	75	234	30,35%
40-49	Transportation & Public Utilities	13	61	7,91%
50-51	Wholesale Trade	12	48	6,23%
52-59	Retail Trade	7	12	1,56%
60-67	Finance, Insurance, Real Estate	6	20	2,59%
70-89	Services	83	365	47,34%
Total		204	771	100%

Table 2: Year Distribution

Year	Number of Firms	Number of Firm Observations	Percentage of sample
2017	65	132	17,12%
2018	80	144	18,68%
2019	69	116	15,05%
2020	53	85	11,02%
2021	92	176	22,83%
2022	69	118	15,30%
Total	428	771	100%

Table 3: Number of Acquisitions 2017-2022

# of Acquisitions 2017-2022	Number of Firms	Percentage of sample	Accumulated percentage
#1	83	41%	41%
#2	39	19%	60%
#3	17	8%	68%
#4	18	9%	77%
#5	8	4%	81%
#6-10	22	11%	92%
#11-20	11	5%	97%
#21-33	6	3%	100%
Total	204	100%	

Table 4: Summary Statistics

Panel A: Dependent	Obs.	Mean	Median	Std. Dev.	Min	Max
CAR (-1; 1)	771	0,011	0,007	0,053	-0,259	0,32
Deal count	771	2,982	2	2,259	1	10
Panel B: CEO power						
Independent board (%)	771	0,749	0,727	0,186	0	1
Independent board	771	0,527	1	0,5	0	1
CEO tenure (years)	771	6,888	4,58	6,778	0,08	35,75
CEO tenure	771	0,288	0	0,453	0	1
CEO founder	771	0,091	0	0,287	0	1
CEO power index	771	0,905	1	0,771	0	3
CEO in board	771	0,438	0	0,497	0	1
Panel C: Controlling owners						
Largest owner (votes)	771	0,277	0,26	0,156	0,046	0,954
Controlling owner	771	0,914	1	0,28	0	1
Family owner	771	0,66	1	0,474	0	1
Panel D: Firm controls						
Leverage	771	0,176	0,174	0,122	0	0,507
Total assets	771	26278,357	4855	47663,142	34,654	253493
ROA	771	0,062	0,069	0,079	-0,358	0,297
Cash holdings	771	0,106	0,066	0,12	0,004	0,675
Firm age	771	54,348	30	46,599	3	159
Panel E: Deal controls						
Cash payment	771	0,2	0	0,4	0	1
Diversification	771	0,467	0	0,499	0	1
Domestic	771	0,297	0	0,457	0	1

(1) **CAR (-1; 1)** (cumulative abnormal return surrounding the announcement of an M&A), (2) **Deal count** (number of deals within a given firm year), (3) **Independent board (%)** (ratio of independent board members by the total board size, t-1), (4) **Independent board** (dummy variable equal to 1 if the ratio of independent directors is below the industry median, 0 otherwise), (5) **CEO tenure (years)** (CEO tenure in years, t), (6) **CEO tenure** (dummy variable equal to 1 if the CEO tenure is in the top quartile of the sample, 0 otherwise), (7) **CEO founder** (dummy variable equal to 1 if the founder of the firm is the CEO, 0 otherwise), (8) **CEO power index** (sum of the dummy variables in the CEO power index, ranging from 0-3), (9) **CEO in board** (dummy variable equal to 1 if the CEO is in the board, 0 otherwise), (10) **Largest owner (votes)** (largest owner by voting rights, t-1), (11) **Controlling owner** (dummy variable equal to 1 if the largest owner by voting rights exceeds 10%, and 0 otherwise), (12) **Family owner** (dummy variable equal to 1 when an individual or family holds the ultimate largest controlling block, 0 otherwise), (13) **Leverage** (the book value of LT-debt over the book value of total assets, t-1), (14) **Total assets** (book value of total assets, t-1), (15) **ROA** (net income divided by the book value of total assets, t-1), (16) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (17) **Firm age** (number of years between the founding of the company and the year of the announcement), (18) **Cash payment** (dummy variable equal to 1 if the acquisition is payed with 100% cash, 0 otherwise), (19) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (20) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise).

Table 5: Correlation Analysis

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
(1) CAR (-1; 1)	1.000																			
(2) Deal count	-0.099***	1.000																		
(3) Independent board (%)	-0.014	-0.014	1.000																	
(4) Independent board	-0.028	-0.048	-0.724***	1.000																
(5) CEO tenure (years)	-0.035	-0.010	0.092**	-0.148***	1.000															
(6) CEO tenure	-0.031	-0.075**	0.036	-0.108***	0.822***	1.000														
(7) CEO founder	0.023	-0.103***	-0.052	-0.008	0.489***	0.417***	1.000													
(8) CEO power index	-0.027	-0.114***	-0.467***	0.581***	0.569***	0.673***	0.613***	1.000												
(9) CEO in board	-0.093**	0.242***	-0.103***	0.037	0.239***	0.206***	0.158***	0.203***	1.000											
(10) Largest owner (votes)	-0.030	-0.021	-0.201***	0.049	0.183***	0.174***	0.118***	0.178***	0.102***	1.000										
(11) Controlling owner	0.017	0.063*	-0.069*	-0.049	0.098***	0.102***	0.081**	0.059*	0.140***	0.378***	1.000									
(12) Family owner	-0.070*	0.107***	-0.074**	-0.011	0.178***	0.166***	0.084**	0.121***	0.369***	0.240***	0.426***	1.000								
(13) Leverage	-0.077**	0.176***	0.114***	-0.063*	-0.004	-0.102***	-0.155***	-0.159***	0.015	0.110***	-0.055	-0.049	1.000							
(14) Total assets (log)	-0.182***	0.366***	-0.085**	0.109***	-0.041	-0.104***	-0.275***	-0.093**	0.221***	0.049	0.032	0.046	0.278***	1.000						
(15) ROA	-0.015	0.162***	-0.018	-0.011	0.052	0.058*	-0.076**	-0.001	0.132***	0.067*	0.130***	0.152***	0.007	0.301***	1.000					
(16) Cash holdings	0.116***	-0.260***	-0.109***	0.044	-0.005	0.069*	0.315***	0.187***	0.011	-0.049	-0.014	-0.054	-0.294***	-0.374***	-0.180***	1.000				
(17) Firm age	-0.087**	0.179***	0.079**	-0.056	-0.135***	-0.089**	-0.245***	-0.180***	0.214***	-0.023	0.157***	0.116***	0.044	0.407***	0.231***	-0.205***	1.000			
(18) Cash payment	0.025	-0.206***	0.038	-0.079**	0.102***	0.091**	0.136***	0.053	-0.121***	0.002	-0.033	0.030	-0.006	-0.287***	-0.028	0.102***	-0.141***	1.000		
(19) Diversification	-0.013	0.020	0.036	0.018	-0.025	-0.004	-0.024	0.000	-0.015	-0.005	0.045	0.024	-0.039	0.025	0.039	-0.064*	0.018	-0.025	1.000	
(20) Domestic	0.042	-0.055	-0.066*	0.110***	-0.029	-0.031	0.042	0.069*	-0.180***	0.021	-0.045	-0.127***	-0.117***	-0.310***	-0.150***	0.015	-0.184***	0.002	-0.011	1.000

(1) **CAR (-1; 1)** (cumulative abnormal return surrounding the announcement of an M&A), (2) **Deal count** (number of deals within a given firm year), (3) **Independent board (%)** (ratio of independent board members by the total board size, t-1), (4) **Independent board** (dummy variable equal to 1 if the ratio of independent directors is below the industry median, 0 otherwise), (5) **CEO tenure (years)** (CEO tenure in years, t), (6) **CEO tenure** (dummy variable equal to 1 if the CEO tenure is in the top quartile of the sample, 0 otherwise), (7) **CEO founder** (dummy variable equal to 1 if the founder of the firm is the CEO, 0 otherwise), (8) **CEO power index** (sum of the dummy variables in the CEO power index, ranging from 0-3), (9) **CEO in board** (dummy variable equal to 1 if the CEO is in the board, 0 otherwise), (10) **Largest owner (votes)** (largest owner by voting rights, t-1), (11) **Controlling owner** (dummy variable equal to 1 if the largest owner by voting rights exceeds 10%, and 0 otherwise), (12) **Family owner** (dummy variable equal to 1 when an individual or family holds the ultimate largest controlling block, 0 otherwise), (13) **Leverage** (the book value of LT-debt over the book value of total assets, t-1), (14) **Total assets** (the natural logarithm of the book value of total assets, t-1), (15) **ROA** (net income divided by the book value of total assets, t-1), (16) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (17) **Firm age** (number of years between the founding of the company and the year of the announcement), (18) **Cash payment** (dummy variable equal to 1 if the acquisition is paid with 100% cash, 0 otherwise), (19) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (20) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise).

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

Table 6: T-tests CAR

Variable	Index	Obs.	Mean	St. Err	t-value	p-value
CAR (-1; 1)	OMSXPI	771	0,011	0,002	5,724	0
CAR (-1; 1)	OMXS-All Share	771	0,011	0,002	5,708	0
CAR (-2; 2)	OMSXPI	771	0,01	0,003	4,434	0
CAR (-15; 3)	OMSXPI	771	0,005	0,004	1,461	0,144

Table 7: White's Test

White's test of heteroskedasticity	H0	Chi2 statistic	df	Decision	Heteroskedasticity
Equation (4): CEO power index	Homoskedasticity	450,80	206	Reject	Yes
Equation (4): CEO in board	Homoskedasticity	436,25	205	Reject	Yes
Equation (5): CEO power index	Homoskedasticity	455,33	206	Reject	Yes
Equation (5): CEO in board	Homoskedasticity	425,28	205	Reject	Yes

Table 8: Regression Results CEO Power Index Components (CAR)

VARIABLES	(1) CAR (-1; 1)	(2) CAR (-1; 1)	(3) CAR (-1; 1)
Independent board	-0.001 (0.004)		
CEO tenure		-0.009*** (0.002)	
CEO founder			-0.010*** (0.002)
Leverage	-0.009 (0.018)	-0.008 (0.018)	-0.007 (0.016)
Total assets (log)	-0.005** (0.002)	-0.005** (0.002)	-0.005** (0.002)
ROA	0.038 (0.029)	0.044 (0.032)	0.039 (0.028)
Cash holdings	0.026* (0.013)	0.026** (0.010)	0.030** (0.010)
Firm age	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Cash payment	-0.005 (0.003)	-0.004 (0.003)	-0.004 (0.003)
Diversification	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)
Domestic	-0.001 (0.006)	-0.002 (0.005)	-0.001 (0.005)
Constant	0.053*** (0.012)	0.057*** (0.012)	0.054*** (0.012)
Observations	771	771	771
Market model index	OMXSPI	OMXSPI	OMXSPI
Standard errors	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)
Industry controls	Yes	Yes	Yes
Year controls	Yes	Yes	Yes
Adjusted R-squared	0.018	0.023	0.020

Note: The following table displays the results of our OLS-regression models using **industry-** and **year-controls** as well as **robust standard errors** clustered by industry, in order to illustrate the relationship between the individual components in the CEO power index and CAR. **Model (1)** shows the relationship between the main explanatory variable, Independent board, and CAR (-1; 1). **Model (2)** shows the relationship between the main explanatory variable, CEO tenure, and CAR (-1; 1). **Model (3)** shows the relationship between the main explanatory variable, CEO founder, and CAR (-1; 1). The variables included in the table are (1) **CAR (-1; 1)** (cumulative abnormal return surrounding the announcement of an M&A), (2) **Independent board** (dummy variable equal to 1 if the ratio of independent directors is below the industry median, 0 otherwise), (3) **CEO tenure** (dummy variable equal to 1 if the CEO tenure is in the top quartile of the sample, 0 otherwise), (4) **CEO founder** (dummy variable equal to 1 if the founder of the firm is the CEO, 0 otherwise), (5) **Leverage** (the book value of LT-debt over the book value of total assets, t-1), (6) **Total assets** (the natural logarithm of the book value of total assets, t-1), (7) **ROA** (net income divided by the book value of total assets, t-1), (8) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (9) **Firm age** (number of years between the founding of the company and the year of the announcement), (10) **Cash payment** (dummy variable equal to 1 if the acquisition is payed with 100% cash, 0 otherwise), (11) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (12) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise)

Clustered robust standard errors by industry in parentheses

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

Table 9: Regression Results for Equation (4)

VARIABLES	(1) CAR (-1; 1)	(2) CAR (-1; 1)	(3) CAR (-2; 2)	(4) CAR (-1; 1)	(5) CAR (-1; 1)	(6) CAR (-1; 1)	(7) CAR (-1; 1)	(8) CAR (-2; 2)	(9) CAR (-1; 1)
CEO power index	-0.005** (0.001)	-0.005** (0.001)	-0.008** (0.003)	-0.006*** (0.001)	-0.006** (0.002)				
CEO in board						-0.008** (0.002)	-0.008** (0.002)	-0.011* (0.006)	-0.008** (0.003)
Leverage	-0.010 (0.015)	-0.010 (0.016)	-0.011 (0.018)	-0.009 (0.017)	-0.004 (0.017)	-0.008 (0.017)	-0.008 (0.017)	-0.009 (0.019)	-0.009 (0.019)
Total assets (log)	-0.004** (0.002)	-0.004** (0.002)	-0.004** (0.001)	-0.005** (0.002)	-0.005* (0.002)	-0.004* (0.002)	-0.004* (0.002)	-0.003* (0.001)	-0.004* (0.002)
ROA	0.041 (0.028)	0.041 (0.027)	0.077** (0.023)	0.041 (0.029)	-0.005 (0.059)	0.042 (0.028)	0.043 (0.027)	0.079** (0.023)	0.042 (0.028)
Cash holdings	0.031** (0.012)	0.030** (0.012)	0.043** (0.015)	0.031** (0.012)	0.053 (0.028)	0.029* (0.012)	0.028* (0.012)	0.039** (0.014)	0.028* (0.012)
Firm age	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Cash payment	-0.004 (0.003)	-0.005 (0.003)	-0.001 (0.005)	-0.005 (0.003)	-0.007 (0.004)	-0.006* (0.003)	-0.006* (0.003)	-0.003 (0.006)	-0.006* (0.003)
Diversification	-0.001 (0.004)	-0.001 (0.004)	0.001 (0.006)	-0.001 (0.005)	-0.001 (0.007)	-0.001 (0.004)	-0.001 (0.004)	0.000 (0.005)	-0.001 (0.004)
Domestic	-0.001 (0.005)	-0.000 (0.005)	0.002 (0.004)	-0.001 (0.006)	0.002 (0.006)	-0.002 (0.005)	-0.002 (0.005)	0.000 (0.003)	-0.002 (0.005)
Constant	0.057*** (0.011)	0.057*** (0.011)	0.043*** (0.010)	0.057*** (0.012)	0.056** (0.015)	0.054*** (0.013)	0.054*** (0.013)	0.038** (0.012)	0.054*** (0.014)
Observations	771	771	771	719	565	771	771	771	719
Market model index	OMXSPI	OMXS All-Share	OMXSPI	OMXSPI	OMXSPI	OMXSPI	OMXS All-Share	OMXSPI	OMXSPI
Standard errors	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)
Industry controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.023	0.022	0.013	0.019	0.025	0.023	0.022	0.012	0.018

Note: The following table displays the results of our OLS-regression models using **industry-** and **year-controls** as well as **robust standard errors** clustered by industry, in order to illustrate the relationship between CEO power and CAR. **Model (1)** is the base model where CEO power index is the main explanatory variable and CAR is the dependent variable. **Model (2)** shows the results when using a different market model index, namely OMXS All-share. **Model (3)** shows the results when using a different event window (-2; 2). **Model (4)** shows the results when excluding the firms with the highest deal count, i.e. acquisitions exceeding 7 in a given year. **Model (5)** shows the regression results when addressing the potential reverse causality between CEO tenure and CAR. The model only includes the CEOs that have maintained their positions for a duration of 2,25 years prior to the M&A announcement. **Model (6)** is the base model where the proxy, CEO in board, is the main explanatory variable and CAR is the dependent variable. **Model (7)** shows the results when using a different market model index, namely OMXS All-share. **Model (8)** shows the results when using a different event window (-2; 2). **Model (9)** shows the results when excluding the firms with the highest deal count, i.e. acquisitions exceeding 7 in a given year. The variables included in the table are (1) **CAR (-1; 1)** (cumulative abnormal return surrounding the announcement of an M&A), (2) **CAR (-2; 2)** (cumulative abnormal return surrounding the announcement of an M&A), (3) **CEO power index** (sum of the dummy variables in the CEO power index, ranging from 0-3), (4) **CEO in board** (dummy variable equal to 1 if the CEO is in the board, 0 otherwise), (5) **Leverage** (the book value of LT-debt over the book value of total assets, t -1), (6) **Total assets** (the natural logarithm of the book value of total assets, t-1), (7) **ROA** (net income divided by the book value of total assets, t-1), (8) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (9) **Firm age** (number of years between the founding of the company and the year of the announcement), (10) **Cash payment** (dummy variable equal to 1 if the acquisition is paid with 100% cash, 0 otherwise), (11) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (12) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise).

Clustered robust standard errors by industry in parentheses.

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

Table 10: Regression Results for Equation (6)

VARIABLES	(1) CAR (-1; 1)	(2) CAR (-1; 1)	(3) CAR (-1; 1)	(4) CAR (-1; 1)	(5) CAR (-1; 1)	(6) CAR (-1; 1)	(7) CAR (-1; 1)	(8) CAR (-1; 1)
CEO power index	-0.005*** (0.001)	0.021* (0.011)	-0.004** (0.001)	0.004 (0.003)				
CEO in board					-0.008** (0.003)	-0.002 (0.017)	-0.006 (0.003)	-0.007 (0.005)
Controlling owner	0.004 (0.013)	0.025 (0.017)			0.004 (0.013)	0.005 (0.017)		
CEO power x Controlling		-0.028** (0.011)						
CEO in board x Controlling						-0.007 (0.019)		
Family owner			-0.009* (0.004)	0.000 (0.004)			-0.007 (0.005)	-0.008 (0.006)
CEO power x Family				-0.011** (0.004)				
CEO in board x Family								0.002 (0.006)
Leverage	-0.010 (0.016)	-0.014 (0.013)	-0.009 (0.015)	-0.011 (0.013)	-0.008 (0.017)	-0.009 (0.017)	-0.008 (0.016)	-0.008 (0.016)
Total assets (log)	-0.004** (0.002)	-0.004** (0.002)	-0.005** (0.002)	-0.005** (0.002)	-0.004* (0.002)	-0.004* (0.002)	-0.005** (0.002)	-0.005** (0.002)
ROA	0.039 (0.025)	0.034 (0.019)	0.047 (0.027)	0.047 (0.026)	0.041 (0.024)	0.041 (0.024)	0.047 (0.025)	0.047 (0.025)
Cash holdings	0.031** (0.012)	0.031** (0.012)	0.028** (0.011)	0.026* (0.011)	0.029* (0.012)	0.029* (0.013)	0.026* (0.011)	0.026* (0.011)
Firm age	-0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Cash payment	-0.004 (0.003)	-0.004 (0.003)	-0.004 (0.003)	-0.004 (0.003)	-0.006* (0.003)	-0.006* (0.003)	-0.005 (0.003)	-0.005 (0.003)
Diversification	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)	-0.001 (0.004)
Domestic	-0.001 (0.005)	-0.001 (0.005)	-0.001 (0.005)	-0.001 (0.005)	-0.002 (0.005)	-0.002 (0.005)	-0.002 (0.005)	-0.002 (0.005)
Constant	0.052*** (0.014)	0.032* (0.014)	0.065*** (0.009)	0.060*** (0.010)	0.050** (0.016)	0.049** (0.017)	0.062*** (0.010)	0.062*** (0.010)
Observations	771	771	771	771	771	771	771	771
Market model index	OMXSPI	OMXSPI	OMXSPI	OMXSPI	OMXSPI	OMXSPI	OMXSPI	OMXSPI
Standard errors	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)
Industry controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.022	0.027	0.026	0.029	0.022	0.021	0.025	0.024

Note: The following table displays the results of our OLS-regression models using industry- and year-controls as well as robust standard errors clustered by industry, in order to illustrate the moderating effect of controlling owners on the relationship between CEO power and CAR. **Model (1)** includes **Controlling owner** (dummy variable equal to 1 if the largest owner by voting rights exceeds 10%, and 0 otherwise) as a control variable. **Model (2)** includes **CEO power x Controlling** (interaction term between CEO power index and Controlling owner). **Model (3)** includes the variable **Family owner** (dummy variable equal to 1 when an individual or family holds the ultimate largest controlling block, 0 otherwise). **Model (4)** includes **CEO power x Family** (interaction term between CEO power index and Family owner). **Model (5)** includes **Controlling owner** (dummy variable equal to 1 if the largest owner by voting rights exceeds 10%, and 0 otherwise) as a control variable. **Model (6)** includes **CEO in board x Controlling** (interaction term between CEO in board and Controlling owner). **Model (7)** includes the variable **Family owner** (dummy variable equal to 1 when an individual or family holds the ultimate largest controlling block, 0 otherwise). **Model (8)** includes **CEO in board x Family** (interaction term between CEO in board and Family owner). The other variables included in the table are (1) **CAR (-1; 1)** (cumulative abnormal return surrounding the announcement of an M&A), (2) **CEO power index** (sum of the dummy variables in the CEO power index, ranging from 0-3), (3) **CEO in board** (dummy variable equal to 1 if the CEO is in the board, 0 otherwise), (4) **Leverage** (the book value of LT-debt over the book value of total assets, t-1), (5) **Total assets** (the natural logarithm of the book value of total assets, t-1), (6) **ROA** (net income divided by the book value of total assets, t-1), (7) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (8) **Firm age** (number of years between the founding of the company and the year of the announcement), (9) **Cash payment** (dummy variable equal to 1 if the acquisition is paid with 100% cash, 0 otherwise), (10) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (11) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise).

Clustered robust standard errors by industry in parentheses.

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

Table 11: Regression Results CEO Power Index Components (Deal Count)

VARIABLES	(1) Deal count	(2) Deal count	(3) Deal count
Independent board	-0.395 (0.489)		
CEO tenure		0.177 (0.117)	
CEO founder			0.901*** (0.151)
Leverage	0.240 (0.332)	0.425 (0.551)	0.377 (0.695)
Total assets (log)	0.299** (0.112)	0.274 (0.145)	0.288 (0.161)
ROA	0.565 (0.818)	0.540 (0.872)	0.587 (0.984)
Cash holdings	-2.260** (0.886)	-2.474* (1.099)	-2.927** (1.077)
Firm age	0.003 (0.004)	0.003 (0.004)	0.004 (0.004)
Cash payment	-0.675 (0.399)	-0.674 (0.377)	-0.698* (0.349)
Diversification	0.043 (0.126)	0.032 (0.122)	0.034 (0.123)
Domestic	0.073 (0.130)	0.009 (0.131)	-0.001 (0.137)
Constant	-0.265 (0.836)	-0.395 (0.773)	-0.432 (0.872)
Observations	771	771	771
Standard errors	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)
Industry controls	Yes	Yes	Yes
Year controls	Yes	Yes	Yes
Adjusted R-squared	0.270	0.264	0.273

Note: The following table displays the results of our OLS-regression models using **industry-** and **year-controls** as well as **robust standard errors** clustered by industry, in order to illustrate the relationship between the individual components in the CEO power index and Deal count. **Model (1)** shows the relationship between the main explanatory variable, Independent board, and Deal count. **Model (2)** shows the relationship between the main explanatory variable, CEO tenure, and Deal count. **Model (3)** shows the relationship between the main explanatory variable, CEO founder, and Deal count. The variables included in the table are (1) **Deal count** (number of deals within a given firm year), (2) **Independent board** (dummy variable equal to 1 if the ratio of independent directors is below the industry median, 0 otherwise), (3) **CEO tenure** (dummy variable equal to 1 if the CEO tenure is in the top quartile of the sample, 0 otherwise), (4) **CEO founder** (dummy variable equal to 1 if the founder of the firm is the CEO, 0 otherwise), (5) **Leverage** (the book value of LT-debt over the book value of total assets, t -1), (6) **Total assets** (the natural logarithm of the book value of total assets, t-1), (7) **ROA** (net income divided by the book value of total assets, t-1), (8) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (9) **Firm age** (number of years between the founding of the company and the year of the announcement), (10) **Cash payment** (dummy variable equal to 1 if the acquisition is paid with 100% cash, 0 otherwise), (11) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (12) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise)

Clustered robust standard errors by industry in parentheses.

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

Table 12: Regression Results for Equation (5)

VARIABLES	(1) Deal count	(2) Deal count	(3) Deal count	(4) Deal count
CEO power index	0.007 (0.242)	0.186* (0.077)		
CEO in board			1.003** (0.391)	0.886*** (0.157)
Leverage	0.434 (0.499)	0.911 (0.792)	0.476 (0.652)	0.968 (0.741)
Total assets (log)	0.270 (0.142)	0.201** (0.078)	0.234 (0.156)	0.169* (0.077)
ROA	0.642 (0.956)	0.671 (0.729)	0.167 (0.767)	0.408 (0.566)
Cash holdings	-2.468** (0.828)	-1.708** (0.528)	-2.898** (1.025)	-1.832** (0.520)
Firm age	0.003 (0.004)	0.001 (0.004)	0.002 (0.003)	-0.000 (0.003)
Cash payment	-0.665 (0.364)	-0.380* (0.182)	-0.553* (0.282)	-0.278 (0.149)
Diversification	0.031 (0.123)	0.005 (0.125)	0.072 (0.110)	0.047 (0.107)
Domestic	0.003 (0.121)	0.013 (0.164)	0.076 (0.125)	0.083 (0.100)
Constant	-0.311 (0.943)	-0.056 (0.585)	-0.454 (0.733)	0.002 (0.538)
Observations	771	719	771	719
Standard errors	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)
Industry controls	Yes	Yes	Yes	Yes
Year controls	Yes	Yes	Yes	Yes
Adjusted R-squared	0.263	0.285	0.305	0.339

Note: The following table displays the results of our OLS-regression models using **industry-** and **year-controls** as well as **robust standard errors** clustered by industry, in order to illustrate the relationship between CEO power and Deal count. **Model (1)** is the base model where CEO power index is the main explanatory variable and Deal count is the dependent variable. **Model (2)** shows the results when excluding the firms with the highest deal count, i.e. acquisitions exceeding 7 in a given year. **Model (3)** is the base model where the proxy, CEO in board, is the main explanatory variable and Deal count is the dependent variable. **Model (4)** shows the results when excluding the firms with the highest deal count, i.e. acquisitions exceeding 7 in a given year. The variables included in the table are (1) **Deal count** (number of deals within a given firm year), (2) **CEO power index** (sum of the dummy variables in the CEO power index, ranging from 0-3), (3) **CEO in board** (dummy variable equal to 1 if the CEO is in the board, 0 otherwise), (4) **Leverage** (the book value of LT-debt over the book value of total assets, t-1), (5) **Total assets** (the natural logarithm of the book value of total assets, t-1), (6) **ROA** (net income divided by the book value of total assets, t-1), (7) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (8) **Firm age** (number of years between the founding of the company and the year of the announcement), (9) **Cash payment** (dummy variable equal to 1 if the acquisition is payed with 100% cash, 0 otherwise), (10) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (11) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise).

Clustered robust standard errors by industry in parentheses.

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

Table 13: Regression Results for Equation (7)

VARIABLES	(1) Deal count	(2) Deal count	(3) Deal count	(4) Deal count	(5) Deal count	(6) Deal count	(7) Deal count	(8) Deal count
CEO power index	-0.003 (0.240)	-0.059 (0.627)	-0.044 (0.269)	0.012 (0.121)				
CEO in board					0.996* (0.413)	1.134 (0.883)	0.873** (0.355)	0.082 (0.316)
Controlling owner	0.298 (0.578)	0.253 (0.404)			0.120 (0.613)	0.148 (0.543)		
CEO power x Controlling		0.058 (0.568)						
CEO in board x Controlling						-0.149 (0.776)		
Family owner			0.725** (0.295)	0.787 (0.452)			0.406*** (0.095)	0.135 (0.125)
CEO power x Family				-0.076 (0.225)				
CEO in board x Family								1.092** (0.426)
Leverage	0.425 (0.533)	0.432 (0.546)	0.363 (0.537)	0.352 (0.500)	0.474 (0.673)	0.470 (0.678)	0.442 (0.696)	0.383 (0.676)
Total assets (log)	0.274 (0.144)	0.274 (0.144)	0.285* (0.140)	0.285* (0.140)	0.236 (0.162)	0.236 (0.163)	0.246 (0.158)	0.233 (0.156)
ROA	0.524 (1.121)	0.535 (1.089)	0.109 (0.853)	0.106 (0.845)	0.121 (0.962)	0.125 (0.964)	-0.082 (0.811)	-0.184 (0.857)
Cash holdings	-2.452** (0.805)	-2.451** (0.803)	-2.241** (0.770)	-2.255** (0.805)	-2.893** (1.033)	-2.899** (1.031)	-2.746** (1.060)	-2.759** (1.000)
Firm age	0.003 (0.003)	0.003 (0.003)	0.002 (0.003)	0.002 (0.003)	0.002 (0.003)	0.002 (0.003)	0.002 (0.003)	0.001 (0.003)
Cash payment	-0.655 (0.363)	-0.656 (0.366)	-0.671 (0.349)	-0.666* (0.339)	-0.550 (0.291)	-0.551 (0.289)	-0.572* (0.283)	-0.557* (0.286)
Diversification	0.026 (0.123)	0.025 (0.118)	0.033 (0.115)	0.034 (0.116)	0.070 (0.113)	0.072 (0.107)	0.068 (0.107)	0.063 (0.107)
Domestic	0.009 (0.119)	0.010 (0.118)	0.063 (0.113)	0.066 (0.113)	0.077 (0.127)	0.076 (0.125)	0.096 (0.131)	0.044 (0.121)
Constant	-0.613 (1.270)	-0.571 (1.246)	-1.062 (0.696)	-1.104 (0.615)	-0.578 (1.268)	-0.597 (1.240)	-0.877 (0.773)	-0.628 (0.788)
Observations	771	771	771	771	771	771	771	771
Standard errors	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)	Clustered (Industry)
Industry controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Adjusted R-squared	0.263	0.262	0.281	0.280	0.304	0.303	0.309	0.316

Note: The following table displays the results of our OLS-regression models using **industry- and year-controls** as well as **robust standard errors** clustered by industry, in order to illustrate the moderating effect of controlling owners on the relationship between CEO power and Deal count. **Model (1)** includes **Controlling owner** (dummy variable equal to 1 if the largest owner by voting rights exceeds 10%, and 0 otherwise) as a control variable. **Model (2)** includes **CEO power x Controlling** (interaction term between CEO power index and Controlling owner). **Model (3)** includes the variable **Family owner** (dummy variable equal to 1 when an individual or family holds the ultimate largest controlling block, 0 otherwise). **Model (4)** includes **CEO power x Family** (interaction term between CEO power index and Family owner). **Model (5)** includes **Controlling owner** (dummy variable equal to 1 if the largest owner by voting rights exceeds 10%, and 0 otherwise) as a control variable. **Model (6)** includes **CEO in board x Controlling** (interaction term between CEO in board and Controlling owner). **Model (7)** includes the variable **Family owner** (dummy variable equal to 1 when an individual or family holds the ultimate largest controlling block, 0 otherwise). **Model (8)** includes **CEO in board x Family** (interaction term between CEO in board and Family owner). The other variables included in the table are (1) **Deal count** (number of deals within a given firm year), (2) **CEO power index** (sum of the dummy variables in the CEO power index, ranging from 0-3), (3) **CEO in board** (dummy variable equal to 1 if the CEO is in the board, 0 otherwise), (4) **Leverage** (the book value of LT-debt over the book value of total assets, t-1), (5) **Total assets** (the natural logarithm of the book value of total assets, t-1), (6) **ROA** (net income divided by the book value of total assets, t-1), (7) **Cash holdings** (cash & cash equivalents over the book value of total assets, t-1), (8) **Firm age** (number of years between the founding of the company and the year of the announcement), (9) **Cash payment** (dummy variable equal to 1 if the acquisition is paid with 100% cash, 0 otherwise), (10) **Diversification** (dummy variable equal to 1 if the acquiring firm and the target firm have different industry classifications, 0 otherwise), (11) **Domestic** (dummy variable equal to 1 if the target firm is domestic, 0 otherwise).

Clustered robust standard errors by industry in parentheses.

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